

# The Chronicle



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### PROSPECTIVE BORROWINGS.

The fact that Sir Thomas White had to issue a statement last week, denying any intention on the part of the Government to confiscate savings bank accounts, illustrates the harm which may be easily done in these days by the thoughtless use of loud-sounding phrases, which really mean nothing in particular. "Conscription of wealth" is merely a silly synonym for taxation; any taxation, by whatever authority imposed, is conscription of the wealth taxed. That a public, ill-educated in the elements of economics and finance, should have placed a more sinister meaning upon the phrase, is pardonable, in view of the feverish character of a good many recent utterances and writings in which the offending term figured as text. It is to be hoped that we shall now hear no more of a phrase that is so easily liable to serious misconstruction. The situation is not without a humorous aspect, considering that the Dominion Government is at present in the midst of a large advertising campaign, involving the expenditure of a good many thousands of dollars, the whole point of which is the urging of Canadians to forego luxuries in order to invest in War Savings Certificates. We hope that Sir Thomas White appreciates the humorous incongruity of events; that faculty will help him through a period of very serious difficulties and heavy responsibilities.

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While at the time of writing no announcement has been made of a definite character, it appears that there are good prospects of an arrangement for lightening the present burden of Canadian war financing by borrowing in the United States, though whether such an arrangement will involve a direct loan from the American Government to the Canadian Government, in the manner of the United States credits to the European Allies, or the facilitating of direct Canadian borrowings in New York, does not yet appear. Sir Thomas White has been in Washington conferring with Secretary McAdoo this week. An operation of this kind would have several very important results in the improvement of the existing financial situation. It would mean, probably, that the time of issue of a fourth domestic War Loan could be postponed for a few months, say until the turn of the year. In various quarters, there is a feeling of doubt as to Canada's capacity to absorb a new domestic loan at the time originally suggested for its flotation—the early fall. Obviously, some months later, when the forthcoming crops have been marketed, the country as a whole would probably be in much better shape for a large operation of this character than in September. Secondly, an American loan would enable the Minister of Finance to repay, without drawing upon other domestic funds, the

temporary loans which have been lately granted the Canadian Government by the banks, for account of the Imperial Munitions Board, which loans have to be repaid in time for crop-moving. Again, an American loan would rectify the position of New York and Canadian exchange, and enable Canada to continue its purchases in the United States without a constant drain upon its resources. As is now well-known, the credit arrangements on behalf of the Imperial Munitions Board make impossible the use of our favorable exchange balance with Great Britain for the settlement of our indebtedness in the United States—a course which under normal conditions was consistently followed. Our trade with the United States—much of it in these days in the raw material of munitions—involves the settlement of an enormous balance. In the last fiscal year, ended March 31st, we purchased from the United States, goods for domestic consumption to a value of \$664,000,000, while our exports to the United States during the same period were only \$290,000,000. In May, our imports from the United States were \$90,985,000 and exports to that country, \$43,244,000. As Canada is the second-best of the United States' customers for exports, facilitation of payments is an important matter for American interests as well as Canadian, and as Canadian purchases in the United States consist largely of material for war supplies, the common cause would be facilitated by the granting of necessary credits.

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That Sir Thomas White looks still for a prolonged period of hostilities is suggested by the announcement that bonds of the second and third War Loans will be available for conversion into any future issues of a longer currency than twenty years. This announcement would hardly have been made had not the question of making the next War Loan of a currency longer than twenty years been seriously considered at Ottawa, and this serious consideration would hardly have been given were it anticipated that a few months would see the conclusion of hostilities. When the war is clearly in its last stages, obviously it will be the part of wisdom to adopt measures of temporary financing, in order that subsequently the rate of interest payable upon war loan issues may be reduced as speedily as possible. In regard to the question of the credits to the Imperial Munitions Board, it has been suggested that sooner or later a new plan will have to be worked out to relieve the banks to some extent of the entire responsibility of financing the British Government's Canadian purchases. This war financing threatens to become a handicap in the carrying on of ordinary commercial business and a change sooner or later in arrangements at present existing, will probably be desirable.