WAR LOAN BULLETIN

OF THE

# Monetary Times

Trade Review and Insurance Chronicle

of Canada



*March 12th, 1917* — *Issued from 62 Church St., Toronto*

# 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:** 1208 McArthur Building. Telephone Main 2663. G. W. Goodall, Western Manager.

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| One Year | Six Months | Three Months | Single Copy |
|---|---|---|---|
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## THE BEST BOND

Aside from the patriotic phase, the Canadian war bond is an excellent investment. Dominion government bonds, in point of merit, rank ahead of all other Canadian issues. Our credit in the United States is better even than that of Great Britain. No one in Canada or, for that matter, anywhere else, doubts the stability of the borrower. Canada will be able to meet the interest on its war loans, past, present and future, without any difficulty. Our shores are free from the invader and, thanks to the British navy, are likely to be. While the Dominion is prosecuting its share of the war vigorously, those who are staying at home are seeing that greater production is achieved from the soil and from natural resources.

However pessimistic the passing phases of the Great War may be inclined occasionally to make us, no one who analyzes the available facts, can doubt ultimate victory or fail to have well-seasoned optimism in the future of this Dominion, of the British Empire and of their securities.

## SMALL SUBSCRIPTIONS WANTED

Small subscriptions are an important factor in the success of our war financing. The outstanding feature of the recent British "victory" war loan was the great number of small subscriptions, which helped to swell the loan to record proportions. Our banks have much to do in financing war orders placed here and in carrying the increasing volume of agricultural and industrial production. Financial and other corporations will subscribe liberally to the coming war loan, but it is absolutely necessary that many thousands of subscriptions, ranging from $100 to $25,000, should be received in order to make the loan a real success. Dominion war loan bonds are one of the world's best investments and have a patriotic flavor. A subscription to our war loans is not a sacrifice. It is a duty, and incidentally it remunerates the subscriber handsomely.

A large number of small subscriptions to the war loan will be more appreciated by the government than a small number of large subscriptions. The allotment of the loan to large subscribers will be cut down by the government so that all the small subscribers may have their full share of bonds.

There are many thousands of people who have from $100 to $5,000 for investment. Their duty is to lend this money to their country. The security of the war bond is excellent, the income yield is high and the bonds are readily saleable at any time, should the holder desire to sell.

## WAR LOANS PER CAPITA

The splendid results of the first and second war loans and the excellent prospects for the oversubscription of the third loan now offered, not only enhance Canadian credit in the international money markets but also give the people of Canada a greater measure of financial self-reliance. The country knows well that it is capable of doing a little lending, besides a lot of borrowing. An achievement which has meant the subscription of two dollars for every dollar asked for by the government, is notable.

With the $300,000,000 subscribed through the two war loans, the per capita subscription is approximately $40. A number of small investors subscribed to the previous two loans but the majority of the rank and file have yet to be reached. Debenture stock issues, convertible into war loans, and war savings certificates are beginning to attract the smaller investors in greater numbers. If $80 per capita instead of $40 were subscribed to war loans it would represent war loan subscriptions of $600,000,000. Even in the event of these loans reaching such an amount in due course, the subscription of $80 per capita to war loans should not be an impossible task. The sum of $200,000,000 has already been loaned to the Dominion government in war loans and the present loan will increase the total to $350,000,000. In addition, we have facilities for raising funds in the United States. The hope is reasonable, therefore, that the war will be in its closing stages before Canada has to raise a total of war loans equal to $80 per capita.

## SILVER BULLETS

The oversubscription of our war loans are well-made silver bullets in the hide of Prussian militarism, autocracy and barbarism. The oversubscription of the present loan will be another such bullet. Canada is willing to manufacture these bullets until peace is brought to the Empire and its Allies. We believe, too, that we have the sympathy of the people of the United States in this fight. The success of our war loans is a further indication of our resolve to fight the war to a conclusive finish. It is one of a hundred similar incidents occurring every day in the Motherland and in the outposts of the Empire.

While Germany is tangled in all sorts of financial difficulties, with the future dark and foreboding, and defeat looming in the distance, the British Empire is raising, with comparative ease, hundreds of millions for the conduct of the war. The silver bullet is scoring heavily. The material at hand for its making is still sufficient to give the Hun an additional shiver. This is our third war loan and we can keep up the pace.

## CANADA'S WAR FINANCE POLICY

### Posterity Must Bear Share of Burden, but We Can Provide Interest and Sinking Fund Charges

In discussing in his budget speech in February, 1915, the proper financial policy of a nation in time of war, Sir Thomas White, finance minister, said: "Some have strongly favored the policy of large borrowing; others have insisted that the cost of a war be defrayed by a nation at the time it is being waged. Obviously, in a war such as this the latter course would be impossible. The truth seems to be that it is not practicable for all nations to adopt the same policy or for any nation the same policy at all times. The circumstances and conditions of individual nations must be taken into consideration. If a country has much accumulated wealth, a policy of drastic taxation would appear to be advisable. With a country such as ours, rich in potential resources, certain of future development and great expansion of production and population, but without at present large accumulations of wealth, it would appear that the placing upon posterity the greater portion of the financial burden of this war is justifiable, waged as it is in the interests of human freedom, and for their benefit in equal if not in greater degree than for our own. Canada in future years of peace, with the prosperity which will be her heritage from the development of unbounded resources, will be well able to meet the interest and sinking fund charges upon such debt as we shall be obliged to incur in defence of our country and its liberties.

**Utilize Only Necessary Taxation.**

"Assuming that Canada's indebtedness on account of this war will reach $500,000,000, at 5 per cent the annual interest will amount to $25,000,000. This sum, with a substantial amount added yearly for a sinking fund, could be met, provided strict economy be practised by governments, from the future revenue of the Dominion. In national finance, if debts can be funded, the practical question is that of payment of annual interest. But while this is so, the fact must not be overlooked that debt is debt, a financial obligation and burden upon the body politic, whether owed to investors at home or abroad." Since these statements a year ago and the continuance of the war at an increasing cost, with peace negotiations apparently still some distance away, the debt on account of war may reach $1,000,000,000. The arguments of the finance minister, however, apply equally to that amount as to the smaller sum of $500,000,000.

