Monetary Times

Trade Review and Insurance Chronicle of Canada

Address: Corner Church and Court Streets, Toronto, Ontario, Canada.
Telephone: Main 7404, Branch Exchange connecting all departments.
Cable Address: "Montimes, Toronto."
Winnipeg Office: 1008 McArthur Building. Telephone Main 2914. G. W. Goodall, Western Manager.

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One year	Six Months	Three Months	Single Copy
$3.00	$1.75	$1.00	10 Cents

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The Monetary Times was established in 1867, the year of Confederation. It absorbed in 1869 The Intercolonial Journal of Commerce, of Montreal; in 1870, The Trade Review, of Montreal; and the Toronto Journal of Commerce.
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CANADA'S NEW YORK LOAN

The reasons inducing the Dominion government to float its $45,000,000 loan in New York instead of in London were detailed by the minister of finance last week, in announcing the loan. Briefly, the issue will help the exchange situation and relieve the British money market. The Ottawa Citizen, discussing the loan, to some extent obscures these and other reasons with a certain amount of satire. It recalls that the present administration went to the country on a British flag platform, and there was to be no truck with the Yankees and suggests it does not like the jilting of the British flag by the issue of a loan in New York.

"As soon as Yankee gold gets a little cheaper than British sovereigns," it says, "we promptly roll up the old flag and travel hat in hand to New York to save a few thousand dollars at the expense of London. And London has plenty of money to lend. She is financing her allies, and preparing, according to the accepted meaning of the chancellor's statement a few days ago in the house, to finance Bulgaria and Roumania as soon as these countries decide to enter the war. Her huge war loan was subscribed with extraordinary rapidity, and the Old Lady of Threadneedle Street was never in such a prosperous condition as now. Yet Canada goes across the line for a paltry forty millions to save the exchange expenses."

Canada floated its $45,000,000 in New York because it helped the British flag to do so. *The Monetary Times* does not know, but it strongly suspects that communications passed between the British treasury and the Canadian finance minister, regarding the most suitable market for the Canadian loan at this time. Great Britain has loaned Canada, since the outbreak of war, for public, railroad and other works, $41,000,000, a small amount compared with other years. Loans of approximately $100,000,000 have also been made at the rate of $10,000,000 monthly to help finance Canada's share of the war. Great Britain is also financing in similar ways the war operations of other of its overseas empires and of several of the allies. By placing the $45,000,000 loan in New York, we have relieved Great Britain of that heavy obligation and, according to New York bankers, this delays the date on which it may be found necessary by Britain to negotiate a loan of credit in the United States.

THE SILVER BULLET

Three days after $3,000,000,000 had been subscribed to the British war loan, a cable dispatch quoted William of Germany as declaring to a committee of financiers, that the war would end in October. According to the dispatch the financiers called upon the kaiser to point out to him the grave financial difficulties of the situation and the risk of attempting to continue the campaign for another winter. They are said to have declared that even if the war were brought to an end at once the position would be most difficult, while if it be prolonged, the German empire will become utterly bankrupt.

The kaiser will have to do much tall talking to convince shrewd German bankers that German finances have not already declined to an alarming position. Even Great Britain, with its unparalleled financial strength, is undergoing a severe financial test which, however, it can stand with success. What, then, must be the position of Germany? Within a few weeks after the war had started, financial measures had been passed in Germany which even in the event of German victory would, according to a reliable British authority, cause very great difficulties, and in the event of German defeat, would cause financial disaster. In England, gold is circulating pretty freely. In Germany, the government compelled those who had gold to pay it into the Reichsbank, which employs it entirely for war purposes. Tons of paper money are being issued to ordinary business customers, and the volume is being increased by new issues. Obviously with the British empire's determination to fight the war to a finish, much of this German paper money will be valuable only as shaving paper and pipe lighters.

According to a London writer, subscriptions to the second German war loan were opened at the end of February last, and the issue again took the form of 5 per cent. imperial and exchequer bonds. This time the issue price was 98½, and the amount of subscriptions was again unlimited. The most desperate devices were adopted to secure subscriptions. Securities of all sorts, including those of the first war loan, could be pledged with banks to secure the necessary money. It was nothing but an enormous paper operation, and after several weeks of this financial juggling Berlin announced that the total subscribed was about $2,250,000,000.

The British war loan last week was on quite a different basis, the British financial methods being absolutely sound. Those who have invested in the loan have complete faith that their mite or million will be repaid in due course and that the interest will be paid regularly. The silver bullet is finding its billet.

"It is not enough to say the law must take its course but it must be made to take its course," says Hon. Thomas Johnson, Manitoba minister of public works, speaking of the parliament buildings scandal. That is one of the peculiarities of the politics and law mixture of Canada—the law has often to be kicked into action.