

# CANADA PRIMARILY PRODUCING COUNTRY

### Effect of War Should be to Induce Larger Markets and Higher Produce Prices

#### MUCH CAPITAL DESTROYED

Canada in the Past Ten Years Luckily Built Her Producing Machinery on a Scale Larger Than She Needed, For Now There Will be Little Immediate Building in Addition.

Messrs. Greenhields & Company, in their summary of Canadian financial affairs for September, express the view that, even if the war is prolonged, the world's system of exchange will soon adjust itself to the new conditions so as to passively accommodate the country's monetary and commercial needs. Messrs. Greenhields & Company say:—

The effects of a general European war upon a country situated as Canada is so diverse and so dependent upon the course of events that it is possible to attempt a forecast of them only on a basis of some definite assumption as to the maintenance of the present external conditions surrounding the warring nations. The consideration which follows is based on the promise that British control of the sea be continued, and that no other great power be drawn into the conflict on the opposing side. So far as the duration of the war is concerned, the effects will not be greatly different if the contest ends to-morrow; duration will simply intensify them.

On these premises it is our intention to examine the probabilities as carefully and impartially as possible and, above all, without any of that bias of false optimism so generally indulged in by the Press. Careful study based on sound principles gives good reasons why the present war should stimulate and better the Canadian financial and business position in some ways, and check and depress in others. Cheerful and popular as it may be to dwell on the former, it is necessary to face both in this discussion to be of any real value to our readers.

#### Panic and Paralysis Over.

At the outset let it be said that panic and paralysis, which constitute the immediate effects of the unhappy situation which began at the end of last month, are over. Gradually the world's system of exchange is adjusting itself to the new conditions and in due time it will be effective enough to accommodate our commercial and financial needs.

The first direct fundamental effect of more than temporary nature concerns Canada as a producer of the products of agriculture and other natural resources. The able-bodied population of Europe has been withdrawn from production. This will materially injure this year's harvest, and will do the same for next year's, even should hostilities soon cease. The food products of Canada and America are already greatly enhanced in value and will enhance still further with the return to normal of exchange and Atlantic shipping facilities.

As this is the fundamental basis of Canadian wealth we have at once a broad underlying cause for increase of the nation's prosperity. This will, no doubt, more than offset this year's decrease in agricultural yield and give us more than the equivalent for the truant bumper crop which all Canada hailed last month as the Moses in the wilderness of depression.

#### Well Paid For Fisheries.

Of other natural products, those of the forest, which come next in size and importance to the field, will be in the main benefited. Whatever the lumber trade may or may not suffer from changed conditions should be offset by the stimulation to pulp and paper production. The tremendous demand for newsprint and the curtailment of the usual supply of all wood products from abroad are already giving us larger markets and higher prices in all such products. Our Maritime Provinces should be well paid for their fishery produce. It is as yet difficult to judge the results upon our mineral wealth: there are many diverse factors.

Remembering, then, that Canada is primarily and essentially a producing country, it must be seen that the primary effect upon us will be larger markets and higher prices for our produce. In other words, without the expense of any more effort or capital, Canada will this year produce from her natural resources far more wealth in terms of money than she has ever produced before, or would have produced for many years to come. It is quite probable that this fundamental factor will in the long run outweigh any effect of the other factors combined.

#### Natural Productive Ability.

When we approach the industrial and financial system that is reared on the basis of our natural productive ability, there are to be found many complex influences at work. Readers of this Review understand the effects of war upon capital. The Balkan war, which began in the autumn of 1912, destroyed enough capital to create an industrial depression throughout the world. So much vaster are the present military operations that the effects of the destruction of capital will be impossible to conceive. At all events Canada is face to face with the curtailment of her supply of capital from abroad. Let us consider what this means.

In the past ten years Canada has been expanding rapidly on a basis of borrowed capital. This money has been spent in the construction of the machinery of production and exchange. The expenditure showed itself in our great excess of imports over exports, which was largely due to the tremendous purchases of construction materials.

