

These figures are exclusive also of war loans of \$70,000,000, made at the rate of \$10,000,000 monthly this year by the British authorities to Canada, under a special arrangement.

In announcing the placing of the \$45,000,000 loan last week, Hon. W. T. White, minister of finance, stated that the considerations which influenced the making of the new short date issues in New York were as follow:—

Relief to the amount of the loan will be given to the London market which is the source of the Imperial borrowings from which the war expenditure of the empire (including Canada) is financed.

By borrowing in New York rather than in London the exchange situation, now so greatly against the latter, will be benefited.

A loan of such large amount effected in New York should tend to improve exchange conditions between Canada and the United States, exchange at present being strongly in favor of the latter.

Having regard to the loss in exchange (amounting to one and one-half per cent.) in transferring funds from London to New York, which is the Canadian exchange centre, the rate of interest paid on the New York loan is as advantageous as the rate at which a similar loan could be placed in London. Payment for the securities being in New York funds the Dominion gets the benefit of the existing premium on New York exchange in transferring the proceeds of the loan to Canada.

No treasury bills are now outstanding against the Dominion and the amount borrowed will meet its requirements till the end of the fiscal year. The international exchange situation was discussed very fully by the finance minister not long ago, and his statement on this subject was printed in *The Monetary Times* of June 25th last.

The trade interests of Canada and the United States are very strong, the trade balance naturally running against the Dominion. We buy more in the United States than we sell and the former medium for adjusting the situation, borrowing in London, has not been available to the same extent as in normal times. While we have been buying less and selling more abroad since the war started, and the balance of trade has been shifting in favor of Canada, placing the country in a better position to meet its interest obligations, there still remained the need that new capital should be available for work under contract and other expenditures deemed advisable even at a time when effort is necessarily directed toward restricting new enterprise. As the restricting of Canada's buying power inevitably reacts on United States trade with this country, it has been evident that if the United States intends to hold that trade, it must to some extent take the place of London in advancing credit to Canada, and in adjusting the financial exchanges between the two countries.

During the twelve months ended 1913, 1914 and 1915, Canadian-United States trade stood as follows:—

Year.	Imports from United States.	Exports to United States.
1913	\$441,000,000	\$167,000,000
1914	410,786,000	200,459,000
1915	428,616,000	215,409,000

British government credit is on a 4½ per cent. basis and that fact must be kept in mind by all borrowers in all markets. A prominent Canadian banker, discussing the British war loan, said that the object lesson of the loan for Canada was that more favorable conditions for borrowers are not expected for at least ten years. Canadian provinces and municipalities that, since the war broke out, have been borrowing with a light heart against one, two

or three-year obligations, should profit by the lead now given by the most important borrower in the world acting under the most skilful and experienced advice. This British loan has seemingly set a fresh standard of values for all stock exchange securities in the British empire, if not throughout the world at large.

The Canadian loan of \$45,000,000 was very attractive to investors who will secure 5 per cent. on their money. Buyers also have the option of converting the one-year notes in nine months into 20-year debentures bearing 5 per cent. interest, and also the option of converting the two-year notes into 20-year debentures bearing interest at 5 per cent. These are attractive terms, but the British government, as stated previously, also extended very generous terms, both in the matter of interest rate, conversion and other privileges, in its recent war loan. Criticisms as to it being an expensive issue were made about that loan as they have been regarding the Canadian loan. Money market conditions, however, must be recognized and neither the British nor the Canadian governments could afford to leave in doubt the results of the success of their loans.

Sir Frederick Williams-Taylor, general manager of the Bank of Montreal, which is the financial agent of the Dominion government, negotiated the loan as the agent of the government. Sir Frederick said, when asked about the New York story that the money would be used by Great Britain to buy munitions:—

"The following statement is authorized: That the proceeds of the loan will be used to defray capital expenditures upon public works and undertakings under construction in the Dominion of Canada. It is obvious from this statement that the report mentioned is not the case."

In view of the heavy financial demands which will be made for the movement of this year's crop and for the extension of credits to those engaged in producing munitions and other war material and supplies and to the business and agricultural community generally the minister of finance did not think it expedient for the present to resort to a Canadian domestic loan issue. The general opinion appears to be that a Canadian loan offered to Canadians would prove a popular issue, and that there would be no difficulty in getting it subscribed. When the British war loan was announced last month, there was a disposition here on the part of investors to subscribe. The pronouncement of chancellor of the exchequer McKenna, however, checked this tendency. He said in the British House of Commons on June 30th: "While anxious to give the residents of the overseas dominions every opportunity of subscribing to the war loan, I hope they will not lose sight of the fact that they can do a greater service to the empire by lending their resources to their own dominion, and so reduce the calls made by those governments on the United Kingdom."

Mr. H. M. P. Eckardt, who has frequently contributed to *The Monetary Times*, writing recently of a possible domestic loan, pointed out two principal objections against such a loan from the Canadian point of view. The first is that the distribution of the bonds here in Canada would absorb much of our limited supplies of ready money—all of which is ordinarily needed for other purposes; and the second, that the financial operations following a purely domestic loan would have a tendency to turn the exchanges with the United States more decidedly against us than at present. Many people have the idea that if a \$50,000,000 war loan were placed in this country, most of the money would come out of the savings departments of the banks. Perhaps a considerable sum would