Financial Position of Canada

How the Nation's Balance Stands---Figures of Revenue and Expenditure---The War Budget.

By our Ottawa Correspondent

OTTAWA, July 24.—Previous to August 1914, when a Kaiser, thirsting for world power, let loose the dogs of war, it was the custom in Canada to express alarm over the growing national debt. With a debt of approximately one-third of the present total, a spirit of pessimism was prone to permeate the land. We were sure that the country was heading for ruin. But to-day, with an annual war appropriation more than double the total expenditure of the country before 1914, very few people appear to be alarmed and the great majority are optimistic as to the ability of the country to carry, and ultimately to liquidate, our obligations which in all probability will be double their present figure before the last of the Canadian forces fighting for the preservation of civilization have returned to Canada and resumed civilian avocations. For in this connection it must be remembered that high expenditures will not cease with the signing of a peace treaty. They will remain at high water mark for many months or until such time as the several million Canadian and American soldiers who will witness the ultimate triumph of democracy in Europe can be brought back across the Atlantic. The presence in Europe of so many Americans must of necessity lengthen the period which will elapse before all the Canadians can be brought home and increase the financial obligations of the Dominion.

The explanation of the pessimism of the past and the optimism of the present is undoubtedly to be found in the discovery by the Canadian people of the immensity of their financial resources and their ability to attend to their own financing. Previous to 1914 no minister of finance ever suggested the possibility of wiping out maturing obligations overseas or securing money required for capital expenditure by the floating of domestic loans. The low rate of interest paid in pre-war days on government bonds and the opportunities for earning big returns in industrial and other enterprises did not encourage ministers of finance to think that the people of Canada would care to invest in government four per cents, and they were probably right. Besides, it was the custom to go to London for money as it was to go to Paris for fashions and it probably never occurred to any financial minister to suggest any other way of securing money when it was required.

Having generalized as to the financial situation past and present it is my intention in this article to present to the readers of The Grain Growers' Guide some interesting facts and figures relating to the financial position of the Dominion, the steps that have been taken to provide the funds with which to carry on the war, the change in the trade situation and the causes therefore, and the condition of the revenues of the Dominion at the present time.

To begin with the net debt of the Dominion, which before the war was approximately $336,000,000, has now passed the billion dollar mark. The minister of finance estimates that when the accounts for the fiscal year 1917-18 are closed, it will reach $1,200,000,000, the increase being almost entirely due to the war expenditures. Up to March 31, 1918, the total outlay of the Dominion for war purposes was approximately $875,000,000. This amount includes all expenditures in Canada, Great Britain and France and is also inclusive of the upkeep of the troops overseas. During the past two fiscal years there has been applied to war expenditures, by way of surplus of revenue over ordinary and capital outlays, the sum of $113,000,000. The interest and pension payments attributable to the war amount for the entire war period to approximately $76,000,000. These also have been provided from the general revenues of the country.

That portion of the war expenditure not met by the revenues has been provided for by the floating of four domestic war loans and the sale of war savings certificates and debenture stock. The government's borrowings from the people since the commencement of the war have reached the enormous total of $756,000,000, or in other words, $100 per capita of the population of the Dominion. In addition to the domestic loans, Canada has issued between the years 1915 and 1917 in great Britain and the United States, securities totalling more than $307,000,000. The details of our four domestic loans follow:—

	Amount Subscribed	No. of Subscribers
1. 1915-1925, 5%	$97,000,000	24,864
2. 1916-1931, 5%	97,000,000	34,526
3. 1917-1937, 5%	142,000,000	41,000
4. 1917-1937, 5% (Victory Loan)	398,000,000	820,035

These figures indicate the growing inclination of the Canadian people to invest in the securities of the Dominion. A fifth loan is to be raised this autumn and it is confidently believed that it will be even more successful than the Victory loan. The tremendous increase in the number of subscribers to the last loan was due to the sale of bonds of as low a denomination as $50. This feature of the loan also contributed materially to the increase in the amount subscribed.

Galician Women employed by a Market Gardener in East Kildonan, Near Winnipeg.

Apart from borrowing from the people the government has endeavored to make some provision to meet increased expenditures by the imposition of war taxation. In addition to the business war tax and the income tax there has been imposed increased customs duties and taxes on luxuries, transportation tickets, telegrams, money orders, cheques, letters, patent medicines, etc. During the last fiscal year the government collected by way of war taxation a sum exceeding $76,000,000. Of this amount approximately $45,000,000 was attributable to increase customs duties and $21,000,000 to the business war profits tax. The new income tax which replaces the business tax is now in process of collection for the current fiscal year.

Up to March 31 last, Canada established credits in this country on behalf of the Imperial government to an amount exceeding $530,000,000. Owing to these advances Great Britain was able to purchase munitions and foodstuffs and to carry on the operations of the Imperial Munitions Board in Canada.

In addition Canadian banks have advanced to the Imperial government, through the medium of the minister of finance, the sum of $200,000,000 for the purchase of munitions and wheat. This was made possible by the large savings deposits in Canadian banks, which, since August 1914, despite the withdrawals for subscriptions to war loans, have increased by $276,000,000. On the other hand, Great Britain has made advances to the Dominion totalling $534,000,000, chiefly for the maintenance of Canadian troops overseas.

