CANADA'S WAR TIME POSITION.

When in 1913 we came to the end of a period of expansion we found ourselves like a healthy but overgrown youth, still dependent upon the mother. We had to sell over 400 millions of securities in order to settle our foreign debit balance for the Dominion fiscal year ending March 31st, 1913. During the year ending March, 1914, the difference between our exports and imports decreased by 130 millions, but still left over 300 millions to be provided by the sale of securities in a market very much more difficult than that of the year before. More than one-half of the year ending March, 1915, was affected by the war, and the situation was still further improved to the extent of over 144 millions. For the six months ending September, 1915, there is a further improvement of 80 millions as compared with the previous year, but this same half-year, when compared with the corresponding period in 1914, shows an improvement of 109 millions. For reasons explained a year ago, coin and bullion are left out of our totals.

INTERNATIONAL POSITION.

The following figures will illustrate the astonishing change in our international position:—

	Imports.	Exports.
1913	$686,515,536	$377,068,355
1914	635,383,222	455,437,224
1915	497,376,961	461,442,509
6 months	228,335,678	273,377,082

	Excess Imports.	Excess Exports.
1913	$309,447,181	....
1914	179,945,998	....
1915	35,934,452	....
6 months	....	$45,041,404

In order to estimate our true position, we must add to the excess of imports the interest due upon Canadian securities held abroad, now estimated at about 140 to 150 millions, and we may count upon any excess of exports as available to pay this interest. During the last half of the present Dominion fiscal year the effect of the export of our great crops, of our manufactured munitions, prepared foodstuffs, cattle, horses, etc., will be felt, and the excess of exports by 31st March, 1916, should be about equal to our interest charges payable abroad.

In 1913 we knew that we had used our credit to the available limit, but we hoped gradually to move into safer conditions. If any one had suggested that we could so adjust matters within three years as to have a credit balance in our foreign trade, instead of a debit, and that this credit balance would be large enough to offset our interest payable abroad, our answer would have been that it was folly to indulge such hopes.

The improvement of 144 millions between March, 1914, and March, 1915, was brought about by decreasing our imports by 138 millions and increasing our exports by only 6 millions. This was due to a tremendous contraction in the business of all trades requiring such imports on the one hand, and on the other to a serious decline in exports of the products of agriculture and of the mine, which was a little more than offset by the increase in animal foodstuffs and manufactured munitions. The decrease in imports shows in an almost unbroken line of articles, the exceptions being mainly in such materials as jute cloth, wool, hides, leather, dyes, rubber needed in the manufacture of munitions, and about $3,000,000 in value of articles for the use of the army and navy.

EXPORTS INCREASE.

The improvement of 109 millions in the first six months of the present fiscal year, that is down to September last, is caused by a decrease in imports of 52 millions and an increase in exports of 57 millions. The exports show handsome increases, especially in manufactured munitions of war, but they still suffer from the effects of the poor crops of 1914 and there is an actual decline of 12 millions in agricultural products. The decrease in imports is again general, but an increased quantity of binder twine was imported on account of the unusually large crops of the season, and there were large increases in raw material needed for the manufacture of munitions and in manufactured articles intended for the use of the army and navy, the latter amounting in value to 10 million dollars during the half-year.

I have gone thus fully into these matters in order to indicate what we may expect now that we have the largest crop on record for export, and have, perhaps, reached a normal output of all kinds of, munitions, such as foodstuffs, clothing, saddlery, shells, rifles, etc., while our imports consist mainly of the necessary raw materials.

CREDIT STRENGTHENED.

This demonstration of what we can accomplish under pressure has, of course, greatly strengthened the credit of Canada, so that, while, for obvious reasons, we cannot at the moment sell securities in Great Britain or in Europe, we are building up a market for them in the United States which, when we consider the enormous increase in wealth taking place in that country at the moment, we may well hope is not of a temporary character. During the past year, leaving out the last half of December, the sales of Canadian securities at home and abroad amounted to about 335 millions. This includes nearly 220 millions of Government securities and many sales of other securities which are practically refunding operations. The sales were divided as follows:

In Great Britain, mostly for refunding purposes	$43,800,000
In United States	144,800,000
In Canada	147,100,000
	$335,700,000

The Canadian figures are increased by the Dominion loan of 100 millions, very little of which has yet been paid to the Government.

The sales of municipal bonds, at one time during the year the matter of chief concern to those interested in Canadian securities, amounted to about 64 millions divided almost equally between the United States and Canada.

The power of the United States to lend, when we remember that the gold pool of 100 millions established to protect her own credit with foreign countries was dissolved only in January last, is one of the surprises of the war, but we must also remember that this power to lend will be sharply tested as the war proceeds. A rough estimate of the amount of securities sold and credits established shows that the sum of at least 800 million dollars has already been placed directly at the credit of the Allies, while the indirect credits and the contracts outstanding are beyond our calculation. Large loans have also been made to neutral countries, and something has been lent even to Germany.

OUR PRODUCTS IN DEMAND.

In Canada the building of almost all private or public works, causing a lock-up of capital, has stopped for the moment; individuals are buying less extravagantly, even if there is not sufficient effort to economize; everybody who has not enlisted can find work to do; and for a very large part of our national production, from the farm to the machine-shop, there is a persistent demand by the Allies. All this tends to produce a condition of prosperity, with ease in the money market, and if, like the United States, we were a neutral country instead of one engaged in the war, our national wealth would be increasing at a pace undreamed of in our past history.

We are proud, however, that we are not among the neutrals, but among those who are fighting for the liberty of the world, and for this, in addition to the loss of life which our honor roll represents, we ourselves must bear now and must ask our children to bear, a great cost in money. A year ago we were greatly pleased because Great Britain had undertaken to lend us for the moment the money with which to pay for our share of the war. By midsummer the Dominion Government also needed money for other expenditures, because ordinary revenues had been disorganized by the war and many public works could not with wisdom be closed down. Accordingly a loan of 45 millions was obtained in New York last July, and this was a happy accomplishment for the following reasons: London was ill-prepared to bear any load not absolutely necessary, and Australia needed help which could not be obtained elsewhere; New York was the only market well supplied with money, and it is in any event the point where our international settlements are mostly made; this was our first Government loan in the United States and the new market was desirable. Apart from these reasons, the value in New York and therefore in Canada, of the pound sterling in London had by this time fallen so low that we could not afford to use the help for war expenses placed at our disposal by Great Britain. We have, of course, no actual knowledge of the facts; but it is probable that from about

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