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THE GENERAL FINANCIAL SITUATION.

The statistics of Canadian trade referred to briefly on this page last week, distinctly emphasize the importance of the problems connected with the maintenance of our exports at a relatively high level. It is abundantly clear from the figures recently made available, that following the signing of the armistice, a period of contraction in our foreign trade has already begun, and, as every consumer well knows, this contraction is one of quantities and not of values—the downward movement in the prices of staple commodities has not yet begun. In this connection, a fact has to be borne in mind, which the events of the last two or three years, have tended to obscure somewhat, that Canada remains, and necessarily must remain for several decades, a debtor nation.

Our large credits to the British Government have not altered the position in this respect materially, since to a great extent—though fortunately not entirely—they have merely offset advances by the British Government to the Canadian Government for the maintenance and supply of our armies in Europe. As it is, our annual interest obligations can hardly be less than \$180,000,000 to \$200,000,000 annually. This interest, as well as our imports must be paid for by our exports, unless it is provided for by means of new borrowings, and while the outlook for our new borrowings abroad, particularly in the United States, is distinctly encouraging in comparison with the outlook of a few months ago, it is by no means clear that in the near future we shall be able to borrow abroad on such a large scale as would provide for an important proportion of our interest charges.

At present, since the signing of the armistice, there has been a great backing-up of our wheat and flour, and much more of these commodities are being carried over in store throughout the Dominion this winter than had been thought likely. However, it may be anticipated with some confidence that this wheat and flour will be gradually moved forward, although the probability has to be borne in mind that the present fixed price of grain will not be maintained for any length of time, and consequently, the export of a given amount of these staple commodities will have considerably less effect upon our export balance than in the last year or two. Apparently we are now at the beginning of the period of transition

from a time when manufacturers played an extraordinary part in our export trade owing to our munitions activities to a period, when our export trade will resume its normal character of natural products, foodstuffs and miscellaneous manufactures. The necessity for stimulation of our foreign trade would seem to be chiefly with the further development of our natural products, and of our manufacturing for export, not only as a means of maintaining our international financial position, but also in order to solve the problems presented by demobilisation. It is becoming increasingly evident that the sooner the returned men are got out of uniform and into regular work, the better both for them and the country at large. Otherwise, there will certainly be trouble of one kind and another.

About the most hopeful augury that in this connection has been thus far seen, is the inauguration of an aggressive policy in opening branches abroad by several of our Canadian banks. The old adage that trade follows the flag is not nearly so near the real facts as that trade follows the financial arrangements made to transact it, whether those arrangements be of the nature of permanent loans or of banking accommodation. The really encouraging thing about these developments is that the banks are going into fields hitherto practically untouched by Canadian energy. Up to the present only about 10 per cent. of our foreign trade has been with countries other than Great Britain and the United States, and the diversification of our markets is a primary necessity in any campaign for the development of our export trade. There remain, of course, a number of obscure points which will have to be cleared up, before it is possible to go clear ahead in this as in other directions. The real consuming power of other countries, in other things than our foodstuffs, at present an unknown quantity, must show itself. This will be determined only, in the opinion of competent observers, when it is also discovered at what level of prices buying in quantity will begin, and in the case of foreign buyers, in what way payment will be made. The question of labour costs will also have to be settled, possibly through the application for work for less than war-time pay by the army of labourers who have now been released from the munition factories, from the contributory industries with their

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