

## WHAT IS AHEAD FOR CANADA?

### Analysis of the Financial Situation—Factors That Indicate Prosperity

The progress of the west was greater in the ten years 1903-1913 than it had been during the whole of the time since Confederation. During these ten years the credit of the whole Dominion of Canada in Europe was good; that of western Canada might be said for the first time to have been established there. Our borrowings were large and frequent, said Mr. R. T. Riley, of the Northern Trusts Company, addressing the Winnipeg Board of Trade.

It is true there was a temporary check in 1907. In many ways it is unfortunate for us that it was only temporary. Some critical attention was given to us then by the money-lenders of Europe, but after investigation they evidently came to the conclusion that our borrowings were justified by results, and unfortunately our credit was so completely re-established and enlarged that all Europe seemed anxious to give us everything that we asked for. The inevitable result was that beginning in 1909 and continuing up to 1913, every government and municipality was able to borrow all it asked for, industrial and manufacturing enterprises were floated, real estate rose to a price that a few years before had seemed impossible; and a situation developed over the whole of the Dominion of Canada that was nothing short of gambling, with stakes to suit all players. The check of 1907 had served only to give edge to this appetite, and by 1909 the demands for credit that had previously been for sound and good enterprises were gradually augmented by applications that could be classified as speculative, highly speculative and fraudulent, till in 1913 our creditors became alarmed.

#### Talked Canadian Boom.

London and also Edinburgh began to talk of the "Canadian boom" in the same terms as they had previously talked of the "South African" or the "Rubber" boom, and our unlimited credit was suddenly, not only curtailed, but practically cut off. All but the best government and municipal loans were refused or taken at rates that denoted suspicion. Industrial flotations fell flat and previous issues could only be sold at low prices. Certain mergers of pulp mills, cement works, lumber, coal, fish, asbestos and other industries and land corporations, that ought to be the backbone of our financial strength and that ought to be able to stand the test of any ordinary set-back if properly organized, failed to stand the test of careful investigation made too late. The Canadian Northern Railway for the second time in its career found the doors of the London banks closed to it. The Canadian Pacific Railway, our largest and best known Canadian Company dropped over 100 points on its common stock, and by the spring of 1914 we were in the midst of a reaction that foretold years of liquidation and retrenchment that appeared to be spread equally over the whole of the Dominion, for we had misused credit in so many various ways, and all had to pay the penalty, and it was fortunate for us that we were a good year or more on in our period of enforced curtailment when the European war of 1914 broke out and gave a good excuse for the many failures and reactions.

How much the war has accentuated some troubles and mitigated others would be an interesting subject for discussion, also how far it is going to be accepted as an excuse by disappointed investors.

#### Canada Living to Itself.

For 13 months now Canada has conducted its business with comparatively little outside help. Some high-class government or municipal bonds sold in New York, short-date loans on wheat and other produce, assistance from the British government to secure the export of what was specially needed overseas; but in the main the business of Canada has been done on its own credit in its own currency by its own people. Our commerce is hampered by want of vessels, not fear of capture or blockade of ports or lack of means to purchase our needs, and although we cannot repay what we owe at short notice, we can indefinitely pay interest on all legitimate borrowings and if interest is not paid on speculative borrowings the lenders must share with borrowers the responsibility, for it takes two to make a bargain either good or bad.

The Dominion of Canada will suffer as little as any of the countries who are combatants in the present war and will recover as quickly or more quickly than any.

Our cities at present are reduced in population by those who have left for the front, by those engaged for many years in a most active building trade and a reduction of staff in many of the manufacturing and industrial houses. The farms are holding their residents, probably increasing them, and that is our salvation. Reduction in population means shrinkage in business, curtailment of profits and wages, a reduction in rentals varying from 20 to 50 per cent., a dullness in real estate and properties at an unknown value and when there is a market it will probably start in at prices only that were obtained six or seven years ago; universal retrenchment of expenditure, and all at a time when the Dominion of Canada is paying out larger and larger sums in maintenance of an army to defend the empire, thus adding to the capital indebtedness, which will inevitably result in heavier taxes for the future and also impose on the community new responsibilities of a voluntary nature.

#### Is the Worst Over?

Are we over the worst of it? Mr. Riley asked. The farmer is certainly holding his own and better. For two years past his credit has been curtailed, and although he has been pressed to pay his debts and may be hard up for money, he owes less than for many years, gets a fair price for his produce and is improving his position. He in turn reacts favorably on others. For the man who depends on times of extraordinary activity for his success, the worst is yet to come. The contractor, the man in debt for something for which he can find no market, real estate or otherwise, or the man who depends for his bread and butter on the earnings of plants that have defaulted or succumbed, and the speculator pure and simple is facing a year or two of heavy going, and the desire to unload and sell when there is no one to sell to must have the inevitable result of depression in values and prices.

#### Will be Forced to Acquire.

During the next 24 months the banks, trust companies, loan companies and other financial houses will be forced to acquire securities and properties they do not want. The load will be so evenly distributed that only the weak and reckless will suffer, but these securities will be acquired by them at one-half of what they were formerly priced at, and they will sell at any figure that will let them out, and until their books are clear there will be no better market for anyone else than their foreclosing price. How big a factor this will be in the future depends on how long this war lasts and how much longer the nations of Europe will be compelled to carry on their wastage.

The future will undoubtedly show dearer money. Money is as cheap or cheaper to-day with us than it will be for the next two or three years. It is surprising that at the present moment money can be borrowed in Winnipeg at 7 per cent. when the British government is paying 6 per cent. in New York for its war loan. Money will go to the highest bidder and best security and Europe will bid high after peace is declared to re-establish her trade and industries and will keep her money at home.

#### Recall of Invested Capital.

Canada may not want much new money, and indeed it will not until it has re-established itself in the same position as before the war broke out, and start building again and enlarging the various enterprises, but its citizens may have to pay back to Europe some considerable portion of their borrowings. Already there are indications in that direction. Instructions have been sent to Canada by some corporations and by many individuals that the moneys that they have invested in Canada as they are repaid, shall be returned to them. This may or may not become general, or this money may be replaced by others who after the war is over may think Canada a better place than Europe in which to place out money. The future for Canada is full of complications in this respect; we cannot look for money to be easy or plentiful in Canada until such times as the frightful wastage in Europe has been to some extent repaired, nor can we look for the large immigration from Europe that so many forecast immediately the war is closed, said Mr. Riley, in concluding. It will take a little time after the war to take care of Canada's own people that are coming back, and much as there is to