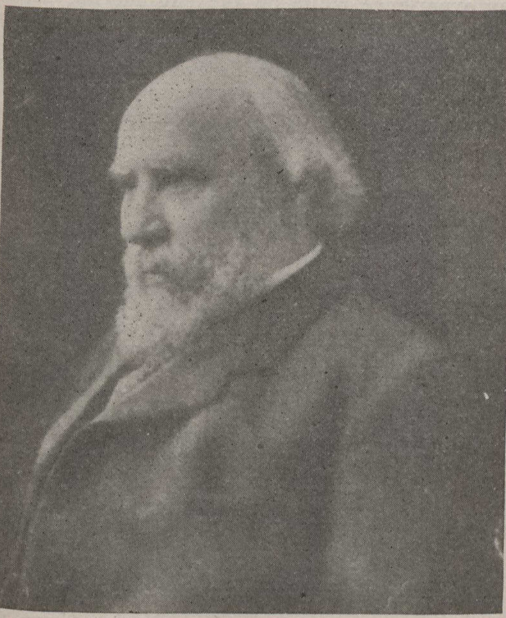
OVER-EXPANSION BY BORROWING

James J. Hill at Ottawa Sounds a Note of Warning—Government Extravagance

Extravagance in the conduct of government and the over-expansion of both public and private credit by borrowing, were cited by Mr. James J. Hill before the New York State Bankers' Convention at Ottawa, as the two great dangers of every country in this era. This applied especially, he said, to those countries whose settlement was more recent and whose needs were large. "It is to a great extent within the power of those who direct the financial interests of a nation to hold these tendencies in check," continued Mr. Hill. "I know that it is necessary in the United States. You know better than I what need, if any, there may be in Canada. But when one compares the appropriations of any legislative body, and the total debt of any public corporation to-day with the corresponding figures for thirty, twenty, or even ten years ago, he cannot fail to be impressed with the prudence of shortening sail. Just as the banks, by their control of credit and the directions in which it can be enlarged or curtailed, are powerful to help the farmer, so may they, when they deem it wise and necessary, slacken the speed of these modern high-power forces that cannot be allowed to speed up indefinitely without serious consequences.

Capital, a Cosmopolitan Force.

Mr. Hill reminded the bankers of Canada and the United States who heard him that one hundred years ago what was



JAMES J. HILL

Who at Ottawa this week Cautioned Bankers of the United States and Canada Against Over Expansion of Credit By Borrowing

probably the last war ever to occur between English-speaking peoples, was drawing to a close. It was fitting, he said, that this century of peace should be celebrated in Ottawa, and under the auspices of the representatives of capital in both countries. "Capital is the most cosmopolitan force in the world. From the beginnings of human intercourse it has broken down more barriers, cemented more bonds, than all the armies and navies of the world. Capital to-day furnishes the sinews of war; for none can long be carried on anywhere, as a rule none would ever be begun, if the great bankers of the world should agree in refusing to finance it. Arbiters of peace and agents of material development everywhere, it is most appropriate that they should be heard here and to-day.

"When I decided, as a boy, to leave home," said Mr. Hill, "there was no Canadian North-West to go to. There was, in fact, no Canada, as the word is understood to-day. The provinces that existed were only just coming together in any real relation of interest and understanding; only just preparing themselves for the Confederation that was to pave the way to present strength and greatness. A century has written in the United States a record never before equalled. It has meant very much to our neighbors of the north. If Canada is now, in regard to population, about where the United States was in 1913, in all other respects she stands about where the United States did sixty years ago. The apparatus for her development is substantially complete, and the process is going forward at a startling pace.

"Most countries have been accustomed to value their relations with one another by the total money volume of the commerce between them; and, rightly or wrongly, they have laid special stress upon that difference between imports and exports which is known as 'the balance of trade.' Without asserting any theory as to its value as an indicator of prosperity, or the contrary, both of which views have ardent champions, both sides will agree upon the fact that it is an important measure of commercial intercourse. In spite of all obstructions, the commercial relations between Canada and the United States have grown to proportions that astonish even those familiar with the official figures. According to the report of the United States consul in this city, the foreign trade of Canada reached a total of over a billion dollars for the calendar year 1912. The increase over 1911 was 23.5 per cent. Of the total, 56 per cent. was business done with the United States. For that same calendar year the balance of trade for the whole United States was $581,000,000; and of this $255,000,000 was due to our commerce with Canada. It supplied 44 per cent. of the balance rolled up by our commerce with the whole world.

"It is usual to speak and think of Europe as the best customer of the United States; and, in so far as this refers to the United Kingdom, it is true. But the Dominion of Canada is far and away the second-best customer we have. The statistics have been brought down to cover the first ten months for the current fiscal year, which began on the first day of last July. During that time our exports to the United Kingdom were $524,000,000; to Germany, $291,000,000; to France, $131,000,000; to Canada, $338,000,000; and to all Europe combined, $1,294,000,000. No other country except Great Britain and Germany even approaches Canada as a buyer in the markets of the United States. Her purchases were a seventh greater than those of Germany. They were 26 per cent. of those made up by the whole of Europe combined. Nor is this trade a one-sided affair. It looks impressive when considered as a whole. Of the total exports from Canada in 1912, the United States bought over 38 per cent. Almost all the mineral exports of Canada go to the latter country, most of its forest products and manufactures, and a third of the yield of its fisheries. This commerce in both directions is destined to grow even more rapidly in the next few years, owing to impending changes in the tariff regulations of the United States, than it has at any time during the last forty to fifty years. This business has been done not by reason of any sentiment whatever about it on the part of either country, or of any artificial favoring conditions, but simply because it is more profitable for both to deal with each other than for either to deal anywhere else in a large percentage of its commercial transactions. And nothing can reverse or annul that condition, which nature herself has established.

Immense and Valuable Connection.

"For years the people of the United States have entertained the notion that the South American trade was one of their most valuable assets. It has been played up to and fostered in many ways. One of the chief arguments in favor of spending several hundred million dollars on a canal across the Isthmus of Panama was its assumed value as a promoter of our commerce with the republics to the south of us. Well, for these same ten months of the last fiscal year, bringing us down to within six weeks of the present time the sales of the United States to Canada were, as stated, $338,000,000. The sales to the whole of South America amounted to $122,000,000, or a little more than one-third as much. Throw in Cuba and Mexico, and the total is $227,600,000, which is just about two-thirds of Canada's total. Swing the net still wider, and taken in both American continents, from the Arctic circle on the north to Cape Horn on the south, add Cuba and all the West Indies by whomsoever controlled, that nothing between the two oceans may escape. We did, in these ten months, a total export business of $630,000,000 with this western hemisphere; and of the whole, Canada furnished 54 per cent. It seems to me that a connection so immense and so valuable to both parties is the central and controlling fact of every occasion like the present when business men from both sides of the line get together to take stock of their present and their future.

Banking and Agriculture.

"On two main lines the bankers of the two countries may well take counsel and learn from each other. The next task of the United States is to provide a safe and adequate currency for the country. For Canada that problem has been solved in what appears to be a practical way. By your system banking facilities can be furnished, through branch offices, as they have been to all the communities of commercial importance. The latest message which the bankers of the United States, by common consent and a resolution for common action, have to bring in their firmly realized conception of the importance of agriculture and its wise promotion to all interests in the community.

"The bankers' associations of several of our states began to realize some time ago the importance to them of a sound and profitable agriculture. The Association of American

(Continued on Page 58).