

Canada's Economic Expansion

Canada and U. S. economically linked ante-bellum problems
Profitable employment for all essential

By W. W. SWANSON.

The main facts in connection with Canada's economic expansion are so well known that recapitulation is scarcely necessary. Suffice to say that an unfavorable balance of \$350,000,000 before the war has been turned, according to the figures of the fiscal year ending March 31, 1918, into a favourable balance of \$500,000,000. Agricultural exports for the same period amounted to the astonishing total of \$700,000,000, and manufactured products to \$636,000,000, with great increases in the products of the mine, fisheries and forest. The showing for the present year, so far, is not as good, due solely to the withdrawal of tonnage by the United Kingdom for the transportation of American troops to Europe. Nevertheless, the economic progress of Canada continues without abatement; and it is safe to say that, notwithstanding the financial sacrifices entailed by war, never was such a high degree of prosperity or such a high standard of living achieved before in the history of the country. It is imperatively essential that steps be taken at once, and plans formulated, both to secure and extend the unparalleled material status which Canada has reached.

It is trite but true that the economic progress of the Dominion is closely linked up with that of the United States. There are few to-day who would take the stand of the big interests in 1911, namely, that Canada is able to go its own way industrially and financially without consideration of its relations to the great Republic. To the United States in general, and to the New York market in particular, Canadian commerce and manufacturing, as well as public utilities, must turn for financial support after the war. It is plain as a pikestaff that the economic situation in the United States will react intimately upon industrial conditions here; and therefore for securing our economic future must be worked out with reference to conditions obtaining in the New York and London markets.

Up to the outbreak of hostilities, both the Dominion and the United States were debtor nations. According to the estimate of Sir George Paish Canada as a whole was indebted, principally to the United Kingdom, but also to the United States, Holland, Belgium and France, for a sum not less than \$3,000,000,000. The Republic had marketed securities abroad, mainly in London, to about \$4,500,000,000. There was, however, this essential difference—aside from population, material equipment, wealth and so forth—between the two countries, that, in the case of Canada, the balance of trade was unfavourable, while the United States had enjoyed a so-called favourable balance of trade since 1901. The Republic for several years before the outbreak of hostilities had an excess of exports over imports of approximately \$500,000,000; while the Dominion had an excess of imports each year of several hundred million dollars. Since 1914 both nations have experienced a remarkable expansion in their export business, an expansion which need not necessarily be continued to guarantee permanent prosperity.

Although both Canada and the United States were heavily in debt at the outbreak of war, the above analysis discloses the fact that in the case of the former nation the balance of trade was "unfavourable," and in the latter "favourable." This, taken in conjunction with the fact that the United Kingdom, the wealthiest nation in the world, from the standpoint of fluid capital—having at the outbreak of war somewhat more than \$26,000,000,000 invested abroad—had a heavy balance of trade against it, has always proved a stumbling-block for those convinced of the soundness of the protectionist theory. The explanation, however, is simple enough. Canada was using the borrowings to buy materials; the United States was exporting goods to pay interest upon its huge debt to England; while Great Britain was receiving, in the form of commodities, interest upon its enormous investments abroad, and payment for services rendered by its banking houses, insurance companies, merchant marine, and the rest.

Without doubt the United States has become a creditor nation since the outbreak of war, and has discharged the great bulk of its obligations to the United Kingdom. The Republic has placed investments abroad to approximately \$3,000,000,000; and

the remarkable expansion in its export business is merely the result of the financing of the war activities of Great Britain, France and Italy. The United Kingdom has returned to the American market billions of securities, and has borrowed large amounts to cover orders on war account. France and Italy, as well as Russia, arranged credits in New York which were used to pay for war material. The enormous volume of the American export trade is simply due to the fact that Europe has exchanged securities for goods, or has covered imports by loans.

American business men, American publicists, and American universities are working feverishly on plans to protect and extend this export business at the close of the war. The United States, however, cannot continue to dominate in so great degree the European commodity markets, after the signing of peace, unless it is willing and able to export capital as well as goods. For let it not be overlooked that aside from the funds gathered by the sale of American securities in the New York market, by British holders, American capital has financed this foreign trade. If it is to be continued in equal volume after the war it can only be because the European nations can compete successfully with American interests for American capital. It strikes us that this fundamental fact is overlooked by most American publicists.

War activities and war work will cease with the signing of peace; and the factories of the United States and Canada must devote their equipment and labour for the manufacture of an entirely new range of goods. Whether those goods are made for export, or whether the equipment of these nations is to be devoted to the expansion of domestic industry and the exploitation of natural resources, will be fundamental in the economic life of the continent. When all is said and done the United States, almost equally with Canada, is still in the pioneer stage of economic development. That is to say—notwithstanding the marvellous equipment of the American machine industry—the expanding markets at home, and the decennial increase of population, affords scope for its utilization in large part to meet home demands. If the emphasis is to be laid on export business, however, and if American finance is to maintain in undiminished volume the high level of exports reached during the war, American money must, in some degree at least, be withdrawn from exploiting opportunities and natural resources in the Republic and its territories—Alaska and elsewhere.