**To Encourage Agriculture.**

In the same speech, Sir Thomas White said:—

"It is Canada's clear national duty and supremely in the interest of our credit to provide what we reasonably by taxation can without impairing our economic strength. To attempt more would mean too drastic taxation upon a community whose trade and commerce have been seriously interrupted and affected by war conditions and unduly heavy burdens upon a people already contributing generously of their substance to funds and organizations whose patriotic object is the comfort and well-being of our soldiers and the dependants they have left behind. In connection with taxation, there is another feature which we must also bear in mind—namely, that Canada is a country inviting immigration, and we must be careful not to create the impression that it is likely to become a country of heavy individual taxation. In this conection, it is opportune to state on behalf of the government and as enunciating its settled policy, that, in providing Canada's war expenditure, resort will not be had to taxation upon the farms, personal effects, or income of those engaged in our great basic industry of agriculture."

"As you look for peace, for reparation, and for security, so lend freely to the utmost of your power."—Right. Hon. Reginald McKenna.

## CANADA'S CREDIT REMARKABLY HIGH

### United States Investors Have Given Ample Proof of Their Faith in Our Bonds

Canada's credit to-day is better on this continent than Great Britain's. Attention was drawn to this fact by Sir Thomas White, finance minister, in the House at Ottawa, on February 1st. We can sell our securities on a lower interest basis than Great Britain can sell her securities in the United States. Of course, Great Britain has offered no securities in Canada.

A year ago last fall the Imperial government put out in the United States a 5 per cent. five-year loan at 98, the underwriters taking a considerable portion of it at 96. That loan went down to 95, to 94, to 93. When Canada comes on the market with her securities, it is to a certain extent in competition with those Imperial securities and in competition with that market price, but the fact remains that Canada's credit to-day is better on this continent than Great Britain's credit.

**On Five per Cent. Basis.**

In the United States market Canadian credit is approximately on a 5 per cent. basis, the credit of foreign belligerents (where collateral is provided) a 6 per cent. basis, and on unsecured obligations a 7 per cent. basis, while that of the most important French cities is on a 7¼ basis. Canada is deeply involved in the European war, its debt is rapidly increasing, yet United States investors in this unmistakable manner have shown their confidence in the Dominion's resources, in its integrity and in the soundness of its government securities.

**An Interesting Comparison.**

The following table, showing the selling prices (as on December 23rd last) of certain British and foreign bonds issued in the United States market since war commenced, is proof of these statements:—

| | Due. | Issued at a price to yield %. |
|---|---|---|
| Canada 5's | 1921 | 5.09 |
| Canada 5's | 1926 | 5.09 |
| Canada 5's | 1931 | 5.04 |
| Great Britain 5's (secured) | 1918 | 6.22 |
| Great Britain 5½'s (secured) | 1919 | 6.09 |
| Great Britain 5½'s (secured) | 1921 | 6.13 |
| France (American Foreign Securities Company) 5's (secured) | 1919 | 6.03 |
| Anglo French 5's | 1920 | 6.97 |
| Russia 6½'s | 1919 | 6.73 |
| Russia 5½'s | 1921 | 6.82 |
| Paris 6's | 1921 | 7.16 |
| Bordeaux, Marseilles, Lyons 6's | 1919 | 7.35 |

## ADVANTAGES OF A 20-YEAR WAR BOND

The present war loan will mature in 20 years, a feature which will prove a great attraction to investors. The first loan was for 10 and the second for 15 years. Canadian credit for a period before the war ranged between 3½ and 4 per cent. Supposing that five years hence the credit of the Dominion is on a 4½ per cent. basis. At that time the first war loan bonds will have four years, the second bonds nine years, and the present bonds fifteen years to run. A 4½ per cent. rate for each of the three Canadian war loans will, therefore, be in 1922 a price of 101¾, 103⅝ and 105⅜, respectively.

Should the credit of the Dominion in 1922 be on a 4 per cent. basis these prices would in each case be increased to 103⅝, 107½ and 111¼, respectively.

"I want to see cheques hurtling through the air—fired from every city, town, village and hamlet throughout the land—fired straight into the entrenchments of the enemy." —David Lloyd George.

## WEALTH FROM CANADIAN PRODUCTION

### What is Back of Our War Loan—Our Production Has Doubled Since 1908

There is substantial wealth and excellent credit behind the Canadian government's war loan The value of production in Canada last year from field crops, forests, mines and fisheries was approximately $1,204,029,350, compared with $1,182,908,671 in 1915. The details for the two years are as follow, the figures for 1916 being necessarily to some extent an estimate of *The Monetary Times*, but well within the mark, as our previous estimates have shown:—

| | 1915. | 1916. |
|---|---|---|
| Field crops | $ 841,669,500 | $ 808,029,350 |
| Forests | 172,880,000 | 190,000,000 |
| Mines | 137,109,171 | 170,000,000 |
| Fisheries | 31,250,000 | 36,000,000 |
| | $1,182,908,671 | $1,204,029,350 |

**Production Nearly Doubled Since 1908.**

The value of production (field crops, mines, fisheries and forest products) each year since 1908 has been as follows:—

| | Total. |
|---|---|
| 1908 | $ 703,590,000 |
| 1909 | 816,274,000 |
| 1910 | 701,085,000 |
| 1911 | 901,709,000 |
| 1912 | 909,358,000 |
| 1913 | 907,311,000 |
| 1914 | 975,380,006 |
| 1915 | 1,182,908,671 |
| 1916 | 1,204,029,350 |

The value of manufactured products last year is estimated at $2,000,000,000, compared with $1,392,000,000 in 1915, $1,400,000,000 in 1913, and $1,110,000,000 in 1910.

## CONVERSIONS WILL PROBABLY BE SMALL

Canada's third domestic war loan is not convertible into future issues. This privilege was given in the first war loan but was not included in the prospectus of the second loan.

The conversion clause in the first prospectus was as follows:—

"In the event of future issues (other than issues made abroad) being made by the government for the purpose of carrying on the war, bonds of this issue will be accepted at the issue price 97½, plus accrued interest, as the equivalent of cash, for the purpose of subscriptions to such issues."

The privilege of converting the first into the second war loan was not extensively used in September last. In the case of 68 of the many subscriptions to the second war loan reported to *The Monetary Times*, in which the actual new cash subscribed was $24,002,000, plus $1,735,000 of old bonds converted. Roughly, that is equal to $2,000,000 of converted bonds for every $24,000,000 of new money, if these 68 subscriptions were a fair reflection of the general results. In that event, the full subscription of $100,000,000 of the second loan would have brought with it approximately $8,000,000 of converted bonds in addition.

