

English Opinion on Canada's Trade Recovery

Correspondent of The Economist, London, Points Out the Fundamental Changes in the Economic Position Since the Outbreak of War and Observes Future Problems.

One need not be greatly surprised at the optimistic utterances of speakers connected with Canadian trading companies, although it may be desirable to cool the ardour of optimism with a gentle hint of caution. That the war has wrought a wonderful transformation in the fortunes of Canada needs no demonstration. In one sense it has saved the situation. Before it, the inflation of land values had led the banks to shorten sail, and there were indications of monetary stringency developing into something like financial discomfort. Now—for the time, at all events—the pendulum has swung completely in the other direction. Two billion dollars' worth of war orders have put the Dominion on her feet again, and a wave of prosperity is sweeping over the land. Although this prosperity, being exceptional, may be more or less fictitious, it partly, if not wholly, justifies the welcoming applause with which it has been received. For the 12 months ended September, 1915, Canada's excess of exports over imports was \$100,710,037, as compared with an excess of imports over exports of \$63,643,479 for the previous year. Taking the war period down to May 31st of the current year, the balance of trade in favour of the Dominion is no less than \$255,000,000. Reference has been made to the consequent ability of Canada in these days not only to finance her own requirements, but also to lend money to the Mother Country. The fact is in striking contrast with Canada's strained resources and financial anxieties before the war.

"Last year Canada had a wonderful harvest, beating all previous achievements. This year the prospects are not quite so good, and the less favourable estimates are that the harvested wheat will not much exceed 200,000,000 bushels, though these are not in any way official figures. Not only does the wheat acreage show a fall of 11.3 per cent. as compared with that of 1915, but oats, barley, peas, and mixed grains have been more sparingly sown. These comparisons are, however, with a year of exceptional fruitfulness; there is no reason to fear that the harvest for 1916 will be below the average, and in some particulars it may even be above it. No doubt the agricultural situation has been affected both by the splendid rally of Canadians to the Colours and by the stop which the war has put to immigration. With two such adverse influences to contend against it is satisfactory to find that agriculture, which is the backbone of Canada's prosperity, is in such a relatively healthy state. Inasmuch as the future development of the country depends largely upon the flow of suitable immigrants, some anxiety is felt as to the character and volume of the supply after the war. Will the British Isles have the men to spare? Shall we not want at home every able-bodied man, and is it not at least possible that inducements will be forthcoming to allure to the land the class that formerly made the most successful emigrants? Canada will be ready to take all the new settlers she can assimilate, but there are differences of opinion as to whether the supply will be sufficient. Some economic authorities believe that there will be a plethora of available labour after the war, and that scarcity of employment here will send a large number of the right sort of men to found new homes across the seas. There are, however, no safe data to go upon. The whole industrial problem is more or less a matter of conjecture, and no one can say with certainty how the emigration question will develop, or what its precise effect will be upon the progress and prosperity of Canada.

Equal uncertainty exists, too, with regard to the supply of the capital which the Dominion will need for future

development. To a large extent her industrial progress depends upon the financial help of the Mother Country. There is, one must admit, an alternative source. Last year the United States acted as Canada's supplementary banker. Seven of the Provincial Governments raised \$36,000,000 there, and the Dominion Government obtained \$45,000,000; while between the beginning of the war and the end of last year Canadian securities to the extent of \$200,000,000 were sold in the United States. It does not seem probable that we shall be able to finance the whole of Canada's requirements for some time to come, and if the United States is able and willing to supplement our efforts, so much the better for Canada. The whole world, however, will be seeking to borrow when the war is over, and in the confusing scramble it is probable that some countries will have to go short. Canada's resources, natural wealth, high credit, and progressive spirit should be effectual instruments in securing for her whatever financial assistance is absolutely necessary. It would be a misfortune, all things considered, if money were in plentiful supply enough to encourage unwise speculation. Lenders, especially British lenders, should help to check any tendencies in that direction by examining the proposals submitted to them, and by insisting upon knowing, not only who are issuing the loans, but to what purposes they are to be applied. Judging from the rapidity with which we are piling up debt, there will, however, be little British money for assisting colonial enterprise. The pinch may be even severe enough to necessitate an embargo being put upon the export of loanable capital.

But Canada's future needs will inevitably be considerable. There are some momentous questions to be settled. Although improved trade conditions have greatly helped the railways, it cannot be forgotten that quite recently the Canadian Northern and the Grand Trunk Pacific were in pecuniary difficulties, and that the Government had to come to their temporary assistance. By means of this help they have tided over their troubles for a time, but it is quite certain that these ambitious transcontinental projects (the Grand Trunk Pacific has already cost \$335,000,000) have a big struggle before them. It has, indeed, been hinted that the Government may eventually find it necessary to nationalise them, but as long as the war continues this and other questions must be left in the background. A curious result of the war is that it should have averted from Canada, as from other countries, what might otherwise have been an unpleasant day of reckoning. Events seemed to be swirling in the rapids of economic disturbance when the activity resulting from war orders brought about a dramatic readjustment. Instead of having to do penance for too reckless an expansion and too free an employment of credit, she has been carried by a favouring current past the danger point, and is now in a state of accidental prosperity. The past experience should be productive of good hereafter. The signs of prosperity might, without such a warning, be signs of danger. A Canadian writer of distinction puts the case in a nutshell, thus:—"There should be confidence in the national situation, but not over-confidence. Sane faith there should be, but not unbridled optimism." With a favourable balance of foreign trade, busy factories, a satisfactory harvest outlook, and a steady increase in bank deposits, the Dominion is able to take measures against the economic reaction threatened after the war.

Mr. George H. Smith, secretary and superintendent of branches of the Canada Permanent Mortgage Corporation (head office, Toronto), was a visitor in Vancouver during the week on his annual inspection trip in the interests of his company.