

of the national wealth of the United Kingdom have risen, according to the Economist, from £10,663,000,000 in 1895 to £15,000,000,000 in 1913, and the Statist estimated that the national income in 1912 was £2,250,000,000.

What gives the depression so bad an aspect is the fact that Canada was not producing during the late boom period. A large section merely gambled, which means changing money from pocket to pocket, and virtually held production in abeyance. Those who made fortunes out of real estate have not put it into land or mines. The bulk of their profits was put into securities purchased, no doubt, at good premiums. For instance, take Canadian Pacific Railway stock. The purchase money does not go into rails, locomotives, rolling stock, etc.; it does not reach the company at all, and the amount over par paid for the stock represents just so much of unearned increment put into the pockets of previous sellers. Unearned increment is the curse of a country like Canada in that the effort to get it withholds the energies of some of the people from their proper function of production. The Alberta oil gamble will not do us much good. It is a mischievous thing, and implies a quantity of economic waste which the country cannot afford. Oil has been proved, but its exploitation should be taken out of the hands of share-pushing Tom, Dick and Harry, who think more of getting rid of worthless paper than they do of getting oil. Unfortunately, the aftermath will accentuate the depression and inflict a sharp penalty on the recklessness of those who plunged where wise men refused to tread.

As the Mother Country is the market for Canadian issues, we must peep under the surface of things there to get an idea of prevailing conditions. I have enumerated above some of the factors in recent Canadian financial history which are likely to have given rise to unfavorable sentiment. In some respects the fault belongs to Canada. Lenders are disinclined to accept anything of a speculative nature, which is attributable to politics more than to other causes. The Irish question is very disturbing, and until it is settled money will not flow freely into ventures having the least element of a speculative character. But important as the Irish question may be, it does not satisfactorily explain the situation. We may, however, get the secret by travelling back into European politics. This gives us a sequence of incidents immediately detrimental to money and trade. Bulgaria gave rise to the uneasiness in 1908 when she declared her independence. The consequent stir in Europe, coming hard upon the American panic and increasing depression in trade, had remarkably far-reaching effects. Markets never seem to have recovered their composure, and what incipient tendencies they may have shown in that direction were ruthlessly dissipated by the frequent tension produced by the political activity of Germany, Italy and Austria. The high feeling nearly culminated during the Balkan war in a general conflagration in Europe.

This is not the place in which to vent Germanophobe sentiments, but, excepting the pacifists, who judge Europe altruistically and who discount political ambition, all students of international politics are aware of the general aims of the governing classes in Prussia and Austria, more especially the former. Machiavelli and his apostles, Frederick, the so-called Great, and Bismarck, are gone, but their creed remains with none of its articles of faith impaired. The other chancellories of Europe are not incognisant of the ambitions of the Pan-German party, and the Emperor and his friends. Hence, the passionate efforts to maintain, and, if possible, to increase the numerical strength on the one side and to overtake it on the other.

The subject is too great for cursory examination and requires the enumeration of many details that may appear irrelevant in the pages of a Canadian financial journal, but, if we are to understand the trend of events, we must first appreciate the importance of these political factors, which bear directly upon the world's money market and the possible supplies of money upon which Canada may hope to draw. What anxiety exists is increased by more immediate events in South Europe. The Austro-Serb question and the Austro-Italian quarrel threaten to cause the break-up of the Triple Alliance, which will inflict very grave hurt upon the business world in future.

I cannot go into these questions now, but I would point to their financial result. At present Europe spends something like 400,000,000 dollars a month on armaments and military preparations. The significance of it is shown in the fact that in ten years the United States spent that sum on the Panama Canal. Moreover, more than five million men, the flower of the able-bodied population, are permanently withdrawn from economic production. These expenditures are growing, and promise to grow still further. Russia, who needs all the money she can get for development and education, proposes to spend 3,750,000,000 dollars on military waste in the next five years. What does all this portend in increased taxation and anxiety? In England there is a big deficit, which the last Budget, unsavoury to Liberals and Conservatives alike, and the object of bitter criticism from the Liberal side of the House, is specially devised to meet. The following table speaks for itself:—

United Kingdom—Growth of Imperial Expenditure Per Head of Total Population and Per Head of Male Population Aged 25 Years and Over (1880-81 = 100).

	Per head of total population.	Per head of male population aged 25 years and over.
1880-81	100	100
1882-83	106	106
1887-88	103	101
1892-93	110	107
1897-98	121	114
*1902-03	199	184
1907-08	149	133
1912-13	179	155
1913-14	186	160
†1914-15	195	167

* Expenditure inflated owing to the war in South Africa.

† On basis of estimates for 1914-15.

All of these factors are contributory to the existing depression. Quite apart from the economic waste caused by the Balkan war, which is incalculable, and reaches much farther than the direct and indirect expenditure in material, men and treasure, and the equally enormous cost of the mobilizations on the part of likely belligerents among the Great Powers, the growing burden of taxation in the United Kingdom evokes a never-growing volume of discontent and an overstrong desire to act cautiously. It is, then, more to the uncertainty in European politics that the present troubles of Canada are attributable. There are heaps of money for Canada and other new countries, but I doubt that it will be released until the present twilight in Europe's politics gives place definitely to-day.