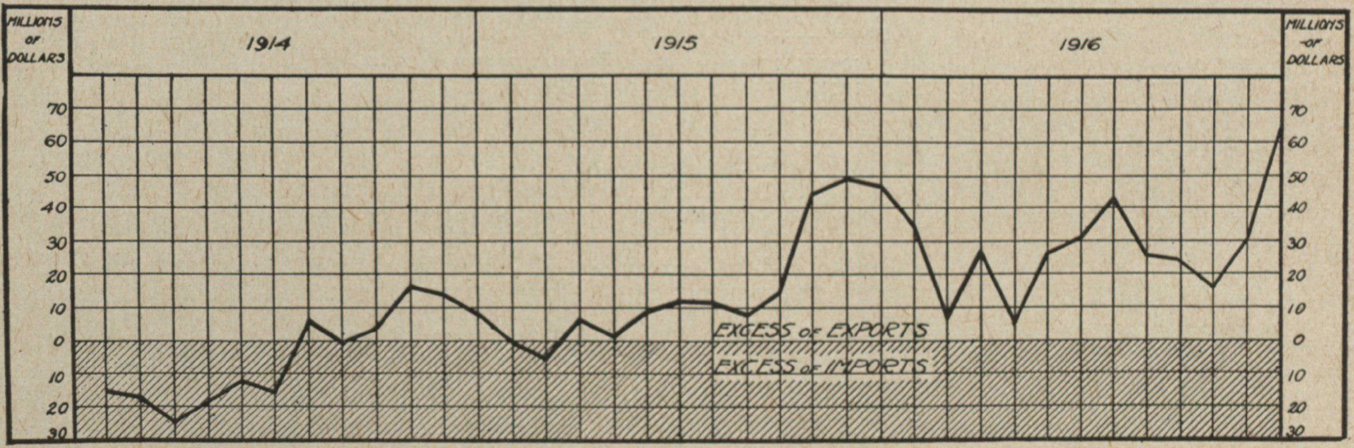
Only a comparatively small amount of the first loan is likely to be converted on this occasion. The bulk of the conversions is likely to be made up of the holdings of institutions who desire to secure a long-term security with wider markets. The present loan is for $150,000,000, exclusive of conversions.

The holders of Dominion of Canada debenture stock dated October, 1916, also have the privilege of surrendering at par and accrued interest, as the equivalent of cash, in payment of any allotment made under any future war loan issue in Canada other than an issue of treasury bills or other like short-date security. Of this stock, which is issued for war purposes only, $6,609,500 had been sold to February 22nd. Much of this is likely to be converted into the new war loan.

The war savings certificates issued by the government are not convertible into war bonds. Of these, $2,455,000 had been sold to February 22nd.

# Remarkable Change in Our Trade Balance

***From an Unfavorable Balance of $275,000,000 in 1913 to a Favorable One of $345,000,000 at the end of 1916—War Orders Have Helped to Effect the Change.***




The above chart shows at a glance the remarkable change in Canada's trade balance since the war. In December, 1914, the unfavorable balance for the year was $53,000,000. In 1915 it had changed to a favorable balance of $202,940,000, and in 1916 to $345,713,000. In September, 1913, the unfavorable balance was $275,000,000, so that since that date, the balance has improved to the extent of $620,000,000, and at the end of 1916 was $345,713,000 in our favor. These figures represent merchandise only; they do not include gold and bullion.

Preliminary trade statistics for January last indicate continued improvement in our trade returns. The following table shows the exports of Canadian produce for that month compared with January, 1916:—

| | 1917. | 1916. |
|---|---|---|
| Mines | $ 6,836,464 | $ 4,654,815 |
| Fisheries | 2,784,824 | 2,437,715 |
| Forest | 3,695,352 | 3,243,360 |
| Animals, etc. | 11,745,761 | 10,203,827 |
| Agriculture | 22,550,924 | 15,402,976 |
| Manufactures | 50,814,082 | 47,015,283 |
| Miscellaneous | 678,852 | 773,208 |
| Total | $99,106,259 | $83,731,184 |

## LIFE COMPANIES' SUBSCRIPTIONS LARGE

### Comparison of Purchases of First Two Loans—Companies Have Added to Original Buyings

The annual reports of Canadian life insurance companies show that these institutions, among the largest buyers of bonds, are well prepared as in previous loans to take up war loan bonds to the extent of many millions of dollars.

The appended table, compiled by *The Monetary Times*, shows the Canadian life insurance companies' subscriptions to and allotments of the first and second war loans, with a note where possible as to their intended subscription to the present loan:—

Legislation was passed early last year whereby life insurance companies and associations carrying on business in Canada under Dominion license were obliged to invest and keep invested a certain portion of their assets, during 1916 and 1917, in the currency bonds or debenture stock of the Dominion.

Companies whose domicile is outside of Canada but which are licensed to transact business in Canada were required to make the deposits which they were required to make in 1916 and 1917 as security for their policyholders in the Dominion in such securities; and Canadian companies for 1916 and 1917 had to invest in such securities one-half of the increase in their net ledger assets during the years 1915 and 1916, after making provision for increase in foreign reserves and in policy loans.

| Life insurance company. | Subscription to first loan. | Allotment. | Subscription to second loan. | Allotment. | Probable subscription to present loan. |
|---|---|---|---|---|---|
| Canada | $1,500,000 | $1,500,000 | $1,000,000 | $407,500 | Not decided. |
| Capital | 25,000 | 25,000 | 25,000 | 25,000 | $ 50,000 |
| Confederation | 500,000 | 500,000 | 500,000 | 207,500 | $ 500,000 |
| (1) Continental | 100,000 | 100,000 | 100,000 | 47,500 | Not yet decided. |
| (2) Crown | 100,000 | 100,000 | 150,000 | 75,000 | Not yet decided. |
| (3) Excelsior | 150,000 | 150,000 | 100,000 | 82,500 | Not yet decided. |
| Great West | 1,000,000 | 1,000,000 | 1,000,000 | 407,500 | At least $1,000,000. |
| London | 250,000 | 250,000 | 300,000 | 127,500 | Probably $200,000. |
| (4) Manufacturers | 835,000 | 835,000 | 700,000 | 287,500 | Not yet decided. |
| (5) Mutual Life (of Canada) | 500,000 | 500,000 | 1,500,000 | 537,500 | Not yet decided. |
| National | 100,000 | 100,000 | 150,000 | 67,500 | $ 200,000 |
| North American | 500,000 | 500,000 | 500,000 | 207,500 | $ 500,000 |
| Northern | 105,000 | 105,000 | 50,000 | 32,500 | Probably $200,000. |
| Travellers (of Canada) | 15,000 | 15,000 | 25,000 | 25,000 | 25,000 |
| Saskatchewan | 5,000 | 5,000 | 5,000 | 5,000 | 10,000 |
| Sun | 2,000,000 | 2,000,000 | 5,500,000 | 2,487,700 | Not yet decided. |

