

THE CANADIAN BANK OF COMMERCE—Continued

from the United States arises from war requirements. If this is even approximately correct we can imagine the vast additional increase in wealth if the war continues much longer, and the extent of the collapse in trade if it does not.

UNITED STATES WAR TRADE.

The receipts of gold, therefore, have been huge, notwithstanding the acquiring of so large an amount of United States securities. Co-incident with this there has been such an expansion of credit that bank reserves are not as comfortable as they were a year ago, and the Federal Reserve Board has sounded a note of warning which takes the form of a caution against the purchase of British and French Treasury Bills. This was immediately followed by the withdrawal of an issue at that moment about to be offered to the public. The United States has benefited more by the sale of war supplies of all kinds than any other nation, and because of this they ought to be the main source of credit for such supplies. Where merchandise is produced credit as a rule must be extended, otherwise trade will decline. Great Britain, because of the enormous production of gold within the Empire, is the only country that can buy largely for cash, although she also must have liberal credit extended to her while the war lasts. The United States for the time being, however, will sell goods to the Allied countries for cash or will lend against collateral, but will not grant credit in the ordinary sense. What they fear is a sudden collapse of the trade in war supplies, but such a collapse would be the natural result if the advice of the Federal Reserve Board is literally followed.

AGRICULTURAL PRODUCTION.

The only direction in which the tide of prosperity in the United States is not at the full is in agricultural production. In a year when the world is facing the highest prices of recent times, the great decrease in the wheat crop, the moderate yields of corn and oats, the small yields of minor products, and the adverse effect of high-priced feed on the live stock situation, are matters of deep concern. The individual producer may be compensated, at least partially, for the low yield by the higher price, but no comfort for the consumer, weary of high prices, can be found in a world short of food and of almost every commodity that enters into his daily needs.

A matter of supreme importance to Canada, and for the frequent reference to which no excuse is needed, is that we must as far as possible provide the cost of the war at home

COST OF THE WAR.

At the end of October the war had cost us a little over 350 millions, and at our present rate of spending 300 millions more may be added during the coming year. From the excess of revenue over expenditure we may at the end of the fiscal year have 50 millions, or even more, to apply on war charges. To provide for so great a proportion of the total cost of the war in this manner reflects great credit on those who are responsible for Dominion finance. We have managed to finance the remainder of the cost thus far partly by an account with the Imperial Government for overseas and other disbursements, and partly by loans floated in Canada. Over 100 millions of the amount due the Imperial Government has been funded permanently and most of the balance is offset by payments on Great Britain's account. Some loans for ordinary capital expenditures which could not be deferred were made in New York in 1915. In March, 1916, a second loan was placed in New York amounting to 75 millions, of which 25 millions was used to take up a corresponding amount of the 45 millions borrowed in July, 1915. In September a second loan in Canada was offered. This time the Finance Minister asked for 100 millions, and the subscriptions exceeded 200 millions, the banks, receiving nothing on their underwriting of a portion of the loan. These are such notable achievements that I am sure they cannot have escaped the memory of any Canadian, but I mention them for the benefit of the very large number of people outside Canada who read our annual reports.

WAR FINANCE.

In this review of the finances of the year it is necessary to recall that the proceeds of the first war loan of November, 1915, 100 millions, were used mainly, if not altogether, in the year 1916. There is one feature in Canadian war finance which differs in a marked degree from that of Great Britain. Our Finance Minister has as far as possible funded the debt

as it has been incurred, with maturities neither so long as to involve present rates of interest for too many years, nor so short as to trouble the Government during a period of some years beyond any probable duration of the war. One of the disturbing features of the finance of Great Britain is the enormous quantity of Treasury Bills which must be renewed at very short intervals.

FINANCING MUNITIONS.

Next in importance to the question of our own war finance is the aid which has been extended to Great Britain by the placing in Canada of British Treasury obligations given on account of the British Treasury. The Canadian manufacturer of munitions has not been asked thus far to take pay for his goods in the form of Treasury obligations—he has received cash—but some one had to take these obligations, because, clearly, Great Britain could not place orders for war supplies to the extent of hundreds of millions of dollars and immediately find the cash with which to pay for them. The help given by our Government in this way was apparently at least 100 millions, doubtless partially offset by the expenditures incurred by the Imperial Government on behalf of our troops, but as to this we have no precise knowledge. The banks have been the only other source of assistance as far as we know, and they have already lent on these Imperial obligations 100 millions and have undertaken to lend an additional 100 millions during 1917. If, however, we are to execute the orders for war supplies which will be offered to us, and which it is our duty to undertake in order to aid in ensuring victory, we must be prepared to do very much more than heretofore. This is what gives to the forthcoming campaign of thrift its fullest meaning.

THRIFT FOR THE EMPIRE.

Thrift for the individual is excellent, but just now that is of minor importance. Thrift for the sake of Canada, thrift for the sake of the Empire, thrift to win the war should be our cry. We shall not fail for men, difficult as enlistment may be. We shall not fail because of inability to make or to procure war supplies. If we fail it will be because we have wasted on unnecessary things the money that would have won the war. The man or woman who works hard at making shells may take much comfort in helping to win the war, but the man or woman who, in addition, saves a part of the present high wages due to the war and buys a war security, or helps a bank to do so, has helped twice, and the second kind of help is the most vital. The manufacturers of the United States will make war supplies for money. We are doing better only if we supply them on credit.

In addition to the credits for munitions, the Canadian banks are at the moment giving credits to the British Government for the purchase of wheat to the extent of 20 millions but the transactions are for a shorter duration than the obligations already mentioned.

BANK DEPOSITS.

The total of the deposits of Canadian banks at 30th November last was \$1,521,349,000 as compared with \$1,288,985,000 at the same date in 1914, an increase of \$232,364,000. Our deposits will, we trust, continue to increase, but the extent of the increase will depend on the results of the campaign of thrift, and only to a proportionate extent shall we be able to help in the way which we believe most vital in winning the war. We must, of course, bear in mind that the war securities held by the banks are only a part of the resources which are being used for war purposes and that the loans made to every manufacturer of war supplies have to be included to indicate the total extent to which their resources are so used.

PROSPERITY GENERAL.

The Review of Business Conditions which accompanies our annual report records prosperity beyond anything we have ever known in almost every part of Canada. This results from the existence of a market which needs almost everything we produce and which must pay almost anything the seller asks. If it is true that ninety per cent. of the exports of the United States are a result of the war, much the same must be true of Canada and in addition a large part of our home consumption is due to the requirements of the Canadian army. As individuals, almost all are gaining by the war, except those with more or less fixed incomes and without power to adjust the same when prices are high,

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