

Growth of the War Debt

\$200,000,000 or more of our funded debt payable in Canada is held abroad. The amount held at home still represents half the total—Before the war there was practically no market for Dominion bonds

By H. M. P. ECKARDT.

By the end of June probably all or nearly all of the entries relating to the Victory Loan of \$400,000,000 would have passed through the books of the Finance Department; and the figures published in the Department's statement of Public Debt as at June 30, 1918, may therefore be taken as representing the debt situation as it stood on completion of the Loan payments. During the three months ending June there was but little change in the amount of temporary loans outstanding. On March 31, 1918, the balance was \$579,005,464; on May 31, \$583,175,797; and on June 30, \$584,904,797. This was the period during which the Victory Loan proceeds were flowing into the Treasury and the Finance Minister had no need to borrow. Apparently the months immediately following June would see an increase in the total of temporary loans, for the arrangement under which the banks undertook to advance funds to the Government in anticipation of the next domestic war loan flotation is understood to have become effective in July. The prevailing impression is that the banks are in this way advancing something like \$150,000,000 in monthly instalments.

As the June statement shows the balance of the funded debt and of the temporary loans as at the end of a definite stage of our war financing, it will be interesting to compare these items with the figures of July 31, 1914, the last statement date prior to Canada's involvement in the war. The following table shows the comparison in case of each class of debt and the increase during the war period:

Funded Debt.			
Payable in	July 31, 1914.	June 30, 1918.	Increase.
Canada	\$ 779,860	\$ 884,676,316	\$ 883,896,456
England	319,433,224	362,703,312	43,270,088
New York	75,873,000	75,873,000
Total	\$320,213,084	\$1,323,252,628	\$1,003,039,544
Temporary Loans.			
Loans	8,273,333	584,904,797	576,631,464
	\$328,486,417	\$1,908,157,425	\$1,579,671,008

During this period the two principal items of the Treasury assets and the net debt have increased as follows:

Assets.	July 31, 1914.	June 30, 1918.	Increase.
Investments	\$ 87,176,184	\$ 270,461,771	\$183,285,587
Miscellaneous & Banking	124,621,250	843,345,777	718,724,527
Net debt	\$331,873,814	\$1,154,007,715	\$822,133,901

One of the most interesting features of this exhibit is seen in the preponderating position of the debt payable in Canada. Roundly two-thirds of the whole funded debt is now payable in Canada. This does not, however, mean that Canadian investors hold two-thirds of the funded debt issued by the Dominion Government. Americans actively supported the first three war loans placed in our home market, and perhaps \$80,000,000 or \$100,000,000 of the bonds are still held in the United States. Then, apparently, the \$884,000,000 of funded debt payable in Canada includes the block of long term dollar bonds, amounting to over \$100,000,000, which the Dominion Government some time ago delivered to the British Government in settlement of the current account balance then standing in London against Canada in connection with the pay and maintenance of Canadian forces overseas. These bonds are understood to be in New York at present, where they are held as part of the collateral against one of the British loans floated in the United States before that country entered the war. Thus \$200,000,000 or more of our funded debt payable in Canada is held abroad. Allowing for this, the amount held at home would still represent fully half the total. That must be taken as a satisfactory showing for a young country which before the war had practically no market for Dominion bonds.

An item from Ottawa published by the Toronto Globe on April 2, 1918, stated that at that date the amounts outstanding respectively for the first, second, and third domestic war loans, were as follows:

First War Loan	\$ 51,000,000
Second War Loan	55,000,000
Third War Loan	82,000,000
Total	\$188,000,000

These three loans in combination represented \$350,000,000 of new bonds. So the presumption is that \$161,000,000 represented the amount of conversions into the Victory Loan. On this assumption the total Victory Bonds outstanding would be approximately 561,000,000. With the \$188,000,000 of outstanding bonds of the preceding loan this makes up the grand total of \$750,000,000 floated in the domestic market. Most of the balance of the funded debt payable in Canada would presumably consist of the bonds delivered to the British Government now held in New York. The Victory Bonds bear interest at 5½ per cent, so the annual coupon payments would call for \$30,855,000. The other bonds are 5 per cent and the annual interest in their case would be \$9,450,000. Apparently the bonds given to Britain were also 5 per cent; involving an annual interest outgo of \$6,000,000, or \$7,000,000. So the total funded debt payable in Canada calls for the distribution of roundly \$47,000,000 per year among the Canadians and others holding the bonds.

FUNDED DEBT.

During the war the funded debt payable in England increased but \$43,000,000—this increase occurring within the first year. The Mother Country of course had her hands full in financing her own vast expenditures and in providing funds for Russia, France, Italy and other Allies. The \$75,000,000 shown as payable in New York includes merely the 5, 10, and 15 year bonds placed there in April, 1916; while the \$100,000,000 of 2-year notes placed with American bankers in August, 1917, would be included in the temporary loans. As regards the remainder of the temporary loans as at June 30, 1918, \$484,000,000, it would probably be comprised mostly of balances accumulated against us in London since the above-mentioned settlement was made, and short date advances made to the Dominion Treasury by the Canadian chartered banks. Probably the debt due to London in connection with expenditures on account of our overseas armies would represent the greater portion.

