CANADA'S GROWTH AND THE "ADVERSE" TRADE BALANCE

Many Important Governing Factors Must Be Applied When Considering Excess of Imports over Exports

BY THE EDITOR

LAST week, *The Monetary Times* printed an article which showed clearly the growth in recent years of Canada's adverse trade balance. It was seen that the percentage of value of imports with aggregate trade rose from 56.97 in 1908 to 63.76 in 1913. The imports in the latter year were approximately $300,000,000 greater than the exports. This unfavorable trade balance has been keenly criticized, especially in the United States. Mr. F. R. Macaulay, in the New York Times Annalist, dubs Canada's statistics as "what is perhaps the most absolutely bizarre set of trade figures ever returned by any country during any period of war or peace."

To what extremes such critics are going may be gathered from the following extract from Mr. Macaulay's article. He says:—

"Canada, instead of pausing like nearly all the rest of the world in 1908, used the world-wide monetary ease to inaugurate a tremendous borrowing campaign which has continued unabated up to the present time. It is astonishing that such an expansion as at present exists could have grown up at all, and, of course, the position becomes steadily more and more precarious. There are some reasons for believing that Canada is just at the turn; that the country has, indeed, perhaps already passed the crest of the wave and is headed toward the trough.

Pace of Nineteen-Twelve.

"It is rather recognized in Canada that it will be impossible to continue the pace of 1912 during 1913. It is, however, hoped that 1913 may be a 'normal' year. A normal year is hardly possible in Canada—a return to a 'normal' year would itself probably involve the country in such liquidation as to threaten the whole business structure. London is becoming much less friendly toward Canadian flotations. The Canadian banks are in an extended position. It seems almost inevitable that a recession, if not a collapse, must occur in Western real estate values. This would involve the banks and the whole country. Canada has had so much capital the last few years she absolutely must have more—without more she cannot hold the pace, values must drop and liquidation supervene. It is already evident that the pace at which financial operations have been carried on for some time is slackening, imprudent speculations are beginning to recoil, dealers in luxuries are finding a falling off in demand. Even bank reports begin to recognize the danger signals."

Banks are Adjusting Matters.

Dealing briefly with these statements, it is almost needless to state that the Dominion has not passed the crest of the wave and is by no means headed toward the trough. The pace of 1912 will not be continued during 1913 because of the world-wide money stringency and the determination of Canadian banks to adjust conditions during a quiet period. A return to a normal year is quite possible and without disaster. London is still friendly toward Canadian flotations. The Canadian banks are in the strongest possible position. A recession has occurred in some real estate values, but this was fully anticipated and the banks are by no means involved. Indeed, they have been the chief brakes upon wild real estate speculation. Altogether, the New York view of present conditions is colored by a lack of knowledge of the actual situation. But this is aside from the main question of the trade balance.

An excess of imports over exports is not necessarily an unfavorable feature. Canada being in the throes of nation-making, must consequently be a large borrower. The country is adding to its population at the rate of about 400,000 people a year. Their needs alone necessitate an immense amount of imports. They must be housed and clothed and fed. It is no small task annually to absorb such new population. It means the creation of innumerable new towns, which must have their water and sewerage systems, fire protection and the hundred and one necessities to which the immigrant has been accustomed in old lands and which are also necessities in a new land.

Capital from Immigration.

The trade balance is affected, too, by other items which do not appear in a bare statement of imports and exports. Not only is the immigrant an asset as a producer of wealth, but he brings with him considerable new capital. From compilations made by the Department of the Interior it has been conservatively estimated that the class of immigration Canada receives from the United States, that is to say of farmers who have sold out their holdings in the States and have taken up land in Western Canada, brings with it capital (including settlers' effects) to the amount of over $1,000 per head, or, say, $5,000 per family of five persons. The total number of such immigrants for the calendar year 1912 was 140,143. Applying the rate mentioned per head, the amount of capital and effects accompanying this immigration would reach a total exceeding $140,000,000 in value. When considering the excess of imports from United States over our exports to United States this large influx of capital to be productively employed in our agriculture must not be overlooked.

Development of Natural Resources.

Besides the task of looking after the volume of immigration, there is the general development of the country, natural and necessary, which accounts for a vast amount of capital expenditure. There is railway construction and equipment by three transcontinental systems. A large number of public works require financing, as well as industrial and commercial enterprises. This is the period of Canada's greatest growth. Mr. R. D. Bell, of Montreal, recently expressed the situation with great clearness.

"It is in the past ten years," he said, "that the balance of trade has been growing steadily against Canada—which period is that of her greatest growth. We have here a comparatively virgin country with a tremendously increasing population devoting themselves, for the most part, to the development of her natural resources—agriculture, mines, and lumbering. The products of this development constitute for the present Canada's only exports. But this increasing population requires an enormous amount of manufactured goods. And, in addition, in order properly to develop our raw material, we require an even greater amount of construction materials and equipment for permanent works, such as transportation lines. It could easily be seen, even were the situation to end there, that our imports of all