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TRADE AND CREDITS.

In view of the visit of the Premier and Hon. A. K. Maclean (acting Minister of Finance) to Washington, to confer with the American authorities on the subject of credits by the United States to Canada, in order to adjust the trade balance between the two countries, it may be interesting to consider the circumstances which have brought about the present necessity for action. The essentials of the situation are that, while Canada buys principally from the United States, our best customer is Great Britain. In the days before the war, our imports from the United States, and from other countries to a minor extent, were paid for by our exports to Great Britain, and to other countries to a minor extent, and by our borrowings in Great Britain. These borrowings, eventually supplemented by other borrowings on a small scale in the United States itself, came to play an increasingly important part in the settlement of our adverse trade balances with the United States as the period of great construction and organisation in Canada before the war developed. At the outbreak of war, this normally smoothly-working triangular arrangement was interrupted. But with the recovery of the structure of credit from the first shock, it was possible for some time to settle an increasing proportion of our trade balance with the United States by means of borrowings there, and for a time also Great Britain was prepared to pay cash for our exports. However, with the further developments of war, this condition of things became only a passing phase. While desiring to purchase our manufactures and foodstuffs in increasingly large quantities, Great Britain demanded credit, which in the economic interests of Canada, as well as in order to aid to the utmost in the cause of the Allies, has had to be given. With the entrance of the United States into the war a year ago, it became no longer possible to pay for our imports by free borrowings in that market. Canada is thus placed in the position of a manufacturer compelled to give long-time credits to his best customers, while likewise compelled to pay cash for the raw materials he purchases. The result is seen in the movement of exchange against Canada, which in recent months has become a serious matter.

The present position is that the annual balance of our imports from the United States about equals the annual balance of our exports with Great Britain—they are both in the neighbourhood of \$400,000,000. It is important to bear in mind that our imports from the United States include vast quanti-

ties of coal, steel and other materials, which are essentials in Canadian war production. Any enforced reduction in our purchases of these war necessities means a corresponding diminution of the possible effort of Canada in war construction. Thus, as Sir Edmund Walker very aptly pointed out in his New York address this week, credits given by the United States to Canada at this time are in effect credits given by the United States to Great Britain—the latter is the beneficiary from the output of Canadian munitions, ships and other war material. "To make those supplies," said Sir Edmund, speaking to his American audience, "we have to buy materials from you. We are giving long-time credit to England to pay for the supplies we send them. You must give us long-time credit, and by that I mean credit until after the war. By giving us credit for the materials we buy here, you are but extending credit to England, for she gets the munitions. It will not do for Americans to say, in response to this, that you might as well make the supplies here. I say to you that all the munitions and all the ships that every one of us can make will be needed, and that on no excuse should production be curtailed; but ships built where there are facilities and munitions made where there are plants."

The figures given by Hon. Newton Rowell this week show graphically the extraordinary extent of Canada's production of munitions and similar necessities for the Allied cause. When present orders have been filled, Canada will have manufactured \$1,100,000,000 worth of munitions. Over 250,000 workers are employed in 500 Canadian munition plants; 53,000,000 shells, 40,000,000 brass cartridge cases of 3½ lbs. each, and 58,000,000 copper bands have been produced, and fuses turned out at the rate of 2,750,000 monthly. A sum of \$10,000,000 has been spent on aeroplane plants and aerodromes, and 300 aeroplanes a month are being turned out in Canada. Moreover, orders have been placed in Canada for 350,000,000 tons of steel and wooden ships at a cost of \$64,000,000. Additionally, Canadian munition plants are at present engaged in orders for 7,000,000 shells, 10,000,000 forgings and 2,000,000 cartridge cases for the United States government itself. It is obviously as much in the interests of our neighbors as of the rest of the Allies that Canadian munition plants should be kept going at full speed, and it is reasonable to suppose that a broad and statesmanlike view of the matter of financial facilities in connection therewith will be taken at Washington.