

would cripple French finance. And so it appeared on the surface. Yet sober second thought has made it clear to even the extremists in Russia that sound credit is the corner-stone of international commerce; that without credit standing the products of Russia will be unable to find a market; and that without outside financial aid Russia's industrial and commercial future is hopeless. Already the Bolshevik leaders have informed the American ambassador, Mr. Francis, that Russia's support can be won most quickly and effectively by a loan from the Entente Allies. The lesson has been quickly learned. Loans are not granted to the absconder and the morally bankrupt. The sane, conservative elements in Russia are bound to come to the forefront, be it soon or late; and that great country will thereupon assume its rightful place among the family of nations.

Both domestic and foreign trade were carried on largely by the use of credit before the war. Canada, in proportion to population, was one of the heaviest borrowers in the world. We had constructed our railroads, our canals, our cities and public utilities largely on borrowed capital. It had become the fashion, just prior to the outbreak of war, to assert that the borrowing process must cease; that the nation must now turn to the production of wealth. The criticism was absurd.

There is nothing wrong, whether in theory or in practice, in borrowing. Our biggest and most progressive corporations have been, and must continue to be, borrowers. The banks operate on borrowed capital. Every alert business man must borrow. The individual who has made the biggest commercial or financial success in life, at some stage or other in his career, has been a heavy borrower. It is impossible to conceive of the functioning of modern business without the use of credit. The real point that needs careful consideration is, of course, the use to which such funds are put.

Canada to Continue a Borrowing Nation.

Canada, then, and every other country in the like stage of development must be a borrower for years to come. Our resources have hardly been scratched. A veritable empire is still in the making in the West. Just consider this one fact: the province of Saskatchewan has scarcely 15 per cent. of its arable lands under cultivation. The Hon. James Calder announced while still minister of railways of the province, that there was imperative need for the quick construction of 5,000 miles of branch railroads, to open up and connect virgin territory with the main trunk lines. The stock industry, farming, mining and lumbering are still in the pioneer stage in the prairie provinces. Their future is assured; but it is a far bigger future than most of us have ever envisaged. The alleged over-expansion of public building of all kinds in the West will be found to be, in effect, under-expansion when the great tide of European immigration shall have set in once more toward our shores.

Canada is Not Over-equipped.

Certainly, all our past and future borrowing must be for a purpose. The vast economic equipment that has been constructed in this country during the past decade must be put to productive use. It is being put to such use. Instead of the country being over-equipped, the factories, farms, mines and railways are scarcely able to meet the demands placed upon them. It is of after-the-war conditions, however, that we are mainly concerned. To keep the nation's credit good—and that is of imperative importance—not a single bit of machinery or equipment must be allowed to remain idle. The object of the vast expenditures, of the past, on economic equipment

was the production of wealth. Unless we can produce efficiently and in sufficient volume what the world needs the fabric of Canadian credit will collapse. But there is no danger of that. Canadian business men and Canadian labor can, on their war record, face the future with confidence.

Let it never be forgotten, however, that this country must be a borrower for years to come. And until we are wealthy enough to supply our requirements the greater part of the necessary capital must come from abroad. Hitherto Canada has depended upon the United Kingdom and the United States for loan funds. Both these markets have been largely closed to us during the course of the war. Thrown upon its own resources, the nation has shown astonishing financial strength—astonishing to itself, its friends, and enemies alike. The government, from first to last, has asked the people for \$450,000,000 to finance the war. They responded with the offer of \$982,000,000. At the close of hostilities, however, we must seek funds in outside markets, both on government and private account.

London Will Retain Its Position.

Many have predicted that New York will displace London as the financial centre of the world. We do not believe it; and there is little or no evidence to support it. For the United States is also in the pioneer stage—the stage of swift commercial and industrial expansion and of economic development. Its population is increasing at the rate of more than 1,000,000 per annum; and it will be a long time before it reaches the point of saturation. That means, every ten years, an addition to the Republic's population greater than the entire population of Canada. The United States will be put to it to finance its own domestic requirements. And—without going at length into the question at the present time—it must be remembered that the customs and habits of the commercial world cannot be altered over-night. What London has hammered out in a century of hard work, New York cannot achieve in a day by the accident of war.

But will London have the money to finance the empire, and the pioneer nations of the world? Will English credit survive the strain of prolonged war? Sir George Paish, the distinguished editor of the "Statist," has recently asserted that British credit is stronger than ever; that it will not only carry every war-time burden that may be imposed upon it, but that it will emerge from the struggle strong and triumphant. Where does the key to this enigma lie? In the tremendous development of banking and investment in the United Kingdom before the war; in the fact that war expenditures have been made in large part upon permanent industrial equipment; in the preservation of British foreign trade; in the maintenance of the gold standard. British credit is sound to the very core.

In conclusion it may be said, then, that there is only one type of loan that Canada cannot rely upon for the future—the kind of loan that the speculator and the gambler demand. For normal credit purposes, credit for the actual production of wealth in manufacturing, mining and agriculture, there will be available in London all the capital required. There is, therefore, no need or room for the pessimist in Canada. There is, moreover, no need for any crisis at the close of the war, whether financial or industrial. Should stagnation come upon the nation's economic life it will be due to wilful carelessness and neglect.

As only a part of the temporary Victory Loan bonds had been exchanged for definitive bonds on the first of June, the government issued an announcement authorizing banks to pay the six months' interest on the temporary certificates.