CANADA'S TRADE BALANCE.

The annual review of conditions in Canada, which Sir Edmund Walker presented at the forty-fifth annual meeting of the shareholders of the Canadian Bank of Commerce this week, was even more interesting and instructive than usual, if that is possible. Sir Edmund's address is now regarded as what may be termed one of the classics of the annual banking library. As heretofore, he dealt in detail with the achievements and prospects of the various sections of the Dominion. As our readers will find the complete address elsewhere in this issue, we may content ourselves here by referring to Sir Edmund's excellent analysis of Canada's trade balance and its relation to our borrowing.

The trade balance against us, he pointed out, is $174,998,000, but the significant fact is that, while our imports increased $80,000,000 during the fiscal year ended March, 1911, our exports declined $4,162,000. This is principally due, as Sir Edmund stated, to very free imports in anticipation of the present large cereal crop; to the increase in railroad construction and public and private building, and to larger immigration, the value of such settlers' effects as are declared appearing as imports. It is also partly due to somewhat larger imports of gold bullion and silver. For the first six months ended September, 1911, of the current fiscal year the figures are even more striking, the imports being $266,187,000, and the exports $141,865,000, the balance against us for the six months being $124,322,000, as against $94,404,000 for the corresponding period in 1910.

The imports for the half-year in 1911 include, however, an increase of about $7,500,000 in gold coin. An examination of the items of imports and exports in the trade returns will suggest many explanations for the respective increases and decreases, but the fact remains that we must enlarge the volume of products we have to export or either lessen our imports by curtailment of expenditure or by manufacturing at home many of the articles we buy abroad, especially from the United States. Our trade with that country, always one sided, is growing more so. During the fiscal year ending March, 1911, we bought from them $293,403,000 and sold them $119,203,000, leaving a balance in their favor to be paid in cash of $174,200,000, over $50,000,000 more than in any previous year. In 1901 our total trade with them was $191,689,000, and in ten years it has grown to $412,606,000, or an increase of 115 per cent. The part we have to pay in cash has, however, grown from $46,924,000 to $174,200,000, an increase of 271 per cent. Our trade with Great Britain makes the worst showing for many years. The imports have grown to $110,390,000, while the exports have fallen to $137,158,000, leaving a balance in our favor of only $26,768,000, a much smaller sum than in any of the last ten years.

In spite of the decrease our exports are still the largest for any year except the previous one, but the volume of imports is much greater than ever before. It is useless, thinks Sir Edmund, to repeat arguments often advanced in other years. Few nations have such an alluring future, and few can afford to mortgage their future to such an extent, but our power to do so depends upon our credit, and there are those in England who are asking whether we are not borrowing too much. There is, of course, one great reason why we must go more and more largely into debt for many years to come. At present we are preparing for the settlement of about 400,000 immigrants in one year. This is an addition of five per cent. to our population, or the same as if 4,500,000 new people entered the United States in one year. To provide everything for these people, from transportation to housing, is a huge task, quite large enough to account for more than the difference between our imports and exports.

Not only must the improvements necessary to create many new farming districts be made, but new towns, and great additions and improvements to older ones are required; indeed, betterments of all kinds throughout the community. More important than all, two new transcontinental railway systems must be completed and many branch lines added to our three great systems. There is, therefore, little cause for wonder that we need so much new money every year The imports returns show settlers' effects at only $14,000,000, doubtless far below the actual value, but the main part of the settler's property consists of money. The estimated wealth of the new settlers for 1911, based on the lowest experience of several years, is about $160,000,000. Sir Edmund's analysis of the trade balance may well be considered, and with profit, by every business man in Canada.

The address of Mr. A. Laird, the general manager of the bank, gave complete details of the progress of the institution, and was replete, as is always the case, with interesting information for the shareholders.

AMALGAMATED ASBESTOS BONDS.

The committee appointed to consider the claims of the holders of Amalgamated Asbestos bonds have a delicate task. To perform it with discretion, it is necessary that they appreciate the strong feeling which exists in Canada, and perhaps even more so in Great Britain, at the amazing fiasco in connection with this, the first large industrial amalgamation in Canada of recent years. The financing has been of such a nature as to evoke far more criticism than is good for the health of Canadian credit. This fact the bondholders' committee must bear in mind. Otherwise, they will face a storm of protest after their report is presented.

When the bonds were offered at eighty, responsible people advised that they were a good purchase. It was obvious that the common and preferred stocks were "water.' The purchasers and holders of these are scarcely entitled to, and probably do not expect, sympathy. The company's first financial statement was not a good one. Events have proved that the payment of the dividend on the preferred stock then was mock heroics rather than good finance. It pumped stock market oxygen into weakening public confidence.

A proposal has been made to reduce the $8,000,000 of bonds by 75 per cent. If the committee support and recommend that proposal, we feel sure they will thoroughly embitter the majority of bondholders, undermine confidence in things Canadian, and strike a nasty blow at Canadian credit in London. The company has failed to pay 5 per cent. on $8,000,000, but many authorities agree that the earning power, even in depressed times, is easily 5 per cent. on $5,000,000. Why, therefore, should the bondholders be called upon to make such a drastic reduction as 75 per cent. on their holdings? True, it is proposed to issue $6,000,000 of preferred stock, but a likely result of that scheme would be that the company would pay only the bond interest for some years, having surplus funds to place goodness knows where and how.

The Monetary Times has received many communications from bondholders on this subject, one of whom writes: "I have known Canadian business for over forty years, and I never knew of such a condition brought about by any combination of circumstances, in a legitimate enterprise, managed by respectable business men." The bondholders' committee must find a better way out of a difficulty, one which should never have arisen, than the proposal to reduce the bond holdings by 75 per cent. If the company's property had really depreciated to that extent since the flotation was made three years ago, we would have to delve for some serious reasons.