(1) This company's subscription will be as much or more than its previous subscriptions.
(2) The company later purchased $13,000 of the second loan.
(3) Of its first war loan allotment, the company has sold $50,000.
(4) The subscription of $835,000 to the first war loan was all converted into the second loan. With the allotment of $287,500 of the second loan, the total of war loans held by the company is $1,122,500.
(5) In addition, a further amount of $325,000 of the first loan was purchased in the open market. The total of war loans held by the company is therefore $1,362,500.

# How the Three War Loans Compare

| | Loan of Nov., 1915. | Loan of Sept., 1916. | Loan of March, 1917. |
|---|---|---|---|
| Amount of loan | $50,000,000 (later increased to $100,000,000) | $100,000,000 | $150,000,000 |
| Five per cent. bonds maturing in | 10 years | 15 years | 20 years |
| Issue price | 97½ | 97½ | 96 |
| Yield to investor | 5.42 | 5.30 | 5.40 |
| Cost of $1,000 bond to investor, if paid for by instalments | $975 | $975 | $960 |
| Cost of $1,000 bond to investor who discounts instalments and makes all outstanding payments on given date | $962.70 | $970.40 | $957.35 |
| Discount-of-instalment privilege given | 42 days from date of issue | 34 days from date of issue | 35 days from date of issue |
| Instalments payable between | November 22nd, 1915, and May 1st, 1916 | September 12th and December 15th, 1916 | March 12th and June 15th |
| Instalment payments spread over | 159 days | 94 days | 96 days |
| Interest payable, half-yearly, on | June 1st and December 1st | April 1st and October 1st | March 1st and Sept. 1st |
| Principal and interest payable | In currency | In gold | In gold |
| Proceeds of the loan to be used only for | War purposes | War purposes | War purposes |
| Denominations of coupon bonds | $100, $500, $1,000 | $100, $500, $1,000 | $100, $500, $1,000 |
| Denominations of fully registered bonds | $1,000, $5,000, or authorized multiple of $5,000 | $1,000, $5,000, or authorized multiple of $5,000 | $1,000, $5,000, or authorized multiple of $5,000 |
| Privilege of converting war bonds into bonds of future war isues | Privilege allowed. (Bonds of this issue accepted at 97½ plus accrued interest as equivalent of cash for purpose of subscription to new war loan issues.) | Privilege not allowed | Privilege not allowed |
| Final allotment of bonds | $100,000,000 | $100,000,000 (exclusive of amount paid for by surrender of first war loan bonds) | $150,000,000 (exclusive of amount paid for by surrender of first war loan bonds) |
| Fee for conversion of fully registered bonds without coupons to bonds with coupons and vice versa | —— | 25 cents | 25 cents |

# WAR LOAN

# DOMINION OF CANADA

## Issue of $150,000,000 5% Bonds Maturing 1st March, 1937

PAYABLE AT PAR AT
OTTAWA, HALIFAX, ST. JOHN, CHARLOTTETOWN, MONTREAL, TORONTO, WINNIPEG, REGINA, CALGARY, VICTORIA, AND AT THE AGENCY OF THE BANK OF MONTREAL, NEW YORK CITY.

INTEREST PAYABLE HALF-YEARLY, 1st MARCH, 1st SEPTEMBER.
PRINCIPAL AND INTEREST PAYABLE IN GOLD.

## ISSUE PRICE 96

A FULL HALF-YEAR'S INTEREST WILL BE PAID ON 1st SEPTEMBER, 1917.
THE PROCEEDS OF THE LOAN WILL BE USED FOR WAR PURPOSES ONLY.

THE MINISTER OF FINANCE offers herewith, on behalf of the Government, the above-named Bonds for subscription at 96, payable as follows:—

10 per cent. on application;
30 " " 16th April, 1917;
30 " " 15th May, 1917;
26 " " 15th June, 1917.

The total allotment of bonds of this issue will be limited to one hundred and fifty million dollars, exclusive of the amount (if any) paid for by the surrender of bonds as the equivalent of cash under the terms of the War Loan prospectus of 22nd November, 1915.

The instalments may be paid in full on the 16th day of April, 1917, or on any instalment due date thereafter, under discount at the rate of four per cent. per annum. All payments are to be made to a chartered bank for the credit of the Minister of Finance. Failure to pay any instalment when due will render previous payments liable to forfeiture and the allotment to cancellation.

Subscriptions, accompanied by a deposit of ten per cent. of the amount subscribed, must be forwarded through the medium of a chartered bank. Any branch in Canada of any chartered bank will receive subscriptions and issue provisional receipts.

This loan is authorized under Act of the Parliament of Canada, and both principal and interest will be a charge upon the Consolidated Revenue Fund.

Forms of application may be obtained from any branch in Canada of any chartered bank and at the office of any Assistant Receiver General in Canada.

Subscriptions must be for even hundreds of dollars.

In case of partial allotments the surplus deposit will be applied towards payment of the amount due on the April instalment.

Scrip certificates, non-negotiable or payable to bearer in accordance with the choice of the applicant for registered or bearer bonds, will be issued after allotment, in exchange for the provisional receipts.

When the scrip certificates have been paid in full and payment endorsed thereon by the bank receiving the money, they may be exchanged for bonds, when prepared, with coupons attached, payable to bearer or registered as to principal, or for fully registered bonds, when prepared, without coupons, in accordance with the application.

Delivery of scrip certificates and of bonds will be made through the chartered banks.

The issue will be exempt from taxes—including any income tax—imposed in pursuance of legislation enacted by the Parliament of Canada.

The bonds with coupons will be issued in denominations of $100, $500, $1,000. Fully registered bonds without coupons will be issued in denominations of $1,000, $5,000 or any authorized multiple of $5,000.

