

The Crop Damage and the New War Loan

By H. M. P. ECKARDT.

Since the details of crop damage in Western Canada reaches the Eastern centres there has been some discussion as to the effect which the circumstance will have on the new domestic war loan. Of course, it will not be possible to learn the extent of the ravages of the various pests in the wheat fields until the threshers have covered a considerable part of their work in the important producing districts; but it is already known that in Southern Manitoba and Southern Saskatchewan the yield of good wheat will be cut down to comparatively small dimensions. While the more northerly districts are expected to make a better showing, it is certain that the yield of the three provinces: Manitoba, Saskatchewan and Alberta, will be considerably over a hundred million bushels short of last year's total, and that the proportion of inferior grains will be much larger than usual.

One way in which this state of affairs bears on the war loan prospects is in connection with the exchanges. When the first domestic loan was decided upon, about a year ago, the Finance Minister explained that it was made practicable by the fact that the foreign exchanges were favorable to Canada for the time being and that there was a substantial surplus of exports over imports. The connection between these matters is easily traced. Largely owing to the magnitude of our external borrowings—governmental, municipal and corporation—Canada must provide funds in New York or London to the extent of \$175,000,000 or so per year to meet the interest payments. If we place \$175,000,000 of new securities in England or the United States, we virtually meet our interest payments through having the amount added to the debt; and, beginning with the next succeeding year, our obligation to remit interest is increased by something like \$8,000,000. If on the other hand the \$175,000,000 of new securities were all placed with investors in the Dominion, then, in order to meet the interest debt abroad, falling due that year, it will be necessary for Canada, theoretically, to ship her products abroad to the extent of \$175,000,000 in excess of value of goods, etc., imported. When the next year arrives, if this latter process is followed, there is no increase of \$8,000,000 in the foreign or outside interest obligations—the interest on the new bonds placed in Canada is payable to Canadians, and payment is effected merely through transferring the funds from one body of Canadians to another.

Bearing this in mind we may easily discern how the great wheat crop of 1915 helped the Dominion to absorb the \$100,000,000 war loan of that year without apparently putting any undue strain on the financial machinery of the country. The tremendous harvests gave us the produce to export and consequently funds abroad more than sufficient to offset the extra funds we would have secured in New York had the \$100,000,000 domestic loan been placed there. For the year ending May, 1916, our exports of agricultural products were \$299,000,000, as against \$135,000,000 in 1915, and \$192,000,000 in 1914. So the increase in shipments of this one item alone gave us all the exchange we would have received through placing our war loan abroad—in other words it enabled us to absorb the loan without suffering the slightest inconvenience. Therefore, it is plain that a serious falling off in the Western wheat yield will have a tendency to increase the difficulty of absorption of a large domestic war loan this year. If the Finance Minister has information to the effect that the crop shortage will be of disastrous extent, it is quite conceivable that the knowledge might cause him to make the amount of the new loan less than that at first proposed.

In this matter of exchange, there are, however, two factors in existence tending to offset the evil effects of crop shortage. The abnormally large exports of munitions constitutes one of these factors. Last year the exports of manufactures totalled \$262,000,000—an increase of \$157,000,000 over 1915, and of \$202,000,000 over 1914. Much of this represented war supplies. It is to be remembered, though, that to the extent to which we took British treasury bills, etc., in payment thereof, our exchange position was not beneficially affected—that is we had not as yet received credit at the great international centres. In spite of certain difficulties under which our munition manufacturers are working, there appear to be good reasons for expecting that the ship-

ments of shells, etc., from Canada during the next ten or twelve months will be on a large scale—perhaps as large as in the past twelve months. No doubt we shall take, as in the recent past, British treasury bills in settlement for a part of the account thus created; but over and above that there should be a substantial balance to be received by our banks in the form of funds or credits at New York or London. Also, it is well to bear in mind that the holdings of treasury bills represent a potential source whence international funds or exchange may be derived after the war.

The second factor tending to offset the crop damage is the abnormal accumulation of Canadian bank funds in the two great international centres. In the form of bank balances and call loans abroad, the banks had on June 30th last, \$274,000,000, which sum represents an increase of \$96,000,000 compared with the same date of 1915. While there are important external obligations to be met out of these funds, it nevertheless seems that the balance could be drawn upon to a certain extent for the purpose of supplying the deficiency of exchange resulting from a short crop in the Dominion.

