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Canada's Credit Advances and British Government

Canada's Credit Advances and British Government Method and Nature of Dominion's Financing of Imperial Munitions Board.—From the "Economic World," London, in July Issue.

The credit arrangements and advances made by the British colonies, dependencies and possessions in aid, not of their own participation in the European war, but of the financial problems of the Imperial British government, will certainly be found some day to form the subject-matter of one of the most interesting chapters in the history of the great conflict. From one end of the earth to the other, wherever constituent parts of the British commonwealth are found, military and naval forces, equipped and supplied by colonial governments and peoples themselves, have been freely placed at the disposal of the Central Imperial Government; and besides this in a large number of the colonies and dependencies extensive financial assistance has been given to the Imperial Government through the provision of local credit designed to facilitate the purchase of foodstuffs, raw materials and munitions or articles of war by the Imperial Government, thus relieving by so much the financial strain upon that government while the war is actually being carried on. An excellent illustration of what has been done in this way is furnished by the credit advance, both public and private in origin, which Canada has made to the Imperial British Government, over and above all the costs of the war to Canada itself by reason of the troops, with their equipment and supplies, that the Dominion has sent to the battlefields of Europe.

The granting last month of a further munitions credit of \$75,000,000 by Canada to the Imperial Government, brings the total of such loans to \$250,000,000. Similar loans by Canadian banks have been \$120,000,000 and the Canadian Pacific Railway has loaned \$10,000,000. This is a grand total of \$380,000,000, representing Canada's share of the financing of the British Government's purchases in the Dominion. The various credits, as nearly as lack of official information will allow, are shown in table at end of this article.

The Canadian Government's first credit of \$50,000,000 was made possible by the over-subscription of its first war

loan to that extent. The credit of September, 1916, was also arranged in a similar way from the second war loan. The credit of November, 1916, was made by a syndicate of Canadian banks, who completed arrangements to extend a revolving credit of \$20,000,000 for six months, to the Royal Wheat Commission of Great Britain for the purchase of wheat in Canada. The \$10,000,000 credit of May was for shipbuilding, the Imperial Government having already placed \$25,000,000

of shipbuilding orders in the Dominion. Other orders for ships are likely to follow. The latest credit of \$75,000,000 will be advanced \$25,000,000 per month during June, July and August, and will insure a continued and uninterrupted flow of orders to Canada, especially for shells. For a certain type of shell the British military authorities are depending principally upon Canada, and the output of this type is now very large.

The terms of these advances are favorable to Canada, as the banks reap not only interest on the money advanced but require in addition that contracts for an amount exceeding the sum of the advance shall be placed in Canada.

The later transactions have been facilitated by the offer of the Canadian Finance Minister to rediscount at any time Imperial Treasury bills held as collateral for the advances. Available bank funds are so large that it is not probable such rediscounting will be at all necessary; but provision for such facilities have made possible transactions on a large scale.

The contract made between the Finance Minister and the

Canadian Bankers' Association in regard to these credits, is confidential. The bank subscriptions to the credits, however, are not made on a pro rata basis; it is left to the discretion of each bank as to what subscription it will give. Canadian banks have made special advances to the Canadian and British Governments, since August, 1914, of more than \$270,000,000 aside from individual subscriptions to various securities issued in the London market.

The Dominion Government made arrangements with the Canadian banks for their loans of \$100,000,000 to the Imperial Government. The Canadian Government, however is not the guarantor of those loans, as it is not regarded as necessary that the Imperial credit should be fortified by Dominion credit. According to a statement

PREVENTION OF WASTE ESSENTIAL TO VICTORY.

"Waste in time of peace is a sin; in this time of national stress it is a crime." Such is the declaration of Sir Robert Borden. Are you guilty of that crime against the nation and against the Divisions who are fighting your battles on the firing line? The National Service Board is pleading with you to practise economy, to study every expenditure, to eliminate waste, and to avoid all expenditures on luxuries. By such measures you can save your money and give it to the nation for war purposes. The machinery for the giving is supplied by the National Service Board. Your nearest money order post office or bank sells War Savings Certificates. By buying such certificates you are helping the financial mobilization of the country which is essential to success. The firing line must be supported by the financial line. Your dollars are needed to give that support. Are you fighting with the men at the front or against them? Save your dollars and invest them in Government bonds.