

The War Savings Certificates and Red Tape

The finance department can produce some good arguments in support of the procedure now in evidence

By H. M. P. ECKARDT.

The war savings certificates issued by the Dominion Government have been on sale for some time in denominations of \$25, \$50, and \$100; and recently a new issue of \$10 certificates was announced at Ottawa. They are designed to appeal to small savers throughout the country, and on the whole the class appealed to has responded fairly well — the amount of certificates outstanding, some time ago passed the \$10,000,000 mark. As the rate of interest on the three-year investment in a certificate is approximately 5 per cent, this feature or attraction helps materially to promote the sale. On the other hand a recent item published by Toronto Saturday Night explains how the procedure in connection with the issue and circulation of the certificates tends in some cases to discourage intending purchasers from taking them. The chief complaint made by the Toronto paper is that the purchaser cannot get his certificate at once when he pays the money. Quoting from the article — "The red tape surrounding the purchase of War Savings Certificates — most of it being absolutely unnecessary — is destroying to a large extent an unrivalled opportunity to obtain the money of the small saver for the use of the Government. In place of making these certificates of varying denominations easy to obtain, there is, owing to the methods pursued, much unnecessary red tape and aggravating delay. One must first apply in writing to a chartered bank. In other words, give your name and address, and all that sort of thing. Next you pass over your money for which you receive a receipt from the bank. Next your application is forwarded by the bank to Ottawa, and in due time, provided the application is without error, the banker receives back the certificate, and about a month later you drop in and get it."

"NO FUSS OR FEATHERS."

The writer of the article then repeats certain suggestions and remarks made to him by a banker in connection with actual experiences in selling the certificates. The banker expressed the opinion that the certificates should be as readily obtainable as bank bills and as negotiable — stating that there was no reason why they should not be sold in the same way as the war loan coupon bonds payable to bearer, with no "fuss or feathers" as to the registration of the buyer's name at Ottawa or elsewhere. He instanced the case of the man of the family who drops into the bank for a new bill or a gold piece to serve as birthday gift for wife or child, and stated that nine times out of ten this individual would accept the suggestion of a war savings certificate if it was immediately obtainable. Another instance quoted by the banker was that in which a large employer of labor came into the bank just before the pay-day at his works, and asked for 100 war savings certificates of small denomination — his intention being to offer them to his hands as they drew their pay — but with the procedure at present in vogue the certificates of course could not be supplied.

CHANGING VALUE.

The foregoing illustrations indicate clearly enough that the sale of the savings certificates would be greatly increased if the so-called red tape causing the delay could be cut out. However in all fairness it is advisable to make allowance for the considerations which probably played a part in inducing the Finance Department to take the course complained of first, with reference to the registration and non-negotiability of the certificates it is evident that one object of this is to make it safer to keep them in the average home where safes and vaults are not available. The document does not mature for three years and it must be put away in a drawer, cupboard or box where it would be subject to risk of theft if payable to bearer and readily negotiable. Then, another feature operating to interfere with ready negotiability is seen in the changing value of the certificate. Suppose one buys a \$25 certificate on 1st October, 1917. The instrument is worth the full \$25 on 1st October, 1920. Strictly speaking, one day's interest is added to its value every day that passes; and an instrument daily changing value in this way is not exactly suited for circulating from hand to

hand. Apart from the matter of making the certificates safer for purchasers to hold, there does not seem to be any insurmountable obstacle in the way of having them payable to bearer, or transferable by endorsement, and of abolishing the registration feature. Perhaps the Government would be subject to additional risk of forgery if that were done; and it would be necessary to use more elaborate or more expensive forms.

Even if the registration were abolished and the documents were made payable to bearer, there would be certain tactical difficulties to be provided for before the banks could be placed in position for handing them out instantaneously whenever a customer tendered the price. It would not be practicable for a bank to buy a block of a half million or a million dollars in certificates, because it would lose the interest on its money from the time it purchased the block until the certificates were all sold. The certificates would have to be dated when the bank bought them; and as they are sold at uniform advertised prices it would be inconvenient to add the accrued interest to entrust the forms to the banks as agents, the question of dating them comes up. Could this be settled through delivering the forms to the bank, complete except as to dating, and giving the bank officials at any branch the authority to fill in the date on making a sale? Although this suggestion will doubtless strike Government officials as irregular and heretical, there is nothing impracticable about it. The proprieties could be observed through having a formula on each certificate to the effect that "This certificate was dated and issued by the..... Branch of Bank," said formula to be filled in and signed by the branch manager or accountant. Of course the banks would be strictly accountable to the Finance Department for dating, issuing, reporting, etc; and the Department would

run no risk. The banks would have to account for all forms entrusted to them, and they would, inevitably devise such methods as were necessary to protect themselves from irregularities on the part of their staffs.