The bonds will be paid at maturity at par at the office of the Minister of Finance and Receiver General at Ottawa, or at the office of the Assistant Receiver General at Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg, Regina, Calgary, or Victoria, or at the Agency of the Bank of Montreal, New York City.

The interest on the fully registered bonds will be paid by cheque, which will be remitted by post. Interest on bonds with coupons will be paid on surrender of coupons. Both cheques and coupons, at the option of the holder, will be payable free of exchange at any branch in Canada of any chartered bank, or at the Agency of the Bank of Montreal, New York City.

Subject to the payment of twenty-five cents for each new bond issued, holders of fully registered bonds without coupons will have the right to convert into bonds of the denomination of $1,000 with coupons, and holders of bonds with coupons will have the right to convert into fully registered bonds of authorized denominations without coupons at any time on application to the Minister of Finance.

The books of the loan will be kept at the Department of Finance, Ottawa.

Application will be made in due course for the listing of the issue on the Montreal and Toronto Stock Exchanges.

Recognized bond and stock brokers having offices and carrying on business in Canada will be allowed a commission of three-eighths of one per cent. on allotments made in respect of applications bearing their stamp, provided, however, that no commission will be allowed in respect of the amount of any allotment paid for by the surrender of bonds issued under the War Loan prospectus of 22nd November, 1915, or in respect of the amount of any allotment paid for by surrender of five per cent. debenture stock maturing 1st October, 1919. No commission will be allowed in respect of applications on forms which have not been printed by the King's Printer.

**Subscription Lists will close on or before the 23rd March, 1917.**

**Department of Finance, Ottawa,** March 12th, 1917.

**A. E. AMES & CO.**
*Investment Bankers. Established 1889.*

# *The Strongest Possible Argument*

***Is furnished by the price and terms of the***

# NEW WAR LOAN

***Except the still stronger argument it furnishes, viz., the safeguarding of our Country, our Empire and our Civilization.***

***We are at your service in all respects relating to the Loan. Write for particulars.***

A E Ames & Co.

*MONTREAL* — *Union Bank Building, 53 King W.* **TORONTO** — *NEW YORK*

# SILVER BULLETS

The Government of the Dominion of Canada is offering another War Loan, which will yield practically 5.40. The term is Twenty Years.

Subscribers to the loan will not only be performing a patriotic duty, but will also be making an excellent investment combining safety, high interest return and marketability.

Subscribers whose applications for their bonds are received by this office have the assurance of our supervision, as well as our efficient selling organization at any time the holders may desire to convert the bonds into cash.

Sign and mail the following coupon—NOW:

DOMINION OF CANADA 5% WAR LOAN

FERGUSON, SANSON & GRAHAM
Toronto General Trusts Bldg.
Toronto, Ont.

I hereby request you to record my subscription for $.................. of the Third Dominion War Loan in accordance with the Official Prospectus, and I hereby engage to pay the instalments as they shall become due.

Name.............................................
Mr., Mrs. or Miss

Address.............................................
..............................................................

## BONDHOLDERS PAY NO TAX

### War Loan is Exempt from Dominion Taxes, Present and Future

As in the case of the other war loans, the present issue will be exempt from taxes, including any income tax imposed in pursuance of legislation enacted by the Dominion government. There is no immediate likelihood of an income tax in Canada. The impression prevails in many quarters, however, that at the expiration of the business profits war tax act at the end of the three years period, legislation may be introduced with a view to instituting a general tax on incomes. In that event, the income derived from holders of Canada's war bonds will not be taxable by the Dominion.

**Government Has Considered Tax.**

It is known that the government has considered the question of an income tax upon individuals. In February, 1915, Sir Thomas White, finance minister, stated that it appeared to the government that such a tax was not expedient, "at all events for the present." In order to bring into force an income tax the government would be obliged to create machinery for assessment, revision, and collection. This would involve a heavy expense as compared with the amount which would be realized. Taking the income tax of the United States as a basis, Canada could hardly expect to derive more than $2,000,000 from a similar tax, and from that would have to be deducted the expenses of its administration.

**Some Objections to Tax.**

Other objections mentioned by the finance minister at that time were the facts that the several provinces of Canada were also likely to be obliged to resort to measures for raising additional revenue; that a long period must elapse before a new income tax becomes productive; that while in Britain the tax is the chief source of revenue to the government and taxable incomes are derived largely from investments the position in Canada is different; and, finally, that in certain Canadian provinces income is subject to taxation by municipalities, and in two instances by the provinces themselves.

The exemption feature of the war loans, however, may prove to be a somewhat substantial attraction in the future.

## PROVINCES COULD SUBSCRIBE $100,000,000

### One or Two May Apply for Part of the Loan, but Assistance in Large Measure is Not Needed Yet

Some of Canada's provincial governments will probably apply for blocks of the third war loan. Two provinces were subscribers to the previous issue, Manitoba and Quebec each purchasing $500,000 bonds. There were no provincial subscriptions to the first loan, but Hon. Edward Brown, provincial treasurer of Manitoba, in a statement in March, 1916, said that he had expressed to the Dominion finance minister the willingness of that province to subscribe $5,000,000 to the Dominion war loan made in November, 1916. In this suggestion he had the full approval of his colleagues in the Manitoba cabinet. That fact raises interesting possibilities in regard to future Dominion internal loans. Mr. Brown said that when making this proposal he had at the same time an assurance from the neighboring Western provinces that a similar contribution of $5,000,000 could be made by each of them. "I feel confident in saying," said Mr. Brown, "that the four western provinces would have gladly made a joint contribution of $20,000,000 for this purpose. I feel further warranted in saying that, if it becomes necessary, the provinces of Canada can easily make a contribution of $100,000,000."

After discussing the matter fully at that time with the Dominion minister of finance, it was agreed that the time had not yet arrived when it would be advisable to make use of this suggestion. Strictly speaking, the question of furnishing ways and means for national defence is a matter for the Dominion government. *The Monetary Times* does not think the need of such assistance is likely to arise, but this general desire throughout the provinces to share in the responsibility is one of which every Canadian citizen may well feel proud. The fact, too, that the provincial governments are able and willing to subscribe $100,000,000 to a federal war loan is one which will enhance materially Canadian credit in the world's money markets, even should it be unnecessary to ask the provinces to subscribe part of any future war loans. Canada is following the best traditions of British finance and at the same time, as Mr. Brown said a year ago in the Manitoba house, "we are ready to pledge our resources to the limit for the defence of the Empire."