Now, by the most fortunate chance in the world, Canada's construction programme is effectively completed. While borrowing was easy we erected the machinery to handle a very large production—luckily much larger than we even needed. It is a blessing that we built for the future, because for some considerable future there will be no more building. That is not necessarily a calamity. Without any further increase to the machinery available for production, we can produce, particularly with the existing conditions in Europe, enough wealth to create, eventually, a greater measure of real prosperity than we have ever known.

#### Excess of Imports Over Exports.

Under the circumstances we must expect the late excess of imports over exports, which had been decreasing since our expansion was checked by the Balkan war, to disappear altogether. With new capital and those things for which it was spent largely eliminated, and with the inevitable stop to our customary large importations of luxuries, we will have a "favorable" balance of trade, an excess of exports over imports which should be quite large enough to pay the interest on our borrowed capital. Even without higher prices for our products, we should be able to do that. In other words, the economic change brought about by the war, while it will completely

# Mr. C. J. McCuaig Has Given His Three Sons to the Defence of Empire



MR. C. J. McCUAIG, Stockbroker, who has given his three sons to the defence of the Empire.



MAJOR D. RYKERT McCUAIG, 5th Royal Highlanders.



CAPTAIN G. ERIC McCUAIG, 5th Royal Highlanders.



LIEUTENANT C. N. McCUAIG, 5th Royal Highlanders.

## 5,000,000 ACRES FOR HOMESTEADS

### A Vast New District Will Soon be Opened up For Settlement in Western Provinces.

Edmonton, Alta., September 2.—Five million acres of government land in the western provinces, now being surveyed by the Department of the Interior, will be opened for homesteading purposes in a short time. This work is being done in widely separate districts, from northern Manitoba to the valleys in British Columbia. Twelve hundred men and an equal number of horses are required to carry on the work of meeting the demands of the incoming homesteaders. The frontier is being pushed north and westward from the Great Lakes; each season the farmer is encroaching on the fur-trader's domain, and often the race is between the surveyor and the settler.

The chief scene of activity in the province of Alberta is in the Peace River district, north of Edmonton, where 45 townships are being subdivided into quarter sections of 160 acres each. This will provide 6,400 homesteads, or a block of land more than 40 miles square. In "the Peace River block," a tract of 3,500,000 acres, surveys are being made in the vicinity of Fort St. John and Hudson's Hope, 600 miles by road from Edmonton. This land was conveyed to the dominion by the province of British Columbia.

## EDMONTON'S FINANCIAL CONDITION.

Edmonton, September 2.—Details of Edmonton's financial condition, reported by Deputy Commissioner Richardson show that the liabilities to the end of the year amount to \$6,995,108. The probable revenue for the same period is \$9,449,427, including \$4,169,760 in unpaid debentures. The other sources of revenue are: \$600,000 in estimated receipts from various public utilities; \$3,430,800, in general tax levy for 1914; \$800,000 in arrears of taxes; \$271,000 in special tax levy for 1914, and \$77,867, in amounts receivable for debentures sold. It is announced that the city has already pledged the taxes, as security to the Imperial Bank of Canada on a loan of \$2,800,000.

## MAIL BY AEROPLANE.

### Australian Aviator Travels Seventy-five Miles an Hour.

An aviator named Guillaux brought the mails by aeroplane from Melbourne, South Australia, to Sydney, N. S. W., a distance of 400 miles. He made the distance in five hours and twenty minutes, or an average of seventy-five miles an hour during his flight, and at one time reached a speed of 105 miles. There was a heavy rainstorm during the night. Guillaux received an ovation when he arrived.

reverse our position, will not affect our solvency. But such a change cannot be brought about without a tremendous wrench and much hardship. We have, perforce, to turn to production and leave further construction absolutely. This was a process which we were performing gradually. We are forced now to do it quickly.

The worst of this will be felt by those who depend upon new capital and new construction. They must quickly see the writing on the wall and turn to activities directly concerned with production and its distribution. This will entail unemployment, and the various other concomitants of hard times, but, in the long run, will increase national prosperity.

