

Realizable Assets Supporting our War Loans

The Dominion Government in Placing its Successive War Loans Before the investing Public Might Derive Additional Benefit Through Setting out the Strong Points of its Position as Regards Reliable Assets

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When an industrial corporation seeks a credit from its bankers or offers its bonds to investors by public sale, the company almost invariably emphasizes any favorable points there may be in connection with its quick or liquid assets. If these are of a high class, and if there is a substantial surplus of them, over and above the amount of current or short-date liabilities, bankers and investors are, as a rule, more willing to grant credit to the concern and its financial problems are thereby simplified. This matter is mentioned because sometimes it appears to friendly critics that the Dominion Government, in placing its successive war loans before the investment public here and in the United States, might derive additional benefit or advantage through setting out the strong points of its position as regards realizable assets. The Government has made large loans to the Canadian Northern and Grand Trunk Pacific, and holds the bonds of those companies as security. The realizability of these bonds depends largely on the measure of success which the railway companies attain in their operations. So, while these may in the long run prove to be valuable assets, it would perhaps be unwise to insist too strongly upon their value as realizable assets.

Also it is not permissible for the Dominion Treasury, in connection with its war loan issues, to take credit for its specie holdings, which amounted to \$124,000,000 on June 30th, 1917. This gold represented the reserve against the Dominion note issues and the Government savings bank balances; and only if it were more than sufficient for such reserve purposes could it be reckoned as affording strength or support to the war bonds. As a matter of fact the gold held at this date was somewhat less than the legal requirement. Then, there are the balances in banks, which at times now-a-days reach large proportions, especially after new credits are negotiated. These, of course, are high class quick assets, and they bear directly on the matter of the war bonds; but on the other hand the balances at credit of the Finance Minister in the bank may perhaps be practically offset by the accounts in adjustment, etc., which he must shortly pay. The bank balances are not stable or permanent under present war conditions—they run down very rapidly under the influence of the tremendous outlay upon the war.

However, there is one item of the Dominion Government's assets, supposed to have reached large dimensions, which can properly be considered as realizable assets, which is actually part of the foundation or cause of the Dominion war loans. This is the British Treasury bills. The Canadian Bank of Commerce July Commercial Letter says that at least \$150,000,000 of the \$350,000,000 procured through the flotation of internal war loans, have been advanced by the Government to the Imperial Munitions Board, which means the British Government, presumably on Treasury bills. It mentions that the banks have also advanced the Munitions Board \$150,000,000. The situation as regards bank holdings of British treasury bills is fairly clear. On April 1st, 1916, the chartered banks took roundly \$75,000,000; on July 1st, 1916, \$25,000,000; and in January, February and March, 1917, \$50,000,000. These bills are understood to have been at 12 months' date; also it is said that the \$75,000,000 and \$25,000,000 issues due respectively April and July, 1917, were renewed. So the total holdings of the banks at present appear to be \$150,000,000. The amount and maturities of the Government holdings are not so clearly understood. It is known that the Finance Minister advanced \$50,000,000 to the Munitions Board, out of the proceeds of the first domestic war loan; and it is supposed that \$50,000,000 of the proceeds of the second war loan were similarly applied. Then, a little while ago, the announcement was made that the chartered banks in June, July, and August, 1917, were to advance the Finance Minister \$75,000,000 on three and four months' notes—the Minister presumably using the proceeds to make fresh credits aggregating \$75,000,000 to the Munitions Board. When the Bank of Commerce July Letter appeared, probably two-thirds of the new credit had been provided; and this \$50,000,000, along with the \$100,000,000 previously advanced by the Government,

would make up the total of \$150,000,000 mentioned in the Commerce Letter. Apparently in August when the final installment of \$25,000,000 is turned over by the banks, the Dominion Government's loans to the Munitions Board will amount to \$175,000,000. Now the question, of interest to war loan subscribers, is this. On completion of this recently arranged credit, will the Dominion Government's holdings of British Treasury bills in connection with its own advances to the Munitions Board, amount to \$175,000,000? If the Dominion Government took one-year treasury bills, as did the banks; and if the maturing batches were renewed, it would appear that our national treasury holdings of British bills could be reckoned as \$175,000,000. Proceeding on that assumption, the domestic war loan situation would be something as follows: total issues of internal war loan bonds, \$350,000,000; short-date Government notes held by the banks, \$75,000,000—making an aggregate of domestic borrowings, \$425,000,000, against which the Dominion Government holds \$175,000,000 of British Treasury bills maturing within one year.

TO CANADA'S CREDIT.

Put in that way the situation redounds more to Canada's credit and has a greater tendency to strengthen the war bonds in the estimation of home and foreign investors, than if the total amount of domestic loans is stated without any clear explanation of the amount of British bills acquired and held. The newspapers have contained on certain occasions statements by the Finance Minister giving the amounts paid out by the Dominion Treasury on account of British Government purchases here, also the amounts of repayments by Britain and the balances still due. The newspaper accounts have not made it clear whether these payments and repayments referred to matters apart from the credits

granted to Munitions Board. If there is, in addition to the treasury bill holdings, any substantial balance in current account, so to speak, owed by Britain to Canada, it would be advantageous for us to elucidate the position.