Then, of course, it is necessary to take account of the obvious influence which a crop failure would have in lessening the amount of funds which would be subscribers have at their command. While the main field for subscriptions to the loan is in Eastern Canada, there was a considerable amount of the last loan taken in the West by parties who will not, this year, be able to repeat the performance if the Prairie Provinces only have a half, or two-thirds of a crop. The farmers themselves are not, as a rule, buyers of bonds, but some of them took substantial amounts of the last loan. Where a crop shortage might be expected to affect the new loan is in connection with the subscriptions of parties and companies to whom the farmer is accustomed to make his payments. Interest on mortgages falls into arrear; principal payments are not made. So the loan companies, insurance companies, etc., do not receive their funds in the usual heavy stream; their balances in banks perhaps do not swell to the usual large proportions; and they do not have as much to invest as would be the case if the farmers were exceedingly prosperous. And it is not only that the parties accustomed to collect from the farmer get less from him than in a normal year. Generally there are a number of good farmers who must have new loans to enable them to carry on their operations advantageously in the succeeding year.

Also a poor crop creates difficulties through making trade in general less active and general sentiment less buoyant. It is a depressing factor all round. For the time being people have not the confidence in the future which they had in the previous year and which probably they will again possess in the year following. However, notwithstanding all these difficulties, no one with any knowledge of the facts doubts that the new loan will be floated successfully. Investors have been making ample preparations, in various ways, and it is certain that there will be good responses from the various sections of the country. What is here suggested is that in view of the circumstances above discussed a large loan on this occasion may subsequently have more effect on our money market than was the case with last year's credit. There appears to be a greater chance of tightening money markets at or near the dates on which the heavy installments fall due. This in itself, if it occurs, will not be an unmixed evil. Some experts have considered that economy and careful management would be better promoted if money were somewhat tighter than in the past year.

BRITAIN'S RESOURCES.

British chancellor of exchequer replying to criticisms of financial methods in House of Commons said that England was able to borrow abroad at much lower terms than any other belligerent power, and that the country was in position of man whose income was £5,000 and whose debts amounted to same sum, not an alarming position. He estimated nation's total indebtedness about \$17,200,000,000.

The Democratic Soldier

The Australian troops in Flanders have a reputation for eccentric military deportment. English comedy probably exaggerates the behavior of these colonials, affectionately, but the Australians are distinctive or there would be no basis for the comment. Their personal independence is noted even where Canadians have prepared English militarists to look for an individualism not strictly in keeping with military theories.

It is said of the Australians that they obey significant orders as well as any martinet could wish, but that their disregard for the aristocracy of war is complete. It is related that an English colonel complained to Gen. Birdwood of the Australian contingent that a sentry had failed to salute him. The general said it was not uncommon for the men to fail to salute him.

He said he had approached a sentry one day and had been amused to note that the soldier merely stared at him curiously and made no movement to acknowledge his presence. A shell came along and the sentry called out: "Duck, Birdie!" The outraged colonel asked what the general had done. "I ducked", said Birdwood.

England amuses itself with these stories of the Australians. A drawer of comics represented an Australian colonel imploring his men to make a show of discipline and military bearing for an English inspector who was descending upon them. He ended his appeal with: "And for the Lord's sake don't call me Alf!"

Possibly the military qualities of the Australians, which are reputed to be of a high order, are not bettered by the disregard of certain conventions, but the interesting point is that the Australasians are the only people in the British empire who have a system of universal military service.

When the British empire entered the war the Australasians were the only citizens in the empire who had submitted to compulsion. The opponents of conscription when defeated on other arguments say that it breaks down a democracy and establishes caste; that it deprives the individual of self-respect and independence.

The parts of the British empire which have conscription produce soldiers whose conduct outrages convention and amazes the militarists of the English free will system.

An army commanding the services of all of the people of a nation reflects the spirit of the nation. An army does not make a national spirit; it merely expresses it. A democratic nation will have a democratic army. Conscription merely makes the military system just and efficient. Conscription in a free people enslaves no one, merely treats everybody fairly. —Chicago Tribune.

WHO PRODUCES THE METALS?

The national advantage of holding premier rank among the world's metal-producing countries has been accentuated by the war. To both belligerent and neutral nations the control of the output of any metal has become an important asset, either through supplying domestic needs or by increasing revenue through sales to neighbors less fortunately situated. The international scramble for metals has directed attention most forcibly to the sources of the world's metal supply and has brought into prominence some of those that hitherto have been obscure or relatively unimportant.

Among precious metals, 60 per cent. of the world's production of gold is controlled by Great Britain. The United States holds second rank with 30 per cent. In pig iron and steel the United States easily holds first rank with an average production of about 40 per cent. of the total. Germany follows with about 25 per cent. Great Britain is third and France and Russia divide fourth place. The United States stands pre-eminent in the production of copper, lead and zinc. Of late years we have produced about 55 per cent. of the world's output of copper. We produce about one-third the total of lead and about 30 per cent. of the zinc in normal times.—Metallurgical and Chemical Engineering.

WASTED GAS.

Government officials have estimated that 1,350,000 horsepower in the form of gas alone is wasted every day by the old fashioned coke ovens of the United States.