TREASURY ASSETS.

It should be noted that the increase of Treasury assets during the war period has been quite impressive—the amount thereof, \$822,000,000, representing more than half of the increase of debt in the forms here referred to. This increase of assets, under the headings, investments other than sinking fund, and miscellaneous and banking accounts, includes a very large amount of items undoubtedly good for their face value which may reasonably be expected to liquidate or offset a considerable part of the newly created debt. Figuring conspicuously among the newly-acquired assets are the British Treasury bills representing the Dominion Government's advances to the Imperial Munitions Board and to various other purchasing departments of the British Government in this country. Also in evidence are the new loans made to and investments in railway enterprises. The ultimate value of these investments will depend largely on the measure of success attained by the various companies in their operations during the next five or ten years. If, as is generally hoped, Canada continues to develop and expand her resources and population, the circumstance will have a tendency to strengthen the value of the railway investments into which the public funds have gone—providing, of course, the properties owned by the nation are not mismanaged.

It is to be expected that the liquidation of our holdings of British Treasury bills after the war settlements are finally completed, will react with especial beneficence upon our outstanding temporary loans. The British bill should suffice, in one way or another, to clear off a considerable amount of these temporary loans thus strengthening our position internationally.

CANADA'S TRADE IN JUNE.

Decline in Exports.

Notwithstanding the decline the monthly statement issued by the Customs Department shows which has taken place in imports the revenue of the Dominion continues to show a substantial increase over that for the same period of last year.

From April 1, the beginning of the present fiscal year, to July 10, the total revenue of the Dominion amounted to \$74,000,000 compared with \$69,000,000 in the corresponding period of the last fiscal period.

During the month in question, while there has been decline in the customs revenue of \$3,000,000 it has been more than counterbalanced by the increase in excise and especially by the revenue from the business profits war tax.

Canada's trade for the first three months of the present year totalled \$515,718,816, while last year the three-month period showed a total of \$621,162,029.

The decrease for the month of June alone, when compared with June, 1917, was \$24,683,084, the totals being \$192,843,148 for the present year, and \$217,526,232 for 1917.

A decline of over forty million dollars in the total value of goods imported into the Dominion during the three-month period, when compared with the previous year, is shown by the statement. For the first three months of the present fiscal year dutiable goods were imported to the value of \$138,740,889, and free goods to the value of \$114,650,860, making a total of \$253,391,749. Last year the total imports of dutiable goods for the three months amounted to \$153,027,945, and free goods to \$138,891,310, a total of \$291,919,255. The duty collected this year amounted to \$42,250,761, as against \$46,287,690 in 1917.

The falling off in exports was, much greater than that of imports for the three months, when compared with 1917, totalling \$71,815,047. The total exports (domestic) for the first three months of the last fiscal year were \$330,488,526. This year they totalled \$258,673,479. The decline, as shown by the statement, was partly in the export of manufactured articles.

Domestic manufactured articles during the three-month period last year were exported to the value of \$132,830,441, while this year exports of this nature totalled only \$108,740,251. The chief decline, however, was in the export of agricultural products, the totals being \$141,105,607 in 1917, against \$81,502,062 this year, a falling-off of \$59,603,545.

The table classifies the different departments, with comparisons with the preceding month and the corresponding month of 1917:—

	June, 1918.	May, 1918.	June, 1917.
Mine	\$7,077,347	\$6,025,915	\$4,961,037
Fisheries	1,909,780	1,080,134	1,185,376
Forest	8,048,894	7,015,682	5,451,576
Animals	12,439,058	6,607,272	7,331,668
Agriculture	27,231,125	24,053,989	57,869,423
Manufacture	51,092,967	33,953,359	39,021,170
Miscellaneous	710,617	265,788	465,591
Total	\$108,509,788	\$79,002,039	\$116,285,841
			Inc. or Dec. of Exports.
January	\$96,216,284	\$60,677,414	+\$35,538,870
February	86,361,617	52,206,448	+ 34,155,169
March	99,854,987	87,255,698	+ 12,599,289
April	71,161,652	78,623,941	- 7,462,289
May	79,002,039	89,809,033	- 10,807,044
June	108,509,788	82,094,786	+ 26,415,002
Total	\$541,106,367	\$450,667,370	+\$90,438,997

THE SUCCESS FAMILY.

The father of Success is Work.
 The mother of Success is Ambition.
 The oldest son is Common-Sense.
 Some of the other boys are Perseverance, Honesty, Thoroughness, Foresight, Enthusiasm, and Co-Operation.
 The oldest daughter is Character.
 Some of her sisters are Cheerfulness, Loyalty, Courtesy, Care, Economy, Sincerity and Harmony.
 The baby is Opportunity.
 Get acquainted with the "old man" and you will be able to get along with the rest of the family.—
 The Observer.