

Canada's Share of the American War Contracts

With such tremendous sums in course of expenditure in America, it seems inevitable that a part of the money will find its way to Canada

By H. M. P. ECKARDT.

An editorial in the Toronto Globe last week referred to the question of the effect of American war orders upon our trade relations with the United States. Some observers here are wondering whether the contracts placed in Canada by the Washington Government and by American companies engaged in war business, will be large enough and numerous enough to redress to any important extent our unfavorable trade balance with the United States. It will be remembered that at the outset of the war the big American republic was temporarily distressed financially by the large payments required to be made to London and Paris in connection with maturing American bonds held in Europe. New York was then obliged to send more than \$100,000,000 in gold to Ottawa for account of the Bank of England. Within a year after Britain entered the war, conditions were reversed. The huge shipments of foodstuffs, guns, munitions, and warlike supplies from the United States to England and France created a tremendous balance against Britain, which country had undertaken the duty of financing a considerable part of the Allied purchases in America; and the British authorities had great difficulty in settling the debt through selling securities in the United States, negotiating direct loans in New York and shipping gold to American centres. Now the question is this: Will there be a similar reversal of position as between ourselves and our big neighbor within a year of the date of Washington's declaration of war on Germany?

EFFECT OF CIVIL WAR

Our oldest business men have a recollection of how the American civil war first upset and afterwards stimulated business in the Canadian provinces. On that former occasion in which the neighboring country was engaged in a great war, their buyers over-ran Ontario, Quebec, and the Maritime Provinces, taking at high prices almost everything they could get in the way of provisions, supplies and so on. At that time, outside of the industries incidental to lumbering and flour milling, Canada's manufacturing capacity was insignificant, and consequently the American purchases of our manufactured goods did not amount to much in comparison with their purchases of the raw products. However, the valuable shipments of livestock, lumber, grain and other produce in the early "sixties" gave the bankers substantial balances in New York and enabled them to meet the foreign obligations of the country without difficulty. On the present occasion the American Government is expending prodigious sums for war purposes. The great war credit was for \$7,000,000,000, of which \$2,000,000,000 were to be loaned to the Allies and \$5,000,000,000 expended in connection with their own military and naval preparations. A war revenue bill was framed by which one-third of the amount appropriated for American purposes, or roundly \$1,700,000,000, was to be raised by fresh taxation; and the balance something over \$3,000,000,000 was to be procured through bond issues. Also the intention is to issue bonds to provide the funds for lending to the Allies. The Liberty Loan issue of \$2,000,000,000 has already been floated; and it is expected that the remainder of the authorized bond issue—\$3,000,000,000—will be put out in October. Just the other day Secretary McAdoo asked Congress for an additional credit of \$5,000,000,000, of which it is his intention to allocate \$2,000,000,000 to the Allies in the form of loans. Meanwhile the war revenue bill is to be revised so as to yield about \$2,000,000,000 in new taxes instead of \$1,700,000,000 as originally arranged. It is now thought that the total outlay of the United States Government in the first year of war will exceed \$10,000,000,000. At the rate they are now being made, the loans to the Allies will exceed \$4,000,000,000 in the course of a year; and the expenditures of the Government on American account may reach \$6,000,000,000.

ONLY A SMALL PERCENTAGE.

With such tremendous sums in course of expenditure in America, it seems inevitable that a part of the money will find its way to Canada. So far as the \$4,000,000,000 of loans to Allies are concerned, the conditions attached to the loans are that proceeds

must be expended in the United States. So perhaps Canada has little or nothing to expect in connection with these. Nevertheless, it seems quite possible that some of the American companies working on the Allies' orders will require to import a certain amount of their raw materials from the Dominion. There will probably be better chances of Canadian orders in connection with Washington's direct outlays. If we secured only a small percentage of their total outlay the figures would be important from our point of view. For example suppose that the insignificant proportion of 2½ per cent of the American outlay of \$6,000,000,000 in the first year of war came to Canada; it would amount to \$150,000,000, which sum would be quite important in view of the position of our trade balance. And, although 5 per cent is a very small proportion of the proposed American outlay, yet if that much came to Canada we should receive something like \$300,000,000 which surely would have importance in assisting us to meet our trade balances.

ORDERS PLACED HERE.

