

Much the same may be said of railroad rates both in Canada and the United States. Under the application of the MacAdoo award the freight rates on Canadian roads were raised to such high levels as to impose a serious handicap on industry and agriculture. It is estimated that the increases to railway workers for the year 1919 alone will cost the people more than \$800,000,000; and this sum can be secured only from increased taxation or excessively high rates. In the meantime the American government has guaranteed a fixed price on wheat of \$2.26 at Chicago; and, on present crop estimates, one billion dollars will have to be collected from the whole people to make good the difference between the fixed price and the estimated market price. The farmers comprise about one-third the population of the United States and the railway workers some six per cent. The agricultural community exhibits little concern, at present, over high freight rates, rejoicing in its own prosperity. But high prices for farm products will not last, while the prospects are that high wages for railway employes will continue to be paid for years to come—especially under any system of government control or management whereby political pressure can be brought to bear. Estimating the agricultural population of the Republic as stated above, it must carry one-third of the increased wages bill of \$800,000,000 per year. In four years three billion dollars of excess profits in wheat will be wiped out, and their costs of production and of marketing fundamentally altered to their disadvantage. It is thus readily seen that in the United States it cannot be long before manual laborers and artisans, on the one hand, and farmers on the other, come into irreconcilable conflict.

Much has been heard in Canada and the United States, in recent months, concerning the urgent need of maintaining foodstuffs, both breadstuffs and animal products, at high price levels. The result of minimum fixed prices, such as obtain for hogs and wheat just now in the Republic, is merely to keep the cost of living at artificially high figures. This brings pressure to bear upon factory workers, miners and the rest who, in turn, demand impossible wages—impossible, that is, if industries are to be kept operating at full speed. For it is evident that wages and food prices on war levels, together with high freight rates, lay a burden upon manufactures, trade and commerce that is beyond their power to support. Canada's future depends in no small degree in keeping exports of primary and secondary products at high figures. It is safe to say that the producers on this side of the water will not get a very large share of the business of reconstruction in Europe unless they can quote prices to meet those of all competitors—especially British competitors. In any event, France, Belgium, Poland and the other nations that have suffered from war will undertake only strictly necessary work at present price levels. The cost of production for Canadian manufacturers and other producers must come down if unemployment on a large scale is to be prevented.

FINANCING CANADIAN INDUSTRY AND AGRICULTURE

THE war has developed many surprising situations but none more so than in the field of finance. There the Dominion has shown power and resource with which few would have credited it before the outbreak of hostilities. New methods and new financial instruments have been devised and applied. In large measure the Canadian people themselves raised the funds essential for the carrying on of industry and the purchase of the country's exportable surplus of foodstuffs. And now, just recently, the government has arranged to finance Roumania to the extent of \$25,000,000 for the buying of supplies in Canada. National finance has, in great measure, usurped the place and the functions of private international finance. Both the United Kingdom and the United States have come to the support of their European Allies with immense sums, designed not only to win the war but to aid these stricken countries in achieving stability in their economic life. It has become

common custom to assert that the great financiers and economists were wrong in their predictions as to what would follow, in the business world, upon a declaration of war; but events have demonstrated that these predictions in the main, were sound—that the credit and industrial interests of the world, at bottom, are one.

Canada undoubtedly assumes great risks in lending such vast sums to Roumania and in the following up of that programme elsewhere. Nevertheless, it becomes clear that the stronger financial nations will be obliged to come to the support of the weaker if industry and labor are not to suffer everywhere. It is of imperative importance that the Dominion's export trade in manufactures and agriculture be maintained at a high level. The country has made great economic gains during the course of the struggle; Mr. R. H. Coats estimating that national savings during 1918 alone amounted to \$800,000,000. Nevertheless, the Dominion's external indebtedness in August 1914, was not less than three thousand million dollars; and to meet the interest and principal thereof it is of the utmost importance that exports be continued at the highest possible figures. To secure orders from abroad for the country's basic industries, as well as to finance domestic requirements, the Dominion should rely as far as possible upon its own resources and economic power.

Negotiations are being pushed rapidly forward for the supplying of foodstuffs to the people of the Central Powers. It is expected that German holders of foreign approved securities will be required, by their own government, to hand them over to aid in purchasing the necessary supplies. The United States expects to get a large share of this business and find in Germany and Austria a considerable market for the wheat and other breadstuffs that its agricultural population was producing for the Allies. It is to be hoped that Canadian agriculture will benefit by such transactions also. If at all possible the exportable supplies of manufactured products and foodstuffs sent by Canada to Europe should be disposed of on this basis, where the countries concerned cannot pay cash. It must be admitted, however, that if Canadian producers are to get their fair share of the goods required by the European market the financing of the transaction must be conducted by our own government or through credits granted by the United Kingdom and the United States.

Upon the right solution of this, and similar problems, will depend in great degree the industrial stability of the country. It is safe to say that public international finance, having played so large a role during the war, will not be discarded for a considerable period after the signing of peace. It can assume risks that are beyond the power of private finance to sustain. Our readers will recall, for example, how Carranza appealed in vain to Wall Street for \$75,000,000 or \$100,000,000 dollars. Such a loan would have brought order out of the economic chaos into which Mexico had fallen, and from which it seemed almost impossible for the country to extricate itself notwithstanding that the rival revolutionary factions had been crushed. Carranza was compelled to issue large amounts of irredeemable legal tender notes, a measure that merely made a bad situation worse. There followed the confiscation of private property and extortionate, almost confiscatory, taxation upon the oil and mining properties of British and American investors. It is plainly in the interests of Great Britain and the United States to prevent similar conditions developing among the war-worn and poverty-stricken nations of Europe.

Admitting that the home market is the most important one for our manufacturers, it does not suffice for agriculture. During the war private enterprise could not be relied upon to grapple unaided with the tremendous problems in industry and agriculture that confronted the nation. The task was too great for any single group of interests. To find profitable markets and the money for Canadian products may rest mainly upon private enterprise, but certainly the government cannot ignore the problem. And if the Dominion must finance the sale of part of the nation's exportable surplus abroad every means should be taken to safeguard the soundness of the transaction.