**Manitoba Invested Trust Moneys.**

In connection with the Manitoba subscription of $500,000 to the second war loan, the provincial treasurer made the following announcement: "Believing that the people of the province would heartily endorse our action, the government has, after due consideration, decided to invest a half million of trust funds of the province in the Dominion war loan. These moneys are, at the present time, on deposit with the banks, earning at the rate of 3½ per cent. on daily balances. The investment will mean that the earnings will be materially increased. Two hundred thousand dollars of the sum in question will be taken from the sinking funds of the drainage districts, and three hundred thousand from the telephone replacement moneys."

## CANADIANS SHOULD BUY CANADIAN BONDS

### If They Persist in Buying Government Issues Made in States, Tax Will Probaby Come

The Canadian investing public should reserve their funds for Dominion loans. This statement has been made on several occasions by Sir Thomas White, finance minister, on behalf of the government. If Canadians purchase securities in New York in sufficient volume to seriously affect the exchanges or the prospects of floating our loans in Canada, then the Dominion government will impose a tax on those securities. That was made clear by the finance minister in the House at Ottawa on February 1st last.

Great Britain borrows money in the United States, where there is a plethora of money. Great Britain uses that money to make purchases in the United States. If the Canadian public buy British securities issued in New York, Canadian money is being used for the purpose of making purchases in the United States. That in itself would not be objectionable if it were not for its possible effect upon our exchanges. International balances are settled in gold and if the Canadian public invested largely in British or French loans made in New York for the purpose of buying goods in the United States, exchange would soon become unfavorable to Canada. Apart from that, when the Dominion government makes its war loans in Canada the money which would otherwise have been available to take up those issues would have been spent in the United States.

A considerable portion of the loans which we float in Canada find their way to the United States. If we put out a loan of $100,000,000 in Canada, $15,000,000, $20,000,000, or $25,000,000 of it may be sold in the United States by those who took it. That would be a set-off against $15,000,000, $20,000,000 or $25,000,000 that might be expended by Canadian people in purchasing securities in New York. As long as exchange is not seriously affected and as long as the loan fund in Canada is not depleted so that our loans are unlikely to be subscribed, no harm will be done. But on account of the large sums that we require for our own war expenditures and to finance Great Britain in her purchase of munitions in Canada, it is exceedingly desirable that the Canadian people should conserve their resources for the purpose of buying our war loans.

Thrift for the individual is excellent, but just now that is of minor importance. Thrift for the sake of Canada, thrift for the sake of the Empire, thrift to win the war should be our cry. We shall not fail for men, difficult as enlistment may be. We shall not fail because of our inability to make or to procure war supplies. If we fail it will be because we have wasted on unnecessary things the money that would have won the war.—Sir Edmund Walker.

## HOW THE OTHER TWO LOANS WERE ALLOTTED

The heavy oversubscription of the previous war loans raised unusual interest in the question of allotment. The government decided to allot the bonds as follows:—

**War Loan, November, 1915.**

(1) All subscriptions of $50,000 and under were accepted in full.

(2) Subscribers, other than the chartered banks, for amounts exceeding $50,000 were allotted their subscriptions in full, but were allowed to withdraw or reduce the amount of their subscriptions by written notification lodged with the finance department on or before December 18th, 1915.

(3) The chartered banks, which subscribed an aggregate of $25,000,000 were allowed to take such portion of their subscription as they desired, but so that the total issue did not exceed $100,000,000.

Of the total loan so increased to $100,000,000, the government employed $50,000,000 to establish a credit with the finance department for the Imperial treasury.

**War Loan, September, 1916.**

(1) Subscriptions of $25,000 and under were allotted in full.

(2) From $25,000 to and including $100,000, the first $25,000 in full, the remainder 30 per cent.

(3) From $100,000 to and including $1,000,000, the same as (2); the remainder 40 per cent.

(4) In excess of $1,000,000, the first $1,000,000 the same as (3); the remainder 26 per cent. approximately.

The working of this principle was this: Subscriptions from $25,000 to $100,000 were allotted an average of 58 7-10 per cent. of the sum subscribed; subscriptions from $100,000 to $1,000,000, an average of 40 per cent. of the sum subscribed; subscriptions over $1,000,000, an average of 31 2-5 per cent. of the sum subscribed.

No allotments of the $50,000,000 subscribed by the banks were made, but a credit of $50,000,000 was established here for the Imperial treasury.

Subscriptions of $25,000 and under (and possibly $50,000 and under) will probably be allotted in full in the present loan.

## BONDS ARE GOOD COLLATERAL

The banks regard the Dominion war bonds as excellent collateral for loans to 80 or 90 per cent. of their market value.

## HOW TO HELP EMPLOYEES BUY BONDS

Various Canadian firms have encouraged their employees to subscribe to our war loans. Similar methods will be used in regard to the current loan.

Bonuses in war bonds will be paid by some firms. Others have arranged to act as bankers for employees who wish to buy a war bond. In other instances co-operative bond clubs have been formed to provide each member with a bond.

## BANK DEPOSITS ARE LARGE

In August, 1914, deposits withdrawable after notice (largely made up of savings), in the chartered banks of Canada totalled $659,399,151. Two Dominion war loans aggregating $200,000,000 have been floated since then, but savings deposits, according to the latest bank statement, that of January, now amount to $864,163,344, an increase of $205,000,000, or 31 per cent. since the outbreak of war. This total has probably been augmented during February and March. The figures give an indication of the funds likely to be available for the current war loan.

"Canada fights as splendidly in the financial area as in the stricken field, and no acknowledgment could be higher than that."—London Financial News.

## PAYABLE IN NEW YORK

### United States Investors Have Bought More Than $55,000,000 of Canada's War Bonds

"As an investment field Canada is worthy of consideration," was a statement contained in a recent editorial of the Wall Street Journal, one of the leading and most reliable financial authorities of the United States. The article continued: "Consider the Canadian position at the close of the war. The pressure of the British government for war loans will tend to liquidate the market there as it has the London exchange, and prices will be low. Even now Toronto is borrowing at 5 per cent., Dominion fives are on a 5 per cent. basis, and ultra conservative securities like Ontario fives of 1920 and Newfoundland fives of 1919 are on about a 4.9 basis, while the city of Edmonton, a good western municipality, has bonds outstanding on a 5.90 basis that are due in 1921.

