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BRITISH FUNDS AND AMERICAN IMPORTS.

It was remarked by Sir Frederick Williams-Taylor at the Bank of Montreal's annual meeting on Monday that if our neighbours in the United States desire us to purchase from them in anything approaching the volume of the past, they must for the present, at all events, provide us with the wherewithal in the shape of loans to our principal public borrowers and he added, that a commencement had already been made in this course. These remarks serve to bring into prominence the fact which is elementary enough but is sometimes lost sight of, that the immense volume of the United States import trade into Canada has been mainly built up by British capital. That is to say, we have borrowed in London and used the money there obtained to pay for purchases in the United States. To some extent of course, our purchases in the United States have been financed by borrowings there in the same way that our purchases in Great Britain have been financed by borrowings in London. But on making a comparison of the known volume of our borrowings in London and the United States with the volume of our imports from Great Britain and the United States, it is easily seen that British money has up to the present paid very largely for purchases in the United States.

During the last fiscal year—ended March 31, 1914—Canadian imports entered for consumption aggregated in value \$633,692,449. Of these practically two-thirds came from the United States, from which we imported goods to a value of \$410,786,091. Our exports to the United States in the same period were \$200,459,373, so that in that year there was a balance adverse to us of about \$200,000,000. This adverse balance would be increased by the invisible factor of transportation charges and other services and by the necessity of meeting interest charges on a certain amount of American capital already invested in Canada. However, these would be offset to a certain extent by similar factors operating on our side, by the spendings of American tourists in Canada, and, more importantly, by the immigration of American settlers, whose wealth transferred here would have a considerable effect in adjusting the adverse balance. For the purposes of the present illustration, however, we may take the adverse balance of trade between Canada and the United States during the last fiscal year as between \$150,000,000 and \$200,000,000. Now it is quite certain that we did not finance that balance of purchases in the United States by borrowing \$150,000,000 to \$200,000,000 there. As a matter of fact, the total of American investments in Canada is

comparatively small. Three years ago, Mr. Field, of the *Monetary Times*, estimated them at about \$417,000,000 and probably at the present time they do not exceed \$550,000,000. The simple fact is that the adverse balance of our trade with the United States last year, like the similar adverse balances of many years past have been financed through our borrowings in London. We have borrowed in London to buy in the United States, and international finance has arranged the matter for us.

The point is brought out still more clearly if comparison be made of our trade with the United Kingdom and borrowings in London. In the last fiscal year Canadian exports to the United Kingdom were \$222,322,766, while Canadian imports from the United Kingdom were only \$132,070,876, leaving us a favourable balance of about \$90,000,000 increased by immigration. This favourable balance would, however, be more than swallowed up by the necessity of meeting interest charges on borrowings in London, estimated by Sir Frederick Williams-Taylor at \$120,000,000 a year, shipping charges and other services rendered, the spendings of Canadian tourists in Europe and so on. But these items alone would not account for borrowings in London in the last two years up to the outbreak of the war, estimated by Sir Frederick Williams-Taylor at \$575,000,000. Obviously part of these large borrowings have gone to settle our adverse balance of trade with the United States.

Isolated consideration of our dealings with particular countries in this fashion is, of course, to a considerable extent, artificial. In the practice of international finance with its complex ramifications, innumerable other factors come into play in the settlement of international balances; and the matter in practice is by no means so simple as in an outline of its theory. But the principles remain. Probably also when the war is over, we shall go on borrowing in London and buying in the United States. In the meantime if our neighbours to the south see their way clear to increasing their holdings of Canadian securities, they will be very welcome. Such arrangements, as Sir Frederick Williams-Taylor pointed out, are clearly advantageous to both parties—to themselves and to Canada. But after the war, we have no doubt that Canada will again look for its main supply of capital to London. What that market has meant to Canada in the past can be seen from the fact that up to the outbreak of war Canadian borrowings in London are estimated by Sir Frederick Williams-Taylor at the immense total of £545,546,849, probably about five times the amount of our borrowings in the United States.