Already there have been a number of American orders placed here, among the Canadian woolen and cotton mills. In view of the necessity for haste in the United States preparations for equipping and getting ready the army of 1,000,000 men who are to be sent to France in the course of the next nine or ten months, it seems likely enough that various departments of Canadian industry will be called upon to lend their assistance. Should the war be protracted throughout 1918 and the Washington Government call to the colors 3,000,000 or more men, then we may be assured that there would be that much additional need of assistance from Canada. We have to re-

member, of course, that our first duty is to supply the Mother Country; and it is not to be desired that a strong demand from the United States should divert to that country commodities or articles which Britain needs, and which she is willing to buy from us. With intelligent regulation of exports by our own Government, and close co-operative action by Ottawa and Washington in the matter of supplying the Allies, it would seem that there was small danger of diversion to the United States on any large scale, of Canadian foodstuffs, etc., desired by Britain. The British have their purchasing agents at our commercial centres, and they can easily make known to our Government the extent of their requirements. In case of some crop or product of which Britain needs and is prepared to buy Canada's whole output, there would be no occasion for exports to the United States. Our market is there and we sell all we have to spare at satisfactory prices. In case of other products turned out by us in volume larger than the British requirements, the British agents doubtless would not seek to regulate the movement to market. It would be their duty to buy at an early stage such quantities as they needed; and we should be at full liberty to dispose of the remainder of our surplus to our American neighbors. In this connection it should be said that if Canadians generally give whole-hearted support to the proposals of our new Food Controller, the amount of our surplus or salable production should be considerably increased. If waste could be eliminated it might devolve that our exportable surplus in a poor or light crop year would be equal or nearly equal to that available in past bumper years in which wastefulness and inefficient methods prevailed. All of this is doubly important on an occasion like the present in which there is a ready sale at high prices for all that can be saved.

The matter of labor supply certainly presents difficulties, in connection with enlarging our industrial and agricultural output in response to special demands from outside. But perhaps more than has yet been accomplished in the way of utilizing female labor may be possible. As regards the allocation of our industrial output between Britain and the United States, it would seem to be possible for us to take a considerable amount of new orders in certain lines from the United States without reduction of our output of articles desired by Britain.

Book Reviews

"PUBLIC UTILITY RATES," by Harry Barket, B.Sc., Associate Editor of Engineering News, has just been published by McGraw-Hill Book Company, Inc., 239 West 39th Street, New York, and by the Hill Publishing Co., Ltd., 6 and 8 Bowyer St., London, E.C. \$4.00.

This book is a discussion of the principles and practice underlying charges for water, gas, electricity, communication and transportation services and has been in course of preparation during the past eight years.

The author felt that a comprehensive discussion of: (1) Such corporation and municipalities as affect service and rates; (2) The trend of public opinion and court and commission decisions, and (3) The most important engineering and economic problems involved, would be useful to many who have to deal first-hand with one phase or another of public service.

There are brief reviews of the history and technology of the subjects treated.

The author does not believe "in any inherent iniquity" of corporations, but recognizes in the magnitude and complexity of modern organization schemes opportunities for hiding grave abuses and he feels that any man who has the requisite ability and energy to cultivate or exploit public service should not be allowed to do so solely for private profit without some effective oversight and chance for restraint. He thinks that "with the absolute disappearance of the men who organize corporations solely for the sake of large and speculative promotion profits, and not for the more moderate and certain returns of daily service, there will come a better day, for both the public and the corporation."

Appendix A gives diagrams and tables showing probable approximate cost of brick buildings; B gives tables for sinking fund present-value computations, and C gives tables showing typical life expectation for the public utility property.

"Valuation As An Engineering Task; Appraisal of Land and Water Rights," would be of value to any commission attempting to place a value upon a

public utility property. In the last mentioned chapter the author refers to the struggle in England for public control and points out that now increases of dividends depend on reduction of rates for service.

In the chapter on "Rate Problems of Street Railways," the author quotes the City-Control Ordinance of Cleveland passed in 1909 to "secure to the owners of property invested in street railroads security as to their property, and a fair and fixed rate of return thereon, at the same time securing to the public the largest powers of regulation in the interest of public service; and the best street-railroad transportation at cost consistent with the security of the property, and the certainty of a fixed return and no more."—H. S. R.

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"CANADIAN COMPANIES"—Carswell Company, Limited, Toronto, (351 pages, Sweet & Maxwell, London, England), have just published Canadian Companies Proceedings in the Judicial Committee of the Privy Council. In the appeals of the Attorney-General for Canada V. the Attorney-General for Alberta.

Insurance Reference, the Bonanza Creek Gold Mining Co. V. the King.

Attorney-General for Ontario V. Attorney-General for Canada. Companies reference.

There are added the judgments of the Judicial Committee in these cases and in the appeal of the John Deere Prow Company, V. Wharton, 1915, A.C., and an index.

There is also a review of these decisions by Edward Robert Cameron, K.C., Registrar of the Supreme Court of Canada.

The cases dealt with form a series of co-related decisions which mark another advance in the effort to determine the field of legislative authority possessed by the Parliament of Canada on the one hand and the various provinces on the other.

It will be a great convenience to lawyers and to laymen to have these important cases in one volume and Mr. Cameron's scholarly review will add greatly to the value of the book.