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As we write the value of the pound sterling in New York is \$3.19, and the Canadian dollar in the same market is at a discount of 17 per cent. The situation is frankly serious and a tremendous impediment to international trade. There is nothing on the horizon that would lead one to venture that the pound sterling and the Canadian dollar will not go lower than present quotations. For one to assume that the bottom has been reached and that commitments may be safely entered into on the present basis of exchange is acting on a dangerous assumption. We think that we are safe in saying that the pound sterling and the Canadian dollar in the United States will be at a discount until the actual balance of trade will be corrected and that the rate of discount will be the measure of the keenness of demand for the American product.

The actual balance of trade is made up of two items, known as the visible and invisible balance of trade. By visible balance it is meant the actual money value of goods imported over goods exported, or vice versa. By invisible balance is meant interest on loans and investments, shipping charges, insurance, remittances of immigrants, tourist trade, etc.

We have before us a summary of the trade of Canada for the calendar year 1919. This report shows that we imported last year \$941,000,000 worth of goods and exported of Canadian goods \$1,241,000,000, leaving a visible balance of trade in our favor of \$300,000,000. During the year we imported from the United Kingdom \$87,000,000 and exported \$528,000,000 leaving a visible export balance with the United Kingdom of approximately \$440,000,000. For the same period we imported from the United States \$740,000,000 of goods and we exported \$454,000,000 of goods, leaving an import balance of \$284,000,000. In the triangular operation among the three countries, we have an actual export visible balance of \$156,000,000. The invisible balances are, however, against Canada. The export balance is actually reduced by reason of freights, insurance and interest on British investments in Canada. This latter item is steadily being reduced in amount as we purchase our own securities back from British holders. On the other hand the invisible balance with the United States is increasing, due to increasing investments of the United States in Canada, so that in the triangular trade operations as among the three countries, the actual visible balance of \$156,000,000 is perhaps wiped out when the invisible balance is taken into consideration. If the United Kingdom were able to pay cash for Canadian goods, these payments could apply against the visible import balance in favor of the United States and wipe out that serious deficit in trade as between the two countries, but Great Britain is unable to make these arrangements and in consequence the Canadian Government has loaned and is loaning steadily large amounts of credit to British merchants for the purchase of Canadian goods in Canada.

We have ample evidence that temporary expedients cannot be expected. By temporary expedients we mean the floatation of a huge Canadian loan in the United States which will offset this adverse balance of trade and similarly with a British loan in the United States. There, therefore, remains only the permanent basic corrective which will take a long time to effect and requires stern methods to bring about. The supreme necessity of Canada at this time is to increase its production and export as much of that production as possible to the highest market, which is the United States. We must increase our agricultural production, our live stock industry, our manufactures of wood and paper and our production of mines. We must increase our production of the manufactured article which we import from the United States so that Canadian consumers may purchase Canadian goods and thus reduce the importation of manufactured articles from the United States.

What we have said above is sound, commonplace and axiomatic, but that does not solve the problem. The solution lies in the force and extent of the corrective measures. The corrective measures are not essentially governmental, except insofar as they receive emphatic public support. The solution lies in the social sphere. The social body must work in earnest co-operation for increased production. The increasing development of our natural resources must be transferred into finished or raw products for domestic consumption or export. The social body working in co-operation must purchase Canadian goods wherever possible. In this effort the Canadian people must receive the support of the Canadian manufacturer. Generally the Canadian manufacturer, being a human being and a wise business man, is intent on getting the last cent of profit on the sale of his products. This generally means that the price of the Canadian article is the price of the American article plus the customs duty, tax if any, and the rate of discount of the Canadian dollar. The Canadian manufacturer to co-operate with the Canadian consumer must make a price which is something better than the price as at present arrived at. He must make it to the advantage of the Canadian consumer to buy the Canadian product.

With every effort toward increasing production, together with a sustained demand for the Canadian manufactured article in opposition to the American manufactured article with the co-operation of Canadian manufacturers, we must seek in every way to restrict the use of luxuries which in total make up a vast amount of the adverse trade balance we now have with the United States. The reason we have said it is a social question is because all ranks of society must partake in the application of the corrective. The wave of extravagance must be resisted and rolled back and there must be some social pride in economizing, being thrifty and going without unessentials and luxuries. The women of Canada must stop buying expensive furs, picture hats, silk stockings, fancy shoes, silk and satin dresses and the host and one articles of luxury that go into the make up of women's apparel. Last year's automobile must do and so with all those unessentials and luxuries that make up such a considerable amount of our importations from the United States. This economy and thrift must be practised as much by the wife of the profiteer and the profiteer himself as by the shop girl and clerk, as well as by the extravagant workmen who receives the high wages of the present day and has set up for himself practically nothing against the time of depression or a severe cut in wages. Will every walk in life in Canada participate in the application of these correctives? We think not. We feel certain they will not. At the same time we see no other solution which will be both rapid and effective. If the people of Canada do not generally resort to these correctives the depreciation of the Canadian dollar in the United States will continue for a prolonged period and last until our production has increased to the point where our exportable surplus will counter balance both invisible and visible balances of trade.