"The basis of Canada's riches is the fertility of her soil, and no freak of warfare can injure that, while her grain will increase in demand as the population of the world grows. Farm labor has not tended to unionize and even if it could, the Canadian system of deferring strikes pending investigation, has shown itself of incalculable value. Her banking system is tried and of proven worth."

**Securities not Foreign.**

Discussing the favor in which Canada's war loans are held in the United States, a recent New York dispatch said: "First, in the opinion of many investors, a loan made to the Dominion is not strictly a loan to a belligerent government; second, some feel that Canada is not likely to be invaded by the enemy; third, the geographical proximity of Canada to the United States takes the Dominion out of the class of 'foreign' nations in the conception of many investors, and, fourth, sentiment in this country is such that the average United States investor is more friendly disposed towards Canadian people than to the people of the European belligerent countries."

**Payable in New York.**

About $25,000,000 of the first war loan was disposed of to United States buyers and $30,000,000 of the second loan. Bonds of Canada's third domestic loan are payable in New York as well as in Canada. This will prove a strong attraction to United States investors. A substantial volume of buying by bond houses and investors, large and small, in the United States is anticipated.

## STRENGTH OF BANKING POSITION

The Canadian banking position is one of great strength. The banks have followed the best British traditions of finance and have inspired considerable confidence in Canadian credit and national finance the world over. The banks and the Dominion government regularly consult to review the financial situation, and the government furnishes estimated requirements before new commitments are requested. Precautionary arrangements have been made by the British and Canadian governments under which the Canadian banks can at any time, under certain minor restrictions, convert their holdings of government securities into cash should it be necessary to take such a step.

The most marked and satisfactory feature of the Canadian banking situation is the remarkable position of liquidity, the result of which is that the banks will be able to meet successfully any emergency arising through war conditions.

## SUBSCRIPTIONS TO THE OTHER TWO LOANS

The $50,000,000 war loan of November, 1915, was subscribed to the extent of $104,000,000 by 24,803 subscribers and the loan was therefore increased to $100,000,000.

The second war loan of $100,000,000 in September, 1916, was subscribed by over $200,000,000 by 30,000 subscribers.

The third war loan of $150,000,000 should be well oversubscribed by at least 40,000 or 50,000 subscribers.

## SIXTH DOMINION LOAN DURING WAR

### Three Internal Loans Have been Specifically for War Purposes

Since the outbreak of war the Dominion government has successfully floated five loans, one in London, two in New York, and two in Canada. The present is the sixth government loan since war commenced. The previous loans were as follow:—

London; March, 1915; $25,000,000 4½ per cent. bonds at 99½; redeemable in five or ten years.

New York; July, 1915; $45,000,000 5 per cent. 1 and 2-year notes with option to convert into 5 per cent. twenty-year bonds. One-year notes issued at par; two-year notes issued at 99½.

Canada; November, 1915; $100,000,000 5 per cent. bonds at 97½, redeemable in ten years.

New York; March, 1916; $75,000,000 5, 10 and 15-year 5 per cent. bonds, sold at 99.56, 97.13 and 94.94 respectively, less 2⅝ commissions.

Canada; September, 1916; $100,000,000 5 per cent. 15-year bonds, issued at 97½.

The three internal war loans, those of November, 1915, September, 1916, and the present issue, are the only public issues made specifically in connection with the war, together with sales of debenture stock and war savings certificates. The 3-year 5 per cent. debenture stock was issued in October, 1916, and up to February 22nd last, 1,212 debentures, with a value of $6,609,500, had been sold. War savings certificates were issued early this year and up to February 22nd, 33,732, valued at $2,455,313, had been sold.

The Dominion government has not raised a loan in London since March, 1915, and is not likely to make a public offering there until some time after the close of the war.

## BONDS PURCHASABLE BY INSTALMENTS

The present loan, as in previous cases, is payable in instalments.

How the three loans compare in this respect, is shown in the following table:—

| Loan of Nov., 1915. Per cent. of loan. | Payable on | Loan of Sept., 1916. Per cent. of loan. | Payable on | Loan of March, 1917. Per cent. of loan. | Payable on |
|---|---|---|---|---|---|
| 10 | Application | 10 | Application | 10 | Application |
| 7½ | Jan. 3, 1916 | 30 | Oct. 16, 1916 | 30 | April 16, 1917 |
| 20 | Feb. 1, 1916 | 30 | Nov. 15, 1916 | 30 | May 15, 1917 |
| 20 | Mar. 1, 1916 | 27½ | Dec. 15, 1916 | 26 | June 15, 1917 |
| 20 | Apr. 1, 1916 | | | | |
| 20 | May 1, 1916 | | | | |
| 97½ | | 97½ | | 96 | |

In the first loan, the instalments were payable over a period exceeding five months. The second loan was payable during a period of little more than three months. The present loan is payable over a similar period. The privilege of paying instalments in full under discount at the rate of 4 per cent. per annum on the first occasion, was not available until about six weeks after the subscription list had been opened. In the second loan, that privilege was available within practically a month of the opening of the subscription lists. As a result of conferences of the government and the bankers, it was thought necessary to defer the calls on the first war loan until the financing of the crop movement had been completed. The initial payment on the loan, therefore, became due at the end of November, the larger instalments not beginning until February 1st. In the second loan the large instalments fell due in October, November and December, the most important part of the crop movement period.

The difference in this matter in the three loans was probably governed by the fact that financial conditions are easier, that the smaller western crops entailed less financing than in 1915, and that the monthly expenditure for war purposes was considerably heavier.

## WHAT INVESTORS PAY AND GET

### Analysis of the Price and Yield of Present Loan—How Conversion Privilege Figures

The man who pays for his $1,000 bond by instalments (see the official prospectus on page 8), pays exactly $960. This is 77 cents less than a 5.40 per cent. yield basis. In other words, a price to yield 5.40 per cent. in this case figures at exactly $960.77. This is shown in a carefully compiled and interesting schedule figured by W. L. McKinnon & Company, bond dealers, Toronto, a copy of which has been handed to *The Monetary Times*. The same firm has made the following special calculations regarding the present war loan.

The issue price is 96 flat. The purchaser pays $960 without interest for a $1,000 bond. His payments are spread over a period within the first half-year, but he gets a full half-year's interest on September 1st. Thus a bonus is really paid him on September 1st. After deducting this bonus, and discounting all payments to date of the bonds, the price to the investor becomes (1) 95.068 and interest (as at March 1st, 1917), if paid by the instalments mentioned on the prospectus, or (2) 95.156 and interest (as at March 1st, 1917), if paid in full by April 16th, 1917.

