

officials say that the farmers are showing a strong disposition to store it in the elevators and hold for higher prices; and that country elevator men, finding their capacity largely taken up with stored grain, have been obliged to forward a lot of it to Fort William and Port Arthur. It is doubtless true that many of the Western farmers who have disposed of their wheat in this way, have put it in the elevators so as to be able to borrow money from their local banks on the security. These would, therefore, be able to pay their bills and settle accounts in much the same manner as if they had sold the grain. The bank loans would be piecemeal to them instead of in bulk to the grain firms. But the loans to the farmers are likely to be of longer standing than the loans to the grain firms would be. The latter are shipping out and selling all the time while the farmer simply sits down on his stuff and waits.

There would also be farmers who stored their wheat in elevators merely because they themselves had not granary room to hold it. These might not borrow upon it at all. If they had accounts at the country stores they might let the storekeepers wait till the wheat was sold.

WHEN IMPORTS MUST EXCEED EXPORTS.

The Dominion's imports during the fiscal year ending March 30, 1909, showed much greater relative decline than its exports. In the fiscal year 1907-8 imports of merchandise exceeded exports of Canadian merchandise by some \$117,000,000. For the year 1908-9 this "adverse balance," as the old-time mercantilist school of economists used to stigmatize it, was \$60,000,000 smaller—or about \$57,000,000. But this marked change is not to be taken as indicating any swinging over of Canada's trade balance in the near future. The fiscal year 1908-9 was largely one of commercial depression. Economy, partly forced and partly voluntary, led to a smaller quantity of imports—prices of which were generally lower, too, on account of world-wide lessening in the call for manufactured products. On the other hand Canada's exports fell off but little, on account of sustained demand everywhere for agricultural products at increased prices because of general scarcity. So that last year's apparent tendency towards wiping out the import balance was due to unusual circumstances and not to conditions that may be considered normal in the development of a rapidly growing country. Thus far, during the current fiscal year, imports of merchandise have again been greatly in excess of exports. For the five months ending with August 31, imports of merchandise entered for consumption have totalled \$142,033,218, an increase of

\$29,566,672 over last year; exports of domestic products were \$66,935,925, an increase of \$6,820,304. From which it will be seen that the excess of imports over domestic exports this year thus far is about \$45,000,000—or just about twice what it was for the corresponding period of last year. Of course, agricultural exports during the next few months will show greater relative increases over last year than during the past few months. But, making all allowance for the harvest output, it is a foregone conclusion that imports for 1909-10 will exceed exports by a considerably greater margin than during 1908-9.

Is this contra "balance of trade" any cause for anxiety? Careful consideration of all circumstances tends to the conviction that it is not, if it be kept within reasonable bounds—such bounds being determined by the demands upon outside capital warranted by the country's steady development. Or, looking at it from another viewpoint, the safe extent of such excess is to be measured with respect to the reasonable prospect for profitable returns upon investment of the British and foreign capital involved. In the case of so rapidly growing a country, the margin of imports over exports chiefly represents a lending or investing of outside funds. When a railroad or industrial company sells securities abroad, in the long run its resultant funds find their way into Canada largely in the form of materials. This takes place not only directly, but indirectly—as by an increased demand for imports due to increased employment of wage-earners. The Canadian banks' present large reserves held abroad are chiefly due to sales of securities. Instead of all such funds being brought home to Canada they are held in London and New York, and are there available, through exchange operations, for settlement of Canadian import accounts.

To requote in these columns the words of Prof. A. W. Flux: "While we are in the stage of using a greater amount of equipment in developing the country's resources than can be produced by our own efforts, our imports must exceed our exports. That they should do so is not merely necessary and natural, but a sign that the possessors of wealth in other countries are willing to devote that wealth to the development of Canadian resources, waiting for a return till by the use of their wealth, the development has been carried forward satisfactorily." So long, therefore, as there is alert and adequate reckoning as to the future's counter-claims, an overbalance of exports by imports is not a condition to be deprecated. Still, it is the part of prudence not to overlook the fact that in the past ten years, as the accompanying table shows, Canada's imports of merchandise have exceeded domestic exports by well on to half a billion of dollars.