years there has been, roughly, an excess of imports amounting to about $130,000,000.

It is sometimes supposed that the statistics of imports and exports altogether represent purchases and sales by Canada; and if the one greatly exceeds the other they are apt to think the country's position, in relation to outside nations, has changed to the same extent. Judged in this manner, the figures appearing above would mean that we had bought from abroad in the last two years to the value of $130,000,000 more than we shipped out and sold, and that, consequently, we had to settle partly by paying over money to foreigners and partly by increasing our indebtedness to them.

This process has been going on. The times have been prosperous. Canadians have been making money fast; and spending it, too. All kinds of goods, luxuries as well as necessities, have been purchased from abroad. The increase in population has made it necessary to import more than heretofore. As imports of this class are made they are paid for abroad by the banks, who utilize their foreign balances to do so. The payments cause, first, bank loans to the importing houses, followed later, as the goods are distributed, by discounts of retailers' paper, and finally, perhaps, by discounts of farmers' and other notes given to the retailers. The effect is to reduce the foreign balances of the banks and to swell the current loans in Canada.

With a great part of the exports the process is of an opposite character. Take one of the most important—grain. First of all, there are the bank loans to the grain-buying or exporting companies. The proceeds are paid to the farmers, who use them largely in extinguishing their debts and in increasing their deposits. As the farmer pays off his debts the retailer reduces his, and from the payments by the retailer the importing houses pay off the bank advances to them.

As soon as the grain goes forward to the seaports the grain loans are paid off by bills of exchange drawn on outside countries. The bills of exchange serve to replenish the foreign balances of the banks. So, in regard to this part of our imports and exports there is a change each year in our position, as regards foreign nations, corresponding to the difference between our purchases and sales.

If they were all of this nature, it would be possible to take the difference between the two, and thus decide whether we were getting stronger or weaker abroad. In the last year, too, the monthly reports of the banks show a heavy increase in current loans in Canada and a very considerable reduction in the amount of the net investments abroad of the Canadian banks.

It should be remembered that among the items of the imports are many that we do not have to pay for at once, and a number that we do not have to pay for at all. Settlers' effects may be mentioned as an item for which payment does not have to be made. These are assuming very respectable proportions. Then a considerable part of the imports come to Canada as proceeds of permanent or fixed loans, negotiated abroad by railroads and other corporations.

The Grand Trunk Pacific, Canadian Pacific, Canadian Northern are cases in point. When one of these big railroads issues bonds in London for purposes of new construction, the probability is that a large part of the proceeds will come to Canada in the shape of construction material. Obviously, all the obligation we assume in this instance is to duly pay the interest on the loans from year to year. Loans of this kind represent the investment of foreign capital in the Dominion.

There are other forms of the same investment that result in largely increasing our imports. In late years there has been quite a movement of large foreign industries to establish branch plants in Canada. Toronto has a considerable number of them. So has Montreal and Hamilton. They are to be found also in smaller cities. Sandwich, Ont., expects to get a very large industry in the branch plant of the United States Steel Corporation proposed for there.

The town of Welland has secured another important American industry in the Bemis concern, which is to invest $1,500,000 in its plant there during the next three years, and to employ by the end of that time 1,500 men. A very large part of the capital investment made in these branch establishments comes to the Dominion in the shape of machinery and material of one kind or another; and it would, therefore, figure in the statistics of imports.

But we are under no obligation to pay out cash or transfer balances equal to the value of the goods imported. All we have to do is provide a satisfactory yield in profits to the men or the companies who are making the investment; and we are not expected to do that until the plants are in running operation.

There are, among the exports, some for which we cannot expect to get a money consideration of equal value. Canadian investments in foreign countries have a tendency to go in the shape of exports of goods.

It is well known that monetary stringency has a tendency to reduce imports and to increase exports. The reason is that, money being scarce and hard to borrow, the buying power of the business men is curtailed. At the same time there is more of an inducement to effect realizing sales of commodities. It is quite probable that the effect of the present stringency will be seen in the statistics of imports and exports for the current year.

RECORD BUSINESS; NO MONEY.

The period of tight money is not over. Some of the banks in Montreal appear to have closed down on certain stocks which are generally considered to be very desirable, and many of which are giving good interest returns. The banks generally are avoiding new loans on stocks, and are apparently drawing back what loans they have made on securities of this nature.

There are instances of firms requiring more capital to carry on business. One large firm, with ample assets to cover all liabilities, but which had no surplus, owing to the big amounts expended upon expansion, was almost forced into liquidation not long since. The bank, which was carrying it, could not allow it more credit. Other banks claimed they were similarly situated, and could not assume such a large account without stinting the customers with whom they had been dealing for many years. The directors were fortunately able to finance the firm over its difficulty with their own private means. This is only one of a number of instances.

Meantime the banks have been making preparations for emergencies, more especially in view of the requirements for the crop movement.

Withal, trade seems to go ahead as though the financial situation little affected it. Record factory output, record customs receipts, record-breaking sales, and in some cases record prices and record wages are the order of the day. One is puzzled to harmonize the apparently sanguine trade conditions with the depressing atmosphere in monetary circles. When the public are eager to buy goods which are not available, notwithstanding that others are manufacturing night and day; when the crops of the country are of a good average and prices high; when the mineral output is greater than ever before, one may rightly think that times are good. If times are good, this crouching fear of a blow which shall unsettle and disjoint the commercial and financial mechanism is mysterious.

The only suggestion yet offered by financiers to remedy this matter is that the banks should increase their capital. The inference is that if the capital had been increased the situation would not now have been so acute. But, on the other hand, it is claimed that, were the banks to increase their capital, no one would subscribe to the new stock save at a very low price. It is also contended that if the banks were to take this step, they would have to pay interest on a large capi-