As an indication of the financial strength of the people of the Dominion it is interesting to incidentally note that gifts for various war purposes to the Federal and Provincial governments, from municipalities, societies, universities, corporations and private individuals since the outbreak of the war have totalled over $90,000,000, inclusive of over $40,000,000 subscribed to the Canadian patriotic fund up to the end of June, 1918.

A review of the financial position of the Dominion would not be complete without a reference to the general revenues and expenditures of the Dominion as compared with pre-war days. For the fiscal year 1914-15 the revenue exceeded $135,000,000 and the expenditure on consolidated fund (general) was over $135,000,000. For the fiscal year which closed with March last the revenue amounted to $261,000,000 and the general expenditure to $179,000,000, leaving a considerable surplus to be applied to the war.

Capital expenditure for 1914-15 was over $41,000,000, while war expenditure approached $61,000,000. For the last completed fiscal year the expenditure on capital account was over $44,000,000 while war expenditure had grown to the enormous total of $342,000,000 or almost $1,000,000 a day.

This year so far the revenue exceeds that collected last year up to the end of the month of July by over $9,000,000 despite the fact that both customs and excise collections have fallen away, the former by some $4,000,800. This is due to the increased revenues from the new forms of taxation imposed by the government.

The above reference to a decrease in customs collections leads naturally to the matter of the decrease of nearly $2,000,000 in the trade of the Dominion for the first four months of the fiscal year ending on July 31. For the month of July alone the decrease was about $60,000,000 as compared with July 1917. The trade statement for the four months period shows that the drop in domestic exports is the chief cause for the decrease in the total trade, the falling off reaching the large total of upwards of $146,000,000 as compared with the same period in 1917. In agricultural products the exports fell away by about $78,000,000. Imports during the four months period fell off by over $48,000,000 as compared with the same period in 1917.

While lack of shipping facilities is doubtless a primary cause of decreased exports the falling away in imports was doubtless due to a certain extent to the restrictions of imports imposed by the Canadian War Trade board with the object of improving exchange conditions as between this country and the United States.

The why and the wherefore of this exchange condition has been the cause of considerable anxiety at Ottawa and in business circles throughout Canada. The minister of finance has made several trips to Washington and New York in an endeavor to alleviate the situation. It is fully realized, however, that the problem of exchange is most complex and that Canada's share in it is only a part of the whole. Its solution, it has been authoritatively pointed out, must depend upon a re-adjustment of world trade after the war. The Montreal Gazette, which is usually well versed in trade and financial matters, recently remarked: "So long as Canada's adverse trade balance with the United States is maintained upon its present scale, and until it is again possible to liquidate this trade debt by means of British credits in New York, as used to be done, the Canadian dollar will continue at a discount in the United States."

In a recent interview on the subject of exchange Sir Thomas White pointed out that Canada must expect fluctuations and irregularities of exchange. Speaking of the causes for the decline in our exchange, the minister said that conditions have been aggravated by the marked falling off in our exports of manufactured and agricultural products. "There is," he said, "another factor which is, I think, of considerable importance. There is no private buying in Canada now by British business houses. All purchasing is now done by the British government and is confined to absolute necessities such as munitions, foodstuffs, and other indispensible requirements. Great Britain is not importing to-day anything she can do without.

"As to the remedial measures which we can adopt to assist our exchange, I urge the homely, but unwelcome, admonition to individual economy. If we were not as a people so wasteful of our money, we should have little difficulty with our exchange. We can also extend our embargo upon imports and limit the operation of our non-essential industries if this becomes imperative.

"It has been suggested that a large Dominion loan in New York would remove our exchange difficulties. So it would, but seriously at the expense of our credit as interest and commission rates are abnormally high for all outside securities. Any such loan by the Dominion would react unfavorably upon our victory loan issues and the rate of interest which we shall have to pay upon them. The present exchange rate, while a detriment to essential international trade, is also a brake upon extravagance."

Even in our exchange situation there is room for cheerful optimism. It must be remembered that all the belligerent countries are in serious difficulties with exchange. As for Germany and Austria it has practically broken down. Both British and American exchange with neutral countries is at a discount. The value of the American dollar has declined abroad for the same reasons that the value of the Canadian dollar has declined in the United States. It is due in a considerable degree to the credits given Great Britain and her allies whereby they make purchases in the United States and Canada. The finding of the purchase money deprives both Canada and the United States of the value for exchange purposes of their favorable trade balances with the rest of the world.

All things considered Canada's exchange position is regarded as favorable as compared with that of many other countries, but the problem is one that is likely to remain with us until after the war is won.

John Brown is rich and stingy. An acquaintance of his met Brown's son the other day.

"Your father seems to have lost a good deal of money lately. The last time I saw him he was complaining and saying he must economize."

"Economize? Did he say where he was going to begin?"

"Yes; on his table, he said."

"Then he must be going to take away the table-cloth," was the filial declaration.

Rector (going his rounds): "Fine pig that, Mr. Dibbles, uncommonly fine!"

Contemplative Villager: "Ah, yes, sir; if we was only all of us as fit to die as him, sir!"