

# Canada's War Financing is Done Well

**H**ELPING to finance a war is a new experience for Canada. It comes when North America is celebrating a century of peace. The Dominion government, the minister of finance, and bankers, have dealt with an entirely new situation in a highly creditable manner. Signs of panic have not been in evidence. Special financial measures had to be devised to cope effectively with a unique position, one which arose with startling suddenness. These within a few days have been placed upon the statute books, and will make impregnable the national finances. Last week a war appropriation of \$50,000,000 was voted for the following purposes:—

(a) The defence and security of Canada; (b) The conduct of naval or military operations in or beyond Canada; (c) Promoting the continuance of trade, industry and business communications, whether by means of insurance or indemnity against war risk or otherwise; and (d) The carrying out of any measures deemed necessary or advisable by the Governor-in-Council in consequence of the existence of a state of war.

Parliament has also given authority to make advances to the chartered banks by the issue of Dominion notes upon the pledge of securities, deposited with the minister of finance, of such kind and amount as may be approved by the Treasury Board, such advance to be repayable at such times as the board may determine with interest at a rate likewise determined by the board of not less than five per cent. per annum;

(b) to allow the chartered banks to make payments in the bank notes issued by such banks instead of in gold or Dominion notes, the total amount of the notes of any chartered bank circulation at any time not, however, to exceed the amount of its notes issuable under the provisions of the Bank Act, and of an enactment founded upon the next succeeding clause of this resolution;

(c) to authorize the banks to issue excess circulation, from and including the first day of March in any year to and including the last day of August next ensuing or during any part of such period, to amounts not exceeding fifteen per cent. of the combined unimpaired capital and rest or reserve fund of the respective banks, interest to be payable on such excess circulation at a rate not less than five per cent. per annum;

(d) to suspend the redemption in gold of Dominion notes;

(e) to authorize a moratorium, if necessary.

Further, the following resolution has been passed.  
1. Resolved, that it is expedient to increase the power of issue of Dominion notes by providing that the minister of finance shall hold gold: (a) to the amount of twenty-five per cent. of the Dominion notes issued up to a total issue of fifty million dollars (instead of up to a total issue of thirty million dollars as heretofore); (b) as respects Dominion notes issued in excess of fifty million dollars, equal to such excess; and further, that Assistant Receivers General's offices be established at Regina and Calgary.

Every one of these measures may not be utilized. There is some doubt, for instance, as to whether the declaration of a moratorium is necessary. Still, the legislation is on record if it is needed during the crisis.

The raising of Canada's war loan presents interesting phases. The government is authorized to use an

appropriation not exceeding \$50,000,000. The details of the expected expenditure of \$30,000,000 between now and the end of the fiscal year ended March 31st, 1915, for military purposes, as given by Premier Borden, include the following:—

Pay of 25,000 officers and men for seven months, \$6,000,000; rations at 40 cents per man, \$2,100,000; purchase of 5,000 horses at \$200 per horse, \$1,000,000; transport to Quebec, \$450,000; ocean transport, \$1,000,000; transport abroad, \$300,000; return transport to Canada, \$1,450,000; engineers' services at Halifax, Quebec and elsewhere, \$500,000; equipment, \$2,400,000; clothing, \$300,000; ammunition from Dominion arsenal, \$660,000; censorship, \$150,000; pay and maintenance of troops on guard in Canada, \$2,000,000; for additional troops and unforeseen expenditure, \$7,615,000.

The special war taxes, which will not fall heavily upon the people, will bring an extra revenue estimated at \$7,200,000. The new legislation regarding Dominion notes will give the government, \$15,000,000. In explaining this legislation, Hon. W. T. White, finance minister, has stated that the present gold holding, both by the Dominion and by the chartered banks, as security against the note issue, is approximately \$120,000,000. The gold now held in the treasury against Dominion notes totals \$91,735,584. Under the new legislation, whereby there may be a note issue up to \$50,000,000 against a holding of 25 per cent. in gold, the percentage is 81. The reduced percentage will still be larger than that held by the Dominion prior to 1899.

Other sums will be raised by way of loans. Where the money will be obtained has provoked discussion. In his statement to *The Monetary Times* last week, Mr. Bryan, secretary of state at Washington, makes it clear that the Canadian government should not be financed by United States bankers. No occasion, by the way, has arisen in past years to raise a government loan there. President Wilson's disapproval of United States bankers making loans to belligerent governments leaves two courses, the raising of loans in Great Britain, or in Canada. The first seems somewhat impracticable, although Great Britain's loan of \$50,000,000 to Belgium seems to admit of the possibility. That loan indicates that the British investment market for war purposes is not confined to the requirements of the British government. If Great Britain intends, to some extent, to act as banker to the countries outside the Empire, but fighting with Britain, there is a hope that England may subscribe some part of the loans required to make up Canada's war appropriation. Sir George Paish has stated that if the occasion should arise, the British people should be able, without any serious difficulty, to raise loans amounting to \$1,000,000,000 a year. This is in addition to any sums they may derive from the sale to the United States of a part of the great quantity of American securities they now possess. If the London market is not available for such a Canadian loan, either permanent or temporary, the funds probably will be raised in Canada, and without difficulty. But it would not surprise *The Monetary Times* to see a loan of, say, \$8,000,000 raised in Canada and one of \$20,000,000 in England in connection with the Dominion's war financing. The Canadian Associated Press dispatch from London suggesting that the loan will be raised chiefly in the United States is obviously far from the mark.