ACTIVE SALE.

It is to be remembered that there has been an active sale of the war savings certificates through the post office; and it would seem that if arrangements are made whereby the banks are able to make instant delivery to purchasers buying through them, the same arrangement should apply to purchases made at the post offices. It would have a queer appearance if the savers could get the certificates from a bank at once on paying in their money, while they could not do so at the post office. And yet it is easy to see that there are grave objections to the policy of putting the postmasters in position to hand out the certificates at once on receiving the money. The documents being payable to bearer, and obligations of the Dominion Government, would have almost the status of cash; and the majority of post offices are not equipped to ensure proper safe-keeping or handling. Many post offices are situated in drug stores or general stores, and the operations are conducted in a rough and ready way which would not be apt to ensure safe handling of considerable amounts of bearer securities.

Then, if the certificates were drawn so as to be transferable by endorsement, as in the case of a bill of exchange, that would necessitate the filling in of another blank at the bank or post office where the sale was made. The agent or vendor would require to fill in the date and the payee's name. This would make the document a hybrid affair. Also the matter of identification would come up whenever transfers were made. In view of the fact that the certificates are intended to be a straight three-year investment, with value increasing from day to day through accrual of interest, it seems unnecessary to emphasize facility of transfer in their case. The probability is that most of the holders will carry the investment to maturity.

These considerations show that the Finance Department can produce some good arguments in support of the procedure now in evidence. At the same time there is no doubt that if a method of promptly delivering the bonds on payment of the money, could be devised, which would also give the necessary protection against frauds, etc., the sale of the certificates would be greatly increased.

The War Trade Control

(New York Journal of Commerce.)

The President's somewhat voluminous order putting in effect the power of control over trade so liberally vested in him by Congress, simply provides the active agencies for carrying out the work. Very much will depend upon the judgment, skill and fidelity with which it will be done. It will come continually in contact with private interests and may greatly affect public opinion in its attitude toward the Administration, which will be dependent upon it for needed support.

There is a War Trade Board constituted which displaces the Exports Administrative Board by taking over its functions in addition to others. The new Board is to consist of "representatives" of the Secretaries of State, Treasury, Agriculture and Commerce and of the Food Administrator and Shipping Board. Through these, under rules and regulations devised by itself in accordance with provisions of the law, this Board will exercise unprecedented powers over both import and export trade, intimately affecting our relations with other nations as well as our own internal business interests. There is also to be a War Trade Council to act in an advisory capacity upon matters to be referred to it either by the President or the War Trade Board. This is to consist of those heads of departments and other officials whose "representatives" are to constitute the Board itself. Large powers are vested in the Secretary of the Treasury in connection with the practical operation of the rules and regulation with a view to giving them authoritative effect.

A Censorship Board is also established to consist of "representatives" of the War Trade Board and the Secretaries of War and the Navy, the Postmaster General and the Committee on Public Information. The function of this Board, so far as defined, will be to execute rules, regulations and proclamations that may be issued under the espionage provision of the Trading with the Enemy Act, for the censorship of communications by one means or another between this and foreign countries, including those commu-

nications "carried by any vessel or other means of transportation touching at any port, place or territory of the United States and bound to or from any foreign country." This Board is authorized to "take all such measures as may be necessary or expedient to administer the powers hereby conferred."

Large powers are also vested in the Federal Trade Commission for the granting of licenses in various lines of trade and looking after the observance of their privileges and requirements. The Postmaster General is vested with powers and duties regarding the printing, publishing or circulation in a foreign language of matters relating to the conduct of the war. This grants pretty broad powers, not very clearly defined, which will require a good deal of discretion and tact in their application, or more harm than good may be done. Other functions more or less distinctly stated for the Secretaries of State and of Commerce in relation to trading with the enemy, and the powers of a custodian of alien property in this country, yet to be appointed, are set forth. This is the beginning of a large experiment in the application of Government powers, which is altogether without precedent. Very much must depend upon the manner and spirit of their exercise. A vast responsibility is assumed which only the war could justify.

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