

# The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1861

PUBLISHED EVERY FRIDAY



Vol. XXXV. No. 40

MONTREAL, OCTOBER 1, 1915.

Single Copy 10c  
Annual Subscription, \$5.00

## THE ANGLO-FRENCH LOAN.

The arrangement which an official announcement made plain this week has been definitely settled, for a joint Anglo-French loan of \$500,000,000 in the United States is of much interest from more than one point of view. It is the first occasion in modern times on which the two principal creditor nations of the world, for such England and France are, have borrowed abroad, and the first occasion also that they have borrowed jointly. That the statesmen of the two countries should agree to such a course of action is more eloquent than much rhetoric of the closeness of the bond uniting the Allies and the whole-hearted character of their co-operation in a common purpose. While their present action is unique, the borrowing which they have arranged is not a loan operation in the ordinary sense—it has a special character. The loan results from these circumstances:—It is of vital importance to the United States that the volume of her ordinary exports—wheat, cotton and many other necessities—should be consistently maintained. England and France require these things, but in view of the decline in exchange adding a considerable percentage to their price, consider that they will have to try to get them elsewhere, unless arrangements can be made whereby exchange can be restored to a normal level and the overcharge be thus avoided. The United States wants to meet the convenience of her best customers whose continued patronage is vital to her prosperity and accordingly suggests deferred payments. The principle of deferred payments agreed upon between the parties, the matter of terms comes up for discussion. That has now been settled, and the upshot of the whole matter is that capitalists and investors in the United States lend to the two European Governments an agreed upon amount of funds, which do not leave the United States but are used in payment for produce and goods produced in the United States and sold to Europe. Thus, the way is smoothed for the continuance of satisfactory business relationships; the American grower and shipper continue

to trade and prosper; the borrowers continue to receive an uninterrupted supply of the things they require, and, incidentally, sterling exchange, relieved of a dead weight of bills all one way, should recover towards a normal basis.

\* \* \*

It is significant that in the announcements concerning the new loan no specific reference is made to munitions. Whether these will be paid for from the funds raised by the new loan is not yet clear, but it seems possible, as has been suggested, that munitions will continue to be paid for by shipments of gold, leaving the funds to be raised by the new loan available for other commercial and agricultural products solely. Under other circumstances the terms of the new loan would be startling; at the present, they are merely regarded as marking another step in the advance in the rate of interest caused by the war. The new loan will be issued in the form of five-year five per cent. joint British and French bonds payable jointly and severally by the two nations. These bonds will be issued to the public at 98 so that their yield will approximate  $5\frac{1}{2}$  per cent., the syndicate of banks who will contract to purchase the bonds from the two governments paying 96. The bonds will be repayable at the end of five years or convertible at the option of the holder, into  $4\frac{1}{2}$  per cent. bonds of the two governments, repayable not earlier than 15 years and not later than 25 years from the present time by the two governments jointly and severally. Later information states the bonds will be provable early subscribers at  $96\frac{1}{4}$ .

\* \* \*

With the exception of some French treasury notes, this loan will constitute the only exterior debt of the two countries and as such will, of course, have precedence over domestic debt. This precedence is frequently referred to as a first lien, though in point of fact it is nothing of the kind, since the Governments concerned are merely following the usual practice of borrowing on their general credit. In any case, the loan

(Continued on p. 1107)