

CANADA AND THE CRISIS.

It may be considered a matter for satisfaction that under the staggering blows which have been given to international finance during the past two or three weeks, Canada has stood up so manfully. In some respects, of course, we were fortunate. Two years ago, sail began to be taken in and since then we have been proceeding more or less under storm-rig, so that the hurricane when it came found us not entirely unprepared to meet it. What would have happened in Canada had the events of the last three weeks occurred in the summer of 1912, when the country was still in the full swing of a speculative boom, would have been something far more serious than is now likely to happen. In that matter a great deal of credit is due to the banks, who have had to face storms of opprobrium from ignorant politicians and disappointed speculators regarding the course of action they have pursued since 1912. They could not of course foresee what was likely to happen now. But the ordinary course of events justified them in their action, and in the result they find themselves at the present time in an exceptionally strong position to meet every possible demand which can be made upon them. And business men have every confidence in their discretion and ability to weather the storm.

THE GOVERNMENT'S MEASURES.

The Government also has acted wisely in taking the emergency measures, which were immediately announced, to conserve the monetary situation. The banks are authorised to make payments in their own notes instead of in gold or legal tender notes. In theory, this last step might result in serious developments through gold going to a premium, as a result of the apparent inconvertibility of the banks' notes. But in any case it must be remembered that while these measures have been legalised as a matter of precaution, it does not necessarily follow that these facilities will be extensively used by the banks. Moreover, our people are not accustomed to gold as currency and so are less likely than others in countries where gold is ordinarily in circulation to demand it. It is probable also that many are under the impression that in the ordinary way bank notes are legal tender. So that it would seem probable that, generally speaking, there will be no widespread attempt here in Canada to hoard either gold or Government notes, even if that were possible under the regulations which have now been put in force.

EFFECT OF THE WAR IN CANADA.

More important ultimately, though somewhat obscured at the moment by these temporary measures, are likely to be the lasting results of this European conflagration. Whichever way victory goes, it is certain that the effects of this war will be felt in an intense form in Canada. The coming winter will be a hard one from the point of view of unemployment, undoubtedly, in the large centres, and there is something to be said for the appeal which is being made in some quarters that the Government should continue those works, which it is in a financial position to continue. However, it is to be assumed that responsible ministers will give this matter the gravest consideration, with a

view to minimizing the industrial stagnation which is bound to occur. While the future can be contemplated with a stout heart, it is useless to ignore the fact that the next few years will present problems of great difficulty for solution. Inevitably, there will have to be a sharp contraction in personal expenditure and probably something of a lowering of the general standard of living. Since the Canadian standard has hitherto been the highest in the world, it should be possible to face this contingency without whining. At such a time as the present the man who wastes his money on useless luxuries may not unfairly be said to be lacking in patriotism. New taxation is also inevitable. The Dominion Government has already incurred heavy expenses in the support gladly contributed to the mother country and as the revenue from imports falls off, fresh sources of revenue will have to be tapped, possibly by means of additional stamp duties on bills of exchange, cheques, receipts, etc.—if not eventually by an income tax.

FUTURE MOVEMENTS OF CAPITAL.

These are the things which it is fairly clear lie before us as a result of the European conflagration. What is not yet clear is what effect it will have upon future movements of capital to Canada. That they will be restricted goes without saying; but to what extent does not yet appear. It is probable enough that for several years to come the Continental markets will be practically closed against Canadian offerings. Great Britain's financial resources are inexhaustible, but an enormous war of this kind will make great holes in accumulated surplus and the stoppage of industry will prevent further accumulations for a considerable period. Then the re-starting of operations, the replacing of property destroyed, and the catching up with the demands of every market will employ much capital which under ordinary circumstances would be available for export. Moreover, it is to be remembered that even if victorious all along the line, Great Britain will have an exceedingly heavy burden of taxation to bear as a result of this war. However, the capacity of the British people to shoulder this burden and still have a large surplus over is unquestioned. Probably, too, Canada will continue to have a preference in the use of that surplus. But in any case it will have to be paid for pretty stiffly—it is safe to say that after this war anything like cheap capital for permanent use will be unavailable for twenty years.

ECONOMY NECESSARY.

No doubt, to an increasing extent, we shall dispose of municipal and similar debentures in the United States. But that the States will be able to supply us with anything like the capital that we still require in the next ten years is improbable. We shall still be dependent upon Great Britain. Upon the facility with which we are able to borrow there will depend in large measure the rapidity of our development when this crisis is over. This war, the most flagrant example that history has ever known of waste of lives and capital in destructive purposes, will mean the inauguration of strict economy in expenditure in the countries immediately affected. We in Canada shall be wise to follow that example and accumulate capital for our own enterprises instead of dissipating it in unproductive expenditure.