

personal effects or incomes of those engaged in our great basic industry of agriculture.

The excess profits tax ended in December, 1917. The income tax will operate this year. During 1918, corporations will pay for 1917 whichever is the larger of the two taxes. If the war continues, the government will be compelled to seek new sources of taxation. In that event the income tax may be increased, the excess profits tax renewed and other measures adopted to increase revenue.

National Financing

Canadian national financing has been carried on satisfactorily. Public works expenditures have been greatly reduced. Our debt increase is due to war expenditures. The Dominion revenues for the seven months ended October last of the current fiscal year totalled \$145,719,000, an increase of 11 per cent. over the corresponding period of the previous year. The gain was largely due to customs collections which changed from \$75,000,000 to \$91,763,000 in the seven months period of the two years respectively. Expenditures on capital account reached \$144,213,352, of which \$133,254,798 was due to the war, and \$10,999,242 was on account of public works. In the previous year the war expenditure for the same period was \$127,487,147, and the public works expenditure \$13,540,236.

Debt and War Expenditure

On October 31st, 1917, the net debt of the Dominion was \$948,236,372. In 1913, before the war commenced, the debt was only \$314,000,000. Thus there has been an increase of 201 per cent. in the debt. It is almost entirely due to war. The total increased by \$47,000,000 in October last. At that rate, we shall have in March next a debt of over \$1,000,000,000. At 5 per cent. per annum, the annual interest will amount to \$50,000,000. This sum, with a substantial amount added yearly for a sinking fund, can be met, provided strict economy be practised by governments, from the future revenue of the Dominion and by the people of Canada. In national finance, if debts can be funded, the practical question is that of payment of annual interest. But while this is so, the fact must not be overlooked that debt is debt, a financial obligation and burden upon the body politic, whether owed to investors at home or abroad. Thrift, economy and greater production are three of the ways to meet the interest on this large war debt.

Our war expenditures are approximately \$1,000,000 daily. Up to July 20th, last, the war expenditure in Canada was \$388,627,000 and elsewhere, \$234,600,000, making the total to that date, \$623,000,000. Since then, the war expenditures have been approximately \$167,000,000, making a grand total of \$790,000,000 to the end of 1917.

Trade and Commerce

Our total trade, excluding coin and bullion imports and exports, for the 12 months ended September, 1917, was \$2,424,000,000, a record which compares with \$1,091,000,000 for the same period of 1913. Thus, in four years our total trade has increased 122 per cent. In the same period, our imports changed from \$683,000,000 to \$1,004,000,000, a gain of 46 per cent. The exports increased from \$408,000,000 to \$1,419,000,000, a favorable change of 247 per cent. In these four years, an adverse trade balance of \$300,000,000 has been converted into a favorable balance of \$415,000,000. By March, it

will probably be \$500,000,000. The position of the trade balance at the end of September is clearly shown in the following figures:—

Twelve months ended September 30th. (In millions of dollars.)					
Merchandise.	1913.	1914.	1915.	1916.	1917.
Imports	683	531	417	685	1,004
Exports	408	468	517	1,052	1,419
Unfavorable balance .	275	63
Favorable balance	100	367	415

The figures relating to imports and exports of coin and bullion for the 12 months ended 1914, were \$61,000,000. For the three years ended September, 1915-1917, the total was \$659,000,000. The striking change in these figures is due to the operation of the Bank of England's gold depository at Ottawa. Although it has been customary to include these figures in trade returns, the total trade figures are seriously disturbed by them in this instance and they should not be taken as an indication of the trade of Canada.

High Prices and Volume of Trade

Both high prices and volume of business account for the increase in the value of our trade. To-day, Canada is doing a foreign trade of greater monetary value and has a larger trade balance in her favor than was the case with the United States fifteen years ago. Taking the population of the United States as 100,000,000 and the population of Canada as 7,000,000, our exports were \$135 per capita for the first eight months of the current fiscal year compared with \$41.50 in the United States. Our favorable trade balance was \$32.40 per capita against \$21 in the United States in the same period last year. The reversal in the position of the Dominion from a debtor to a creditor nation is important as so much depends upon our balance of foreign trade. In periods during which Canada imports greatly in excess of her exports a debt is created to be liquidated by loans and interest charges to the detriment of domestic commerce. If the value of goods sold abroad exceeds imports, the difference accrues to the country in the shape of income. The stability of a country's prosperity is largely increased by the balance of its foreign trade. A favorable balance means prosperity, just as an adverse balance means, sooner or later, adversity. This rule may seem to be departed from in the case of Great Britain, whose imports greatly exceed exports, but the explanation is found in the fact that Britain is a creditor nation through her large investments in other countries, and receives payment of interest on these investments in goods to some extent. In the case of Canada it will be found that periods of progression and recession in business are coincident with the balance of foreign trade.

Exports of Canadian Products

Of the total exports of Canadian produce for the twelve months ended September, 1917, and valued at \$1,381,000,000, manufactures accounted for nearly 50 per cent. or \$632,000,000. This is a remarkable increase of \$507,000,000 or 405 per cent. in two years. The exports of agricultural products have increased 214 per cent. in the same two years. Taking agricultural products and animal produce together, the total for the year ended September, 1917, was \$584,000,000, an increase of 163 per cent. The following table shows at a glance how various groups of Canadian produce have contributed to our export trade during the past three years:—