

chases there. The way to liquidate this adverse trade balance is:

- (a) By shipping goods to the United States;
- (b) By shipping gold;
- (c) By selling securities which could be converted into gold; or
- (d) By borrowing in the United States.

She cannot (a) ship her normal exports because her factory employees are either at the front or making the thousand necessities of war and so many of her ships are in war service for herself, Canada and the Allies.

She cannot (b) ship gold to any great extent because the long financial strain of three years' war has practically exhausted her present available supply of gold.

She cannot (c) ship securities, because those which are most easily marketed in the United States and elsewhere have already been mobilized and sold or borrowed on.

She must therefore depend upon the only other measure, namely, borrowing funds in the countries in which she is making her war purchases.

British credit, despite the tremendous strain of war, still stands as high as it did before the war. One proof of this is the willingness of the United States to loan three billions of dollars to the Allies, the greater part to Britain. Another proof is the very slight discount at which the English pound sterling stands in New York, as compared with the heavy discount in the currency of other countries.

That is the situation as between Britain and the United States. It is exactly the same as between Canada and Britain, except for the fact that we have far more good reasons for doing, in a smaller way, what the United States is doing for the Motherland.

Great Britain before the war loaned us practically all the money used for our development. She now

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*(The proceeds of Canada's Victory Loan, 1917, will be used for war purposes only and will be spent wholly in Canada.)*