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THE NEXT WAR LOAN.

The fourth Canadian domestic war loan will be issued in November, probably within seven weeks from now. Its exact terms will not be known, or even finally settled, until the issue is immediate. In any event, however, they will be extremely attractive. Present conditions suggest a probable yield slightly in excess of $5\frac{1}{2}$ per cent., a rate of return upon a Canadian Government long-term security that will make the patriotic duty of subscription to the loan, a magnificently lucrative bargain to the subscriber. There will be no self-sacrifice or self-denial involved in a bargain of that sort.

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It is extremely important that this loan should be fully subscribed. But to obtain the desired result will probably be a more difficult matter than in the case of the issues preceding. Yet upon the loan's success and that of subsequent issues depends not only the meeting of Canada's war bills as they are incurred, but the maintenance of Canadian trade and industry at a high level of activity during the further continuance of the war. Let us put a complicated matter as simply as possible. The Dominion Government is meeting out of the war loans, and out of any surplus revenues available, its war expenditures in Canada. But in order to avoid sending a vast amount of funds out of the country at this time, the necessary amounts to meet the huge expenses of the Canadian forces in England and France are being borrowed from the British Government—the account to be settled up after the war. *Per contra*, the British Government's purchases on this side of the Atlantic, in Canada and the United States, are on such an enormous scale that it is unable to pay cash for them. As the actual producers—farmers, manufacturers, workmen—of the food stuffs and goods required by the British Government in Canada must be paid cash, loans either from the Canadian Government or the banks have to be arranged. Accordingly, large portions of the proceeds of the three loans already issued have not been used by the Canadian Government for its own war expenses, but lent to the British Government to finance its purchases in Canada. Other amounts have been loaned by the banks for the same purpose. Up to a recent date, the Canadian Government had loaned the British Government about \$320,000,000,

plus \$113,000,000 in long term securities issued in return for loans granted by the British Government at the outbreak of war, and the banks have lent direct to the British Government, a further \$100,000,000.

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If the British Government is to continue purchasing in Canada, those loans must be continued. The banks are undoubtedly to some extent handicapped in regard to direct loans to the British Government, owing to the necessity of their providing for the ordinary commercial demands of the Dominion, while these loans represent a somewhat indefinite tying up of resources. Through temporary loans, short-dated, to the Canadian Government they can, of course, ensure the regular supply of funds to the British Government. But again, unless these bank loans are repaid out of "real money" by public subscription of long-term war loans, inflation with its results of a further rise in prices and depreciation of currency will result. Under war conditions a certain amount of inflation is inevitable. But it must be kept sternly within bounds if financial soundness is to be maintained, and the most efficacious way of keeping it within bounds is by the subscription of "real money," according to every man's ability, to the war loans.

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This involves thrift. If during the next two years of war, (and it would probably be unwise to reckon upon a shorter period than that), we insist on spending individual surpluses on more automobiles, expensive furs, luxuries of any kind, instead of lending those surpluses—small or large—to the Canadian Government, for the use of the British Government in making purchases in Canada, we have no right to complain, if there is a lessened demand from abroad for the products of our fields and factories. Up to the present we have done well in raising war loans, but not nearly so well as we might have done. To the last Canadian war loan there were 40,000 subscribers, one in every 200 of the Dominion's population; to the Liberty loan in the United States, there were 4,000,000, one in every twenty-five. Something more of publicity and organisation than in the case of the former loans is apparently to mark the new issue. The essential thing is that every individual be shown that subscription to the War Loan, according to his means, is not only a patriotic duty but "good business."