IMMENSE PRODUCTIVITY WILL BE RESULT OF CANADA'S BORROWINGS

Analysis of Position by Prominent British Authority—Suggestions for Strengthening the Dominion's Credit

The present economic position of Canada is ably reviewed in an article which is understood to be by Sir James Knowles which appears in The Statist of London. An advance proof of this has been received by *The Monetary Times*. The article is as follows:—

It has been well said that the greatness of England is realized only by persons at the ends of the earth. We have, however, no doubt about the verdict of the future historian who with knowledge appraises the contribution of England to the welfare of the race. No one, we think, will deny the great part played by the British people in assisting to build up the prosperity of the United States, through the provision of an immense amount of capital for railway and for other purposes without which it would have been impossible for that great nation to have developed in the wonderful manner which has marked its progress since railways were introduced.

Again, no one acquainted with the facts will deny that the immense sums of capital provided by Great Britain for railway construction and for general development throughout South America, Australia, the greater part of Africa, India, and elsewhere have wonderfully contributed to the progress of the many countries in which the capital has been placed.

Developing Canada's Resources.

No work undertaken by the British people appeals to their imagination and to their pride as that of developing the natural resources of Canada, and enabling so vast a country to support an immense population of prosperous inhabitants through all the centuries to come.

The work undertaken by the British people in Canada is indeed one of the greatest and most beneficent they have ever been privileged to perform. Month by month and year by year hundreds of thousands of the relatively poor of these islands and of continental countries are attracted to a land where opportunities for advancement are unlimited, and by the aid of capital supplied by the investors of Great Britain are able to develop the great natural wealth of a virgin state. In the older lands the growth of population entails a comparatively small amount of extra expenditure, as roads and railways are already constructed and towns are laid out, but in a young country the situation is entirely different.

Apart from the lands awaiting cultivation and the mines development, everything has to be built up from the bottom; roads have to be made, bridges constructed, railways built, towns planned, and houses, schools, churches, and business buildings erected, while all the machinery of modern life has to be provided. The initial cost of doing these many things is very great, especially when the country to be developed has an area of about 3,650,000 square miles, and is as great as the whole of Europe, including Russia.

The work of development has made wonderful progress, thanks to the statesmanship of Canadian governments, the great volume of capital supplied by this country, the vast numbers of immigrants and, we would add, a sound system of banking. The quantity of capital which Great Britain has already supplied to Canada has exceeded the sums which the statesmen of that country expected to obtain in a great many years.

Money been Well Spent.

On the whole the money provided has been well spent, and will bring about an expansion in the productivity of the country which may be correctly described as immense without any very great burden of interest charge upon the Canadian people. The Canadian railways have raised the new capital required for great extensions at very low rates of interest, and although the capital supplied has attained large figures, the interest charge is still comparatively small.

Moreover, the Canadian government itself has provided a large part of the capital expended upon the National Transcontinental line out of its surplus revenues. In 1905 the railway system of the country in operation was no more than 20,487 miles. In the middle of 1912 the length of railway completed had risen to 30,000 miles, and by 1915, the railway mileage will probably exceed 35,000 miles, an expansion in a single decade of 15,000 miles, or nearly 75 per cent. When one remembers the vastness of the country and the attractions it offers to newcomers, one realizes that a railway system of even 35,000 miles is very small, and that it must be greatly extended as population expands. It is not improbable that the railway mileage of Canada will again double in the next fifteen years.

The greater part of the increased mileage constructed in recent years has been built in the North-West provinces, and has already resulted in the cultivation of large areas and an expansion of several-fold in production.

Wheat, Oats and Barley.

The area planted to wheat, oats and barley alone in the three North-West provinces has grown since 1905 from six to nearly fifteen million acres, while the production of these three cereals has increased in seven years from 162,000,000 bushels to 432,000,000 bushels. Throughout Canada the area sown to field crops last year was 32,449,000 acres, and the value of the harvest, calculated at the average local market prices, was no less than $511,000,000. With a population of about 8,000,000 this represented an average production from foodstuffs alone of $64, or nearly £13, per head. And beyond this the western farmers are paying increased attention to raising stock. The growth in the acreage in the coming years will be quite as rapid as it has been in the immediate past; indeed, we venture to think it will be even more rapid, and that before long the acreage planted and the value of the crops will be nearly twice as great as at present. The rapidity of the growth in production in the last few years, in comparison with former periods, will be evident from the following contrast:—

Total Production of Wheat, Barley, Oats and Rye in Canada.

Census Years.	Production Qrs.	Increase each Ten Years Qrs.
1911	76,000,000	+48,000,000
1901	28,000,000	+ 7,000,000
1891	21,000,000	+ 6,000,000
1881	15,000,000	+ 6,000,000
1871	9,000,000	—

In 1912 the yield per acre, owing to weather conditions, was rather less than in the previous year, while the crop of cereals was about the same. Of course, crops fluctuate from year to year according to the weather conditions; nevertheless it is apparent that, on the average, a very great increase in the agricultural output is taking place.

In Borrowings of Small Municipalities.

In considering the credit of Canada, investors should not fail to take into account the important fact that the large amounts of capital recently borrowed in this country have been for what may be termed foundation purposes, and that the amount of capital required in future in proportion to production will not be nearly as great as hitherto. For instance, a main line of railway is a relatively expensive piece of machinery, while a branch line is comparatively inexpensive.

Canada will soon have provided herself with all the main lines of railway she will need for a number of years to come, and the additional sum of capital needed for the construction of branch lines will be relatively small in proportion to the increased production they render possible. If Canada succeeds, as we believe she will do, in meeting all the obligations she has incurred in constructing the foundations, her ability to meet her obligations in subsequent years, when the burden of interest in proportion to production and income will be much smaller, will not be in question. It has recently been pointed out that the weakest spot in the financial situation of Canada lies in the borrowings by small municipalities. Doubtless these borrowings will ultimately prove of great advantage, but it would certainly have been wiser for the small municipalities to have waited, and, as it were, muddled along without any heavy burden of interest until they were in a position to borrow without embarrassment. But even the municipalities which may have borrowed larger sums than their rateable value in a period of depression may warrant, may succeed in getting through without serious difficulty.

Credit is Protected.

In gauging the strength of these smaller municipalities, it should not be forgotten that the Canadian government is alive to the necessity of assisting and protecting the credit