

Financial Aspects of the War

(Reprinted from the annual number of
The Monetary Times, Jan. 5, 1917)

THE title is vague enough to permit me to say almost anything about the war, past, present and future, provided I can somehow say it in terms of money, but the habit of expressing what we do in terms of dollars is so apt to obscure the real meaning of things, that while I shall be obliged to explain much by reference to dollars, I shall try also to explain by reference to the real facts of life. At the end of Canada's fiscal year, March 31st, 1913, the climax of a period of great expansion, we found that we had imported goods to the value of 300 million dollars more than we had exported, and owed more than 125 millions besides for interest on securities held abroad. We were thus 425 millions on the wrong side internationally, and we had to sell, mostly in Great Britain, 400 millions of new securities to help to square the account. The natural contraction which followed improved the figures, so that by March, 1914, the excess of imports was only 180 millions, but as our interest bill of course increased, this left us still about 320 millions on the wrong side.

A few months later we had to face the outbreak of war, and the financial prospect for Canada was particularly bad. How could we hope to correct such an unfavorable situation, and as our deficit must be met by a sale of securities abroad, how were we to keep Canada's credit in good shape, since England could not and would not now buy a dollar's worth for any new purpose? The last loan placed in London by the Dominion Government—one of 25 million dollars—was in March, 1915, but this was not supposed to be for war purposes.

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Steps were taken, as we all know, to prevent the hoarding of gold, and to avoid financial disturbance, but most of these precautions seemed later not to have been necessary, although, doubtless, they produced the desired result by their very existence. Building operations, or the fixing of capital in any other form of national or private betterments, practically stopped, a widespread feeling of the necessity for economy prevailed,