

TRADE REVERSAL DUE TO EXTRAVAGANCE*

Exports Have Held up Well, But Unusual Increase in Imports Has Again Resulted in Unfavorable Balance

THE abrupt reversal in the foreign-trade position of the Dominion is of more than passing concern, but there is evident misunderstanding in many quarters as to the reasons behind the reversal. If the figures for the first half of the current year are taken—and because of varying conditions affecting markets and transportation for Canadian products it is not wise to generalize from the results of a shorter period—it may be accepted that the volume of exports has held surprisingly well. The half-year's total is no less than 554 millions, which is only 10 millions less than in 1919, and 62 millions in excess of the average of four years of war, when the returns were swollen by munition exports.

It is on the import side that the showing is unsatisfactory. Imports for the half-year reached the unprecedented total of 680 millions, an increase of 270 millions over 1919 and of 295 millions over the average for the war period.

Heavy Imports Unexpected

Forecasts of the probable effect of the ending of the war on our foreign trade have, therefore, been upset in two ways. Sales abroad have continued in much larger volume than expected, but the advantage has been more than offset by the still greater and more unexpected increase in the volume of our buying. The net result, in so far as it has thrown the country abruptly back into the position of a debtor instead of a creditor in world trade, is for the time being at least decidedly unfavorable. In summary, the rise and fall of this trade balance as shown in the returns for the first six months of eight years presents itself as follows:—

	Exports	Imports	Balance
1920	\$ 554,878,000	\$ 680,004,000	—\$ 125,126,000
1919	564,566,000	410,231,000	+ 154,335,000
1918	554,075,000	450,667,000	+ 103,408,000
1917	639,798,000	528,606,000	+ 111,192,000
1916	546,160,000	350,102,000	+ 196,058,000
1915	230,133,000	205,732,000	+ 24,401,000
1914	156,767,000	260,338,000	— 103,571,000
1913	167,754,000	340,267,000	— 172,513,000

Running Into Debt

To visualize the effect of this reversal in the net tendency of trade, it is only necessary to consider how a similar situation would affect an individual. The individual who spends more than he receives as income is running into debt. He may part with some of his belongings or he may borrow to meet the deficiency. In either case, he will be that much the poorer in the long run unless the obligations he has incurred are for the enlargement of a business that will ultimately show substantial profits.

It was not all loss, by any means, when trade balances were running heavily against Canada in a period of great activity in new development like the years 1910 to 1913. The national plant was being enlarged by the construction of new railways, new factories, and other facilities for doing business. Steel and other materials for this necessary work were bought abroad and paid for by the sale of Canadian stocks and bonds. Our credit was good, and investors in Europe were well satisfied to accept our obligations to pay. This balanced the account at the time.

When the war came on, it was found that as a general thing the borrowing of the preceding years had been profitable. The business capacity of the country was equal to the greatly increased demand, and the country reaped the benefit of large profits on a large volume of sales. Sales of our products rose from 431 million dollars in 1913-14 to 1,540 millions in 1917-18. As we were buying thriftily from other countries, our previous position of debtor on balance

was reversed. The rest of the world owed us something on current account, enabling us to pay off an instalment on the old account.

Extravagant Buying

No explanation of the relapse into the position of debtor in the past six months can be adduced except extravagance. We have been running into debt again, and seemingly not with the worthy motive of making the debt productive. If good clothes are essential, it is not clear that our comfort called for the expenditure of \$87,554,038 in the three months of April, May and June, against \$35,007,327 in the same period of 1919. As we are an agricultural country, there is an element of absurdity in the fact that we bought abroad in the same period "agricultural and vegetable products, chiefly foods," valued at \$51,408,748, an increase over 1919 of \$20,225,686. These two items account for about half the increase in imports in the April-June period.

The buying of certain raw materials abroad, notably cotton and to a less extent coal, is necessary, but it is not in this direction chiefly that our buying has expanded. Taking free and dutiable goods as roughly dividing raw materials from finished products, the increase in the former in the three months was only half the increase in the latter.

In short, we have been living high, exacting a new standard of luxury, and growing callous to the self-imposed penalty of a 14 per cent. premium on payments to the chief supplier of our requirements. The least unfavorable interpretation that can be placed on the showing is that it represents a brief reaction in national habits. The autumn is the best period of our export year, and, granted a little more restraint on our buying abroad, the unfavorable balance for the first half of the year can be overcome in the second.

ADDITIONAL INFORMATION CONCERNING FIRES

London, Ont.—July 18—Biscuits and confectionery in store belonging to D. S. Perrin and Co., Ltd., destroyed. The fire was caused by spontaneous combustion. The total damage was \$1,350, with insurance of \$825,000 in blanket policies.

Wrentham, Alta.—July 6—Storr Building and contents, belonging to J. H. Welch, was damaged. The fire was caused by incendiarism. The total loss is \$10,000, with no insurance.

Maissoneuve, Que.—July 20—Sawmill and box factory of J. P. Abel, Fortin, Ltd., were damaged. Cause, probably electrical defects. Estimated damage to contents, \$35,000; to buildings, \$15,000. Insurance was carried to the extent of \$37,000 in the Lumber Mutual Fire Insurance Co., \$10,000 being on buildings and \$27,000 on stock, etc.

PUBLICATIONS RECEIVED

American Business Law.—By Hon. A. B. Frey, A.B., LL.B. Macmillan Co. of Canada, Toronto; 514 pp., with index; \$5. "Business," says the author in his preface, "may be defined as that which occupies the time, attention and labor of men for the purpose of a livelihood or profit. Business law treats of those legal principles applicable to persons engaged in business. A knowledge of the fundamentals of business law is of great value, not only in enabling its possessor to conduct his business dealings and his correspondence and to prepare his agreements in conformity with the law, but also to assist him in avoiding being taken advantage of by those with whom he deals." Starting with a general explanation of the subject of law, Mr. Frey then explains the law of contract, partnerships and corporations, suretyship and guarantee, insurance, property, bankruptcy, patents, copyright and other branches relating to business. Each chapter is followed by a series of questions and a list of references. It is business law as developed in Great Britain and the United States that is set forth, and as Canadian law is very similar to the law of these two countries, the book will be useful to Canadians.

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