## Underlying Changes Involved.

With a clear understanding of the underlying changes involved, investors and business men can judge with some accuracy as to the probable results to their interests. There are too many possible unexpected influences and peculiar circumstances surrounding any particular business to discuss individual cases accurately as yet, but in a general way it can be stated that the following industries may be subject to severe curtailment:—

Those connected with further new development, new construction, or dependent on new capital; Those having European countries as a market in anything but necessities of living and warfare; Those dependent upon European production for raw materials.

Industries, however, which supply the fundamental needs of living to the Canadian consumer and his home should not be injured in the long run. We are not concerned with the temporary and false stimulus of large orders for military purposes; we are considering merely the buying power of the Canadian consumer, which is not impaired. Furthermore, our Transatlantic industry has been competing with our own in the supply of many necessary things, our domestic industries will be immediately, and probably permanently, benefited by the present elimination of the former.

## General Lines of Influence.

Commercial and mercantile activities will probably follow the same general lines of influence sketched above. In banking, our great institutions are capable of accommodating themselves to changed conditions without stress or injury. Since new capital and new construction will be at a minimum, speculation will subside still further. Only such real estate business as is needed to provide people with homes can be profitable and only such security houses as serve legitimate investment needs may be successful.

That Canada has passed through two years of constant liquidation is a source of two years of strength. We can face the most awful catastrophe of modern times and play our part in ending it without the added burden of an over-extended business position or an inflated financial structure. We are thereby saved a great measure of distress.

GREENSHIELDS & CO.

## BANKERS LOOK FOR LONG WAR

### Wholesale Financial Reorganization Is Now Counted Among the Probabilities.

### SITUATION IS UNCOMFORTABLE

### Not a Few Municipalities, if Hostilities are Prolonged, Will Find Difficulty in Meeting Their Debts.

London, September 2.—In conservative banking circles it is now fully recognized that Great Britain and probably most other countries in the world have to face a period of wholesale financial reorganization. We are coming down to the very foundations of wealth, and those who are able to understand the true conditions see that a great deal of matter that has formerly been called wealth is merely paper. We are recognizing now that much of the so-called wealth is nothing more than documents engraved with the words, "I promise to pay." Governments, provinces, cities, corporations and companies have raised huge sums of money on "promises to pay," the exact titles given to the documents being bonds, debentures, stocks, shares, etc.

In some cases the promises to pay will be fulfilled, but in the great majority of cases, if the war lasts any long, the promises will be incapable of fulfillment. Consider how many cities in Europe are now bereft of many of their principal wage earners who have been called to arms. Nearly all these cities have public debts on which it is necessary to arrange for payment of interest and for redemption.

### Unable to Gather Taxes.

If the war lasts very long these cities will be unable to gather in their taxes, and then what will be the value of the city bonds—the promises to pay? Similarly while many industries, such as the armament and military equipment industries, are doing tremendous business, there are many companies which are no longer doing any business at all. What will be the value of the securities of such companies if the war lasts long?

These are basic questions which many students of finance and economy are asking themselves and the line of thought can be carried to a length which leads to considerations of dire financial disaster. It is generally hoped that the war will not last many months, but the fact must be faced that Lord Kitchener, the British Secretary of State for War, is preparing for the war lasting two or three years. These may be merely precautionary measures, but if it is necessary for the soldier to take such precautions, the same conditions apply to the financier and trader.

### Issuing Emergency Currency.

At the present time financial matters are very uncomfortable in this country and they are likely to become worse. The situation is relieved by the fact that the Government is issuing emergency paper currency to an unlimited amount. The figures are not available, but the total must already be very considerable. At the same time there is the general moratorium, which not only allows the non-payment of contract debts, but permits the banks to refuse to pay out deposits to their customers.

No bank depositor can withdraw the whole of his money to-day. He may draw his check for wages to his employes or his usual check for household expenses and similar matters, or he may draw a check crossed for payment so that it will have to be paid into another bank to the payee's account, but the customer who goes to his bank for the purpose of taking out an unusual sum of money from his balance, even though he is prepared to take it in emergency paper currency is subjected to cross questioning as to the purpose of the withdrawal, and unless his explanations are convincing and conclusive to the bank manager he is told that under the moratorium the bank in the exercise of its discretion is not prepared to make the payment. Thus a run on the joint stock banks is impossible and in that way the banks are prepared for the worst.