It is, of course, understood that the Dominion Government owes the United Kingdom a considerable balance in current account in connection with the pay and maintenance of the Canadian expeditionary forces in France and Flanders. Some time ago over \$100,000,000 of this floating debt was settled through delivery to the British authorities of long-date Dominion Government bonds; and the impression prevails that further balances now due or to become due in this account, may be settled in the same way through the issue of 20, 25 or 30 year bonds. In view of this, it would not be altogether correct to regard the open account against us in London as offsetting to that extent our holdings of British Treasury bills. While the British Government may renew certain issues of its treasury bills, pending the flotation of new war loans, it is not likely that it contemplates asking Canada to finally accept settlement in the form of long-date British bonds, for the short date bills and for any open account debtor balances, owned by us. The probability is that our running accounts against the mother country and part of our holdings of British short-term bills will be included in the general clearing up and refunding operations carried through by the Imperial Exchequer from time to time during the war. It may be the case that payment for the whole debt will be gradual, but the general opinion in Canadian financial circles is that the British Government knows too well our chronic need of capital for development purposes to ask us to carry its bonds for any long term of years. When the war ends the ultimate financial settlements will likely be arranged largely by Britain, the United States and France. There will be huge balances owing by certain of the Allies to Britain and the United States, and probably vast sums in the way of reparation to be provided by Germany. In the light of these enormous transactions, our claims against Great Britain, though they may look large to us, will appear relatively insignificant. It will be an easy matter for the British and American Governments to arrange matters so that we can utilize in New York or elsewhere such holdings as we may have of short-date claims on Britain.

Book Reviews

The Sunday Law in Canada (Dominion Law Book Company, Toronto, \$3.00, 130 pages), by Geo. S. Holmsted, K.C., of the Ontario Bar, deals with Roman Sunday Laws, Saxon Sunday Laws, English Sunday Laws, and then with Sunday Laws of Upper Canada and Ontario. This law relating to public holidays is fully discussed.

The author points out that the British House of Commons has occasionally sat on Sunday and that a question as to the legality of the Dominion Parliament sitting on Sunday was raised in the spring of 1896 and its legality affirmed. Sunday trading, contracts made on Sunday, and games and amusements on Sunday are fully dealt with.

The now well known Quebec Case on Rex. v. Charron 15 S.C.C. 241 is discussed in which it was held that a moving picture show without any verbal explanation or musical accompaniment, but for which an admission fee is charged, is not a violation of the Provincial Act 7, Edw. 7, C. 42, prohibiting the pursuit of an ordinary business or college, as the words in the French version of the Act show that it is intended only to apply to sales of goods, mercantile business and manual occupation.

Matrimonial Jurisdiction in Ontario and Quebec, (is published by Dominion Law Book Co., \$2.00, formerly Arthur Poole & Co.), the author being George Smith Holmsted, K.C., of the Ontario Bar, who elaborates his oft-repeated opinion that decrees of nullity of marriage pronounced by Quebec Courts were, and are, pronounced without proper jurisdiction. He also quotes authorities to support the contention that the High Court of Justice for Ontario has no matrimonial jurisdiction and that the Provincial Act 1 Geo. 5, C. 32, purporting to give such jurisdiction is ultra vires. There is an interesting analysis of the cases tried in the Quebec Courts.

The author pleads for the establishment of a Dominion Matrimonial Court. A postscript discusses at length the famous Hebert case, decided by the late lamented Mr. Justice Charbonneau.

The Marriage Laws of Canada. Dominion Law Book Co. (\$2.00; formerly Arthur Poole & Co.) is also by Geo. S. Holmsted, K.C., of the Ontario Bar. Practically the whole text is devoted to an argument in opposition to the practice of the Quebec Courts which nullify marriages on the strength of the Ne Temere decree of the Council of Trent. The whole ground is well covered.

An interesting note tells us the author is opposed to absolute divorces as being opposed to the true interpretation of Scripture. In this he follows the teaching of the Roman Catholic Church, which says the marriage is a nullity or if there has been a marriage that there may be a separation. The author regrets that a temporal law sometimes permits a violation of the Divine law or what is generally believed to be the Divine law. He points out that many Christians and non-Christians entertain no scruples as to the propriety of divorces a vinculo, but if there is diversity of opinion divorce decrees should be judicial and for well defined causes and not according to the fluctuating opinions of a parliamentary committee.

ROD AND GUN FOR AUGUST.

Bonnycastle Dale writes of experiences with wild-fowl on the Pacific Coast in the August issue of Rod and Gun, which is now on the news-stands, while in The Letter of the Law, Leslie Hayward describes entertainingly the experience of a typical Maritime Province guide with a troublesome party in New Brunswick woods.