The exact yield rate is 5.4065 per cent. if paid by instalments, or 5.399 per cent. if fully paid by April 16th, 1917.

The bonus payable September 1st, 1917, resulting from the fact that the bonds are bought "flat" and not "and interest," is exactly $8.62 on each $1,000 for those who pay in instalments, or $5.10 on each $1,000 for those who are fully paid by April 16th.

For those who wish to fully pay for their bonds by April 16th, a discount of $2.65 per $1,000 will be allowed. Those who wish to pay balance in full on this date will require to pay $857.35 for each $1,000 bond. This, of course, is in addition to the 10 per cent. or $100 originally paid down on application.

Holders of Dominion of Canada 5 per cent. debenture stock, maturing October 1st, 1919, have the privilege of surrendering this stock at par and accrued interest. It will be taken by the government as the equivalent of cash in payment of any new bonds which are allotted to them out of this present war loan issue. Holders of this debenture stock are advised to exercise their privilege and make the exchange, unless circumstances absolutely demand that they have a security maturing by 1919. The following comparison illustrates the advantage of making this exchange:—

| Due date. | Term. | Rate. | Price. | Yield. |
|---|---|---|---|---|
| Oct., 1919 ...... | 3 years | 5% | *$100.00 | 5 % |
| March, 1937 ... | 20 years | 5% | *95.156 | 5.399 % |

*And interest.

Holders of first war loan convertible bonds due 1925, who are considering converting these bonds into the present issue, will be interested in the following comparison:—

| Due date. | Term. | Rate. | Price. | Yield. |
|---|---|---|---|---|
| Dec., 1925 .... | 9 years | 5% | *$ 97.50 | 5.35369% |
| March, 1937 ... | 20 years | 5% | *95.156 | 5.399 % |

*And interest.

If payment of the ten per cent. deposit required is made in bonds issued under the terms of the war loan prospectus of November, 1915, or in five per cent. debenture stock maturing 1st October, 1919, such bonds or stock must be deposited with the present application in lieu of the cash payment

## CUSTOMS REVENUE INCREASES $40,000,000

The customs revenue of Canada for the fiscal year which will end on March 31st will exceed that of the last fiscal year by more than $40,000,000.

The revenue from customs duties for February, the minister of customs announced recently, amounted to $11,190,000, or $1,062,000 more than those of the corresponding month in 1916. For the eleven months of the fiscal year which have now passed Canada's customs revenue amounted to $130,739,000, as compared with $91,946,000 in the same period of the previous fiscal year, or an increase of $38,793,000.

"The government confidently appeals to the Canadian people to support this loan, and thus further demonstrate the strength, unity and solidarity of the Empire, and our invincible determination to prosecute the war to a victorious conclusion."—Sir Thomas White, Canada's finance minister.

**"Please accept my thanks for the interest which *The Monetary Times* has been good enough to take in the success of the war loan."—*Extract from letter of* Sir Thomas White, Minister of Finance, Canada, and dated Sept. 12th, 1916.**

## CANADA'S BORROWINGS IN UNITED STATES

### Since Outbreak of War About $390,000,000 Has Been Borrowed from United States Investors

Since the outbreak of war, the Dominion government has borrowed $120,000,000 in the United States by means of the following loans:—

| 1915. | Amount. | Securities. | Years. | Issue price. | Remarks. |
|---|---|---|---|---|---|
| July | $ 25,000,000 | 5% notes | 1 | Par | Holders may convert into 5% 20-year bonds. |
| July | 20,000,000 | 5% notes | 2 | 99½ | Ditto. |
| 1916. | | | | | |
| March | 25,000,000 | 5% bonds | 5 | 99.56 | Less 2⅝ commissions. |
| March | 25,000,000 | 5% bonds | 10 | 97.13 | Ditto. |
| March | 25,000,000 | 5% bonds | 15 | 94.94 | Ditto. |
| Total | $120,000,000 | | | | |

The Dominion government visited the New York market during the early months of the past two years. It is likely that a loan for general purposes will be placed there this year as soon as market conditions are favorable.

Since the British money markets were closed to Canada and other countries, for all except war issues, the United States has been acting as Canada's banker-in-chief. During the past two and a half years of war, our borrowings in that market have totalled $387,589,000. These loans are classified as follows:—

**Loans by United States to Canada.**

| | August to December. 1914. | 1915. | 1916. |
|---|---|---|---|
| Dominion government | ........ | $ 70,000,000 | $105,000,000 |
| Provincial governments | $ 1,000,000 | 19,625,000 | 24,550,000 |
| Municipalities ........ | 6,900,000 | 35,483,114 | 32,336,764 |
| Corporations ........ | 18,690,000 | 28,948,000 | 45,057,000 |
| | $26,590,000 | $154,056,114 | $206,943,764 |

Included in Dominion government borrowings in the United States are $25,000,000 of the first domestic war loan and $30,000,000 of the second war loan. Of our first two war loans aggregating $200,000,000, $55,000,000 is estimated to have found its way to the United States. It is anticipated that from $30,000,000 to $50,000,000 of the current war loan will be placed with United States investors. Already this year several issues of municipal and corporation issues have been marketed in New York.

## CANADA'S NATIONAL FINANCES IN GOOD SHAPE

From the national revenues of the current year, Canada will be able to pay all capital and ordinary expenditures in addition to not less than $50,000,000 on account of war principle. Notwithstanding the increase in interest charges upon the public debt of Canada, due to war expenditures and the rapidly mounting pension outlay, the annual budget of the Dominion this year will not be larger than before the war. That is to say, the annual increase due to higher interest and pension charges has been offset by reductions of public works, railways and other expenditures. The national debt has been increased by the war by about $500,000,000, but as the war debt has been funded the annual budget is concerned only with the question of increased interest charges upon this debt.

As long as the annual revenue substantially exceeds the yearly expenditure on all accounts, the increase in the national debt is not a disturbing factor in the finances of the Dominion. For the current year not only will the revenues of the Dominion government be sufficient to pay all expenditures, both on ordinary and capital account, including increased interest on pension charges, but will, in addition, liquidate $50,000,000 or $60,000,000 of the principal of our war expenditure.