### No Signs of Panic.

Still it must be admitted that there is not the slightest sign of panic among the public. The utmost confidence is placed in the Government and the banks. The new emergency paper money is accepted without question and every endeavor is made to continue business as usual. Salaries, however, are being reduced in many firms and short time is in effect in many factories and the whole nation is economizing, except, perhaps, the very poor, who expect to live on charity if the worst befalls.

The result of the individual economy is that a large number of firms are barely paying expenses. For example, it is recorded that the millinery department of one of the largest stores in London took in only 7 shillings, say, \$1.50, in four days following the declaration of war. In fact, apart from the provision and arms and equipment trades, business has decreased by about 50 per cent. Already dividends are being cut down in all directions and difficulty is found in paying some dividends that had been declared before the outbreak of war.

It will take many months before the war is over to get back to former normal conditions even if the war is not very prolonged. In the meantime the public conception of the meaning of wealth may have changed very considerably.

## AMERICAN NEWSPAPER GIVEN ANSWERS TO QUESTIONS ASKED

### The Non-Collectible Supertax—No Difficulty in Getting "Special Tax"—Effect of Suspended Communication—Brute Force in Place of Truth.

New York, September 2.—Herman Ridder, editor of Staats-Zeitung, replying to questions in the Wall Street Journal, says:—

Question 1.—In kingdom of Prussia, and in German Empire, what proportion of taxation was expended on armaments?

Answer—Expenses for armaments are substantially empire expenses. To establish a proportion of armament expenditures to income from taxation would not be practical, as the empire has as the only direct tax the inheritance tax. But I might take proportion of expenses for armaments to entire budget, and might establish the same proportion for Great Britain and France. I then get approximately the following figures:

	Million dollars	1912	1913
Budget		2,300	365
Germany		950	380
Great Britain and Ireland		900	290
France			

Question 2.—How far short did special tax on capital fall below amount anticipated?

Answer—Official result of the "wehresteuer" is not yet available. Such preliminary reports as I have indicate no shortage from original government estimate of \$250,000,000. It was necessary to levy the special tax to pay for readjustment of German debt shifting of balance of power that resulted from the Balkan war.

Question 3.—How much was realized by supertax on real estate?

Answer—If this question refers to tax on unearned increment, I can only say that this form of taxation, until recently, was exclusively within discretion of municipalities and states. Intention of making this tax an imperial one has been reversed by recent law, which imposes tax to be effective in 1917 on entire increase of capital, to be determined in triennial periods.

Question 4.—Is it true that supertax on real estate was in 50 per cent. of all cases uncollectible because holders of real estate had no ready money to pay in.

Answer—Of course as long as a tax is still ineffective it cannot be found uncollectible in 50 per cent. of cases. But if by any chance "supertax" should be meant to indicate "special tax," there was no difficulty in collecting the "special tax," as may be readily understood by the fact that the tax is a graduated one, payable in three annual instalments, and that a levy of 1 per cent. is only reached when capital amounts to at least \$250,000. To assume that a man possessed of so much property could not for three years pay about \$500 "special tax" is, of course, ridiculous.

Question 5.—Is it true they were unable to borrow on mortgage because the tax had flooded the market with real estate offerings, and had, for the same reason, frightened all buyers away?

In the same editorial the ridiculous statement was made that the above questions "vitality affect all those who are unable to collect from their German correspondents who owe them money." The reason for that "inability" is lack of communication. This same reason also prevents Germany from collecting its credit balances in the United States.

To relieve still further the anti-German prejudice of my questioner, I am adding an approximate comparison of 1913 armament expenditure per head of population by three belligerents:

Germany	\$5.50
Great Britain and Ireland	8.00
France	7.50

Who is over-arming? The Wall Street Journal replies: We congratulate Mr. Ridder that he has stepped off the Kaiser's platform of divine authority for "Germany uber alles," and come down to the earth of facts and figures. Mr. Ridder closes by asking the question, "Who is over-armed?"

