

The Chronicle

Banking, Insurance and Finance



ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXVII. No. 15.

MONTREAL, APRIL 13, 1917.

Single Copy 10c.
Annual Subscription \$3.00

THE U. S. DECLARATION AND CANADIAN WAR FINANCE.

The entrance of the United States upon active hostilities with the Government of the Hohenzollerns will result in substantial aid to the Allies' financial campaign, which is of equal importance with their military campaign. But it would be particularly foolish for Canadians to allow any consideration or possibilities ensuing out of this event to result in the slightest slackening of effort on our part in the support of our war finances. Obviously, time must elapse before financial support by the States of the Allies, can become operative. Immediate relief from pressing financial burdens is not to be expected. In any case, it would be unwise to assume that financial support of the Allies, means financial support directly to Canada. Presumably, the refunding of the short-term obligations of the Dominion Government, which become due in New York next August, will be facilitated as a result of the turn of events. But beyond that, it does not appear that we have any right to expect the easing of our financial way as a result of the United States' entry into the war. The financial burdens imposed upon Great Britain, France, Italy and Russia are vastly larger proportionately than that placed upon Canada, particularly in connection with the maintenance of exchange and the purchase of essential supplies on this side of the Atlantic. It is in this connection that the financial influence of the United States will most usefully make itself felt. It is possible, as events develop from the uncertainties of day to day, that later on there may be financial aid given by the United States to the Dominion Government in some form of facilitation of its financing. But, meantime, we have no right to expect it.

* * *

Possibly, in some ways, the entrance of the United States upon the war will actually have an adverse influence upon Canadian finance. Since the English market was closed to us, we have been borrowing freely in the United States, not merely through American subscriptions to our war loans and to the several issues made by the Dominion Government in the New York market, but also through municipal, railway and other issues formerly made in London. The total of our bonds sold in the United States last year was \$205,675,682 and in 1915, \$143,972,896, a fair proportion of these totals being represented by

other than war bonds. The United States Government is now likely to be issuing securities, to raise funds for the Allies and to meet its own war expenditures, not by the million, but by the billion. Admittedly, the United States is in an infinitely better position than ever before to absorb and digest enormous amounts of new issues. But with these operations going on, is it likely that Canadian borrowers—apart from the Dominion Government—will be able to effect further financing in New York? The probabilities seem to be that for some time the American market will be practically closed to Canadian borrowings not for war purposes.

* * *

The cautious views held by London bankers on this subject are shown in the New York *Evening Post's* well-informed London cable:—"Universal caution is justified by the consideration that, however helpful your action may be to the Allies, the fact remains that the enlargement of the area of war with each additional combatant involves expansion in aggregate war expenditure and in consequent demands on the world's capital. Moreover, the war is of such magnitude as to tax the very resources of nature herself; hence, if prolonged, the necessity for economy in consumption and stimulation of production is for us quite as necessary as if you were not taking part." The facts which we, in Canada, need to bear in mind at this time are that the war will result in the tripling of our national debt—this is a minimum. Two-thirds at least of that national debt will be war debt; and a very fair proportion of the proceeds of these borrowings will have vanished in smoke—have been annihilated. It is probably preferable that, instead of taking advantage of any facilities for war borrowing in the United States, we should continue to raise as much as possible of the necessary funds ourselves—in order to steady home trade after the war and to minimise the burden of foreign obligations after the war, at a time when our exterior trade will not unlikely show violent decreases. We hope that the Minister of Finance will give a lead in this matter by putting on new taxation in his next Budget, and thus compel a restriction of the extravagant and vulgar expenditures which are still everywhere in evidence. Increased production is a primary essential, but if the wealth accumulated as a result of our increased production is to be expended in foolish and unnecessary ways, we are merely allowing to dribble away what should be conserved for the necessities of the State.