Canadian economic life, as already stated, is conditioned by relations, industrial and financial, with the United States. Since the Republic entered the war we know how difficult it has been, if not impossible, to borrow in the American money market. Now, if American industry and finance are devoted in larger measure than in the past to export business, it is plain that the stream of capital flowing to Canada will be constricted. It is estimated that American capital, to the extent of not less than \$800,000,000, had been invested in Canada—mainly in factories, mines, lands and forests—before the war. All clear-headed Canadians are anxious that American immigrants should come in increasing volume to help settle the Western prairies, and that American capital shall be available to develop our natural resources. It is evident, however, that if New York, Chicago, and other money centres lend their support to the financing of trade with Europe and South America, not only will the domestic development of the United States suffer, but that of Canada as well. That is, unless capital exists in abundance in the United States to take care of all these various activities—which we very much doubt.

The point that we are trying to make plain was illustrated in sharp relief, in the United States, at the outbreak of the war. British investors as well as other European holders of American securities, rushed to market their bonds and stocks on the American market. The Stock Exchanges at New York and elsewhere were closed, not only to prevent a financial panic, but to protect the price of American domestic securities. Nevertheless funds were diverted from the expansion of American business,

on home account, to take care of war orders for the European belligerents. Everyone recalls the shrinkage in bank clearings; the decline in railroad earnings; the stagnation in building operations; and the sharp degree of unemployment that marked those hard days. These conditions were duplicated in Canada; and simply evidenced the truth that, on this continent, we are still in the pioneer stage of economic development. Notwithstanding the fact that the machine equipment of the United States is unrivalled, that business enterprise has reached a level not approximated elsewhere in an industrial way, it is clear that economic prosperity depends upon a certain measure of annual business expansion within the country itself. It remains to be seen whether the war-born export business of the Republic can take the place of the development of its railroads, mines, forests and agricultural resources. Let it not be forgotten that it is just here that the United States has found its prosperity in the past. It is futile and foolish to imagine that because a nation is wealthy enough, if it so determines, to invest a large part of its capital abroad, it is expedient to do so.

It is imperatively necessary that Canada shall find itself in a position to change its industrial equipment rapidly from war work to the activities of peace. We are well aware that this amounts to a platitude, and has been said a thousand times. Yet it requires emphasis now more than ever. It is encouraging to know that the Government has already done something in this connection; but the full measure of the task has not been taken. The new shipbuilding industries established on the St. Lawrence, on the Great Lakes, on the Atlantic and Pacific coasts, are precisely the kind of business enterprises that brings with it assurance of success; for shipbuilding is, in Canada, a "natural" industry. It is worse than useless, it is wasteful and extravagant, to artificially foster enterprises that are not indigenous to the country. Plans for industrial reconstruction should place the emphasis not merely upon manufacturing, however, but upon the exploitation and development of natural resources.

The Hon. James Calder, Minister of Colonization, recently outlined, while in the West, a development scheme of far-reaching and fundamental importance. Whatever our political affiliations may be, those who know must admit that, in Mr. Calder, Canada has a minister of brilliancy and power. Rightly he recognizes that industrial progress rests upon agricultural development. His plans include a land settlement scheme in the West that, without confiscation or any resort to Bolshevik practice, will place the land in the possession of actual settlers. According to Mr. Calder there is room in Canada for a population of at least 50,000,000. In last analysis the financial and industrial prosperity of the Dominion depends upon the development of agriculture, for the home market must long remain of vital importance to Canadian manufacturers. It should be possible to work out a programme of economic expansion for the Dominion in which class prejudice will be broken down, all interests harmonized, and the welfare of each found in the prosperity of all. In the tariff and fiscal issues that will confront the nation at the close of hostilities, such ends must be sought as will give opportunities for the employment of the entire labour force and capital of the country; and not merely employment, but profitable employment. For the prosperity and permanency of any democracy depend upon the standard of living to which the masses have attained.

TORONTO HARBOR COMMISSIONERS PROGRESSIVE WORK.

The Commission's development work will, when completed, open up at least 700 acres of highly desirable land from a manufacturing point of view for industrial expansion at Toronto. This, in addition to the great improvement in dockage and harbor facilities, especially with regard to the inner harbor terminals, is drawing the attention of many American as well as Canadian manufacturers who intend to establish branches after the war.

Already it is reported that more money has been or is being invested in this area than the entire undertaking has cost.

The new Strauss Bascule Bridge across the Don river, which required the use of \$90,000 pounds of steel in its construction, was lately officially opened for traffic by the Commissioners.

This development work, which has to date cost some eight million odd dollars, and which promises to pay returns from the start, is but a sign of the times in the Dominion's industrial development.