We would respectfully reply, any individual or nation is over-armed that possesses a war machine that cannot accomplish a desirable end but can only touch off the engine of destruction.

The German people thought, when they were voting funds for the German war lord and his war machine that it was only to be used in their defence. Neither in nor out of Germany could there have been any idea that Germany was preparing to conquer the whole world or perish in the struggle.

Mr. Ridder reflects in that interrogatory exactly the idea which condemns Germany to-day before a civilized world—the pagan idea of brute force in place of Christian truth.

## MARTIAL LAW IN BUTTE.

Butte, September 2.—Martial law prevailed here to-day, following the arrival of ten companies of the State National Guard. The situation is quiet. Officials of the Anaconda Company said that an attempt would be made to-day to resume work at the Anaconda and original mines, with protection given all miners desiring to return.

## PRINCE OF WALES FUND.

Acknowledgments up to Monday, September 1st, amounted to \$8,885,000. Among the big contributors was W. W. Astor, with \$125,000.

## THE RELEASE OF GOLD KEY TO DEADLOCK IN BANK EXCHANGE

### Let the Gold Go, Says Editorial—Why Should Exchange Market Be Disrupted and Merchants and Bankers Suffer, is Question Asked—Pay Debts in Gold.

The Boston News Bureau says: The country is facing certain obligations abroad which it must meet, or else invite the charge of repudiating its debts. For the price of honesty, debtors face a loss of millions on the exchange operation. Clearly something must be done, and soon, to meet the present "impasse" in exchange.

It is said the principal obstacle to restoring normal exchange conditions is inability to move our grain to export. Very true, but there are certain practical hindrances just now. Congress is taking necessary steps to facilitate shipments in American bottoms, but such efforts naturally move slowly. That some satisfactory arrangement will be arrived at sooner or later there seems no reason to doubt.

But, in the meantime, why should the exchange market be disrupted and merchants and bankers suffer? May not the solution be the easiest and most direct after all? Let us pay our debts, cheerfully and un begrudgingly; with the only proper medium—gold.

When the present crisis first arose, and in order that we might be on the safe side, we locked the doors on our gold reserve. Bankers agreed not to ship any more of the precious metal. Ever since then the exchange has been soaring, simply because the medium for remittance abroad has been shut off.

We are arbitrarily closing the means of egress. There is something radically wrong when exchange stands at the present figure, and it indicates that we are running counter to economic laws.

The Bank of England opened the way to facilitate the movement of gold, but so far our bankers have not grasped the opportunity. By establishing a depositary in Ottawa, where gold from here may be loaned, the bank is prepared to credit the amount in London at rate of 7 1/2. 6d. per ounce for bars and 76s. 0/4d. for eagles. At this rate for gold bars, the equipment in sterling cables here would be \$430. At the moment the rate is \$5.08 1/2.

Hence, if \$50,000,000 or \$100,000,000 gold were shipped to Canada for account of the Bank of England in this way, it would give credits in London to that amount and immediately result in bringing down exchange from its present level for sterling cables to somewhere around \$4.50. With this balance to our credit in London, the city of New York would not be "held up" for some \$2,000,000 or \$3,000,000 on exchange, while importers would breathe easier.

It would not be long after gold credits had been established in London that the balance of trade would be turning very decidedly in this country's favor. It must inevitably do so under the circumstances, since the war is going to curtail importations, while Europe must have our commodities. Moreover, the Stock Exchange being closed, foreign liquidation of securities is prevented. Every economic argument points to the balance of trade being against a nation at war.

The locking up of our gold here has brought an abnormal situation in Canada. Montreal Exchange on New York is quoted at 1 1/4 per cent. discount. This is absolutely unprecedented, because in normal times, as soon as New York Exchange at Montreal falls to a discount of 5-64 of 1 per cent, gold moves across the border. But in the present instance, practically no gold is going there. Nobody in Canada wants New York Exchange if he cannot get the gold for it. Hence, the heavy discount. But lift the bars against our gold and the Exchange situation will quickly adjust itself, at Montreal on New York, as well as at New York on London.

