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DOMINION FINANCES.

The statement of the Dominion's public debt is beginning to show in marked degree the influence of the war. At the end of June, the total gross debt of the Dominion reached \$708,231,670 compared with \$544,149,350, twelve months previously. The increase during the 12 months was thus about 164 millions. By an offset of assets against the gross debt, the latter is reduced by about 258 millions to \$450,287,721, compared with \$319,381,625 a year previously. The net increase in the debt has thus been in the twelve months \$131,000,000.

War expenditure is not solely responsible for this increase, but that this has attained important dimensions is seen in the growth in temporary loans, which at the end of June stood at \$100,540,351 against \$8,273,333 a year ago. With the exception of \$5,000,000 borrowed from the Bank of Montreal, the increase in these loans represents almost wholly advances made for war expenditures by the British Government to the Canadian Government, which sooner or later will have to be provided for by the latter through permanent financing. It is to be anticipated that as the war progresses these loans will increase even more rapidly than has hitherto been the case. The Dominion Government has not yet by any means reached the apex of its expenditures involved in the programme of raising of forces which was outlined by Sir Robert Borden a short time ago. Whether the British Government will be content to allow these temporary loans to run along indefinitely until at least the end of the war does not appear, but that for the present the question has not been raised of shifting the burden of these loans to this side of the Atlantic is suggested by the fact that the prospectus of the Dominion Government's new \$45,000,000 loan in New York mentions a specific undertaking not to borrow again in the United States before the end of the year, while apparently Hon. W. T. White has no intention at present of following the advice of those critics who in various quarters are urging enthusiastically the flotation of a domestic loan.

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Apart from the large increase in temporary loans above described, there has been during the twelve months an increase of \$31,500,000 in our funded debt in London. Dominion notes are up by \$36,000,000 from \$116,679,333 to \$152,100,372. On

the assets side of the account there is a large increase in investments, representing railway and other securities and property, from \$86,565,184 to \$106,821,809. Probably the increase in this connection is largely represented by loans made to the Grand Trunk Pacific and Canadian Northern Railways. That the capital expenditure upon public works, including railways and canals, for which the New York loan was to provide, still attains important dimensions is seen from the fact that during the month of June \$2,747,839 was expended in this way, and for the first quarter of the financial year a total of \$5,075,092 has been so expended. Admittedly, half-finished public works must be continued to completion, but it is to be hoped that a close supervision is being maintained over them so that public money is not wasted at this time, and that when the present works are completed, no attempts will be made to begin new ones which are not absolutely necessary.

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The figures already given show that through the war a problem of financing is being built up which is likely to tax all the energies of statesmanship to cope with it in an energetic and thorough manner. In regard to war expenditure, the Dominion Government is incurring a liability, the extent of which is not yet fully known. Eleven months of the war, however, have been responsible for \$90,000,000 in this connection at least, and we shall be lucky if the end of the war finds the Dominion with temporary loans of less than double that amount at least as the result of its war expenditures. It is clear that the conversion of these loans into permanent changes will be an operation of serious proportions. Sooner or later too, provision will have to be made to enable the Government to redeem part of the excess note issue and resume specie payment. The size of the obligations being piled up suggests also that it may be the part of wisdom to make such arrangements for new taxation at an early date as will ensure the accumulation of debt being kept in hand, and a healthy condition of Dominion finances maintained. It is probable that Ottawa is already giving attention to this part of the problem. Paying taxes is less exciting than fighting in Flanders, but under present circumstances it is distinctly necessary that a courageous course be pursued in this connection, and that the Ottawa authorities, for lack of courage do not allow the Dominion's financial standing to become impaired.