One reason why we should keep our gold in on account of the volume of emergency money being injected into the circulation. There is danger of inflation, it is said, and for that reason we should conserve the gold we have. There is a certain force to this argument, but it must be remembered that we are remodelling our currency system along lines which predetermined a movement of gold out of the country. Whether it came early in the year, at present, or later on, it does not matter. The new banking act contemplated a setting free of reserves to extent of about \$250,000,000, and, in addition, there is the huge expansion of the money media by reason of the new discount market to be instituted.

Let us pay our debts abroad in gold when we can well afford so to do.

## 79 ELEVATORS IN OPERATION

### Each of These Structures in Alberta Has Capacity of From 35,000 to 40,000 Bushel Capacity.

Seventy-nine elevators of from 35,000 to 40,000 bushel capacity, each costing from \$6,650 to \$8,150, now in operation in the grain districts of Alberta, under the direction of the Farmers' Co-operative Elevator Company. The provincial government advanced 85 per cent. of the cost of the elevators, taking as security first mortgages on the plants. Farmers in the district provided the remaining 15 per cent. Fifty-one elevators were built in 1913 and 28 were added this season. The structures are of reinforced galvanized iron on concrete foundations and are equipped with gas engines and other modern elevator machinery. It is announced that at least 50 elevators will be erected in 1915. The government has power to carry on this work under legislation enacted early in 1913.

# CANNOT GAUGE THE EFFECTS OF TURMO

### Steel Industry has not yet Benefited From The War But it May Later

#### BUSINESS IS NOT LARGE

Trade is Hopeful of a Change For the Better as Business Adjusts Itself to New Situation—Will All Take Time—More Orders Are Expected From Europe.

Exclusive Leased Wire to The Journal of Commerce New York, September 2.—It is the opinion of steel authorities that another month will have passed before it will be possible to gauge with any degree of accuracy the probable effects of war upon the trade. So far the industry has benefited very little through the conflict. In fact it has suffered common with business generally because of the too favorable financial outlook. Important building projects in many sections of the country have been temporarily abandoned on account of fear of a more stringent and this has reflected itself in a contraction in structural steel orders. New book orders in all of the heavier lines have fallen off rather sharply, but in the lighter materials demand is holding up quite well.

Trade is hopeful of a change for the better soon as the country's business adjusts itself to new situation. Foreign orders have been placed since the outbreak of the war, but in the aggregate they will show some of the recent estimates. A European order for the construction of 2,000 motor automobiles has been practically placed here, and inquiries for billets, sheet bars and slabs amount to about 20,000 tons. Eastern mills will in all probability receive these orders in prices, producers adhering to the higher levels announced about a fortnight ago. The railroads are displaying extreme conservatism in purchasing equipment and the week's orders from this source were rather unimportant. Plans now being worked out by the roads to increase their revenues through an adjustment of passenger rates if successful, help the steel mills by prompting more liberal equipment buying.

The Pittsburg Outlook. (Exclusive Leased Wire to The Journal of Commerce) Pittsburg, September 2.—Nothing developed in last week to substantiate the claim that the war would prove a stimulating influence on the steel trade. The extent of foreign enquiry for our steel production, it appears, been somewhat exaggerated and actual business closed for this account has been of small proportions. Domestic business has fallen off, reflecting the growing caution of steel consumers owing to the general unsettlement of business and monetary conditions incident to the war. Shipments of finished steel to South America are going forward, but the outward movement represents old contracts. The United States Steel Corporation is furnishing a greater part of this steel. The pig iron market continues quite flat at all of the leading centers, demanding a hand-to-mouth character. With a leveling in the rate of incoming orders the leading mills have slowed down operations slightly as compared with last week, and predictions are heard of a further material curtailment of capacity unless a situation speedily shows signs of improvement. The outlook for larger supplies of ferro manganese steadily improving and steel makers are no longer worrying over the possibility of having to suspend operations because of a shortage of this valuable alloy.

New York, September 2.—New business is coming in slowly, although orders in September were some

THE PULP & Magazine Edited by Roy Can

# THE PULP & Magazine

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