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COMMODITY PRICES AND WAR DEBT.

There is little doubt that Canada has gained considerably, from a financial and economic standpoint, as a result of the war. Foodstuffs and other staple primary commodities, for which war increases the demand and sends up the price, are our principal products. In response to a keen demand both for these, and for many lines of our manufactures, there has been a large increase in our productive capacity, and our industrial plant has been considerably developed as regards machinery and equipment, and probably also as regards operative and managerial skill and adaptability. The amount of increased wealth accruing to the country through the war-time development of our export trade, and the incentive which has been given to production of all kinds that under other conditions might have been indefinitely delayed, probably more than offsets the increase in the national debt, arising as a result of our war expenditures, and the potential economic value of the lives lost, or rendered inefficient producers.

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Looking ahead to the conclusion of the war, some of the possibilities, as they appear to careful students of the economic situation, can be briefly indicated. There is the likelihood that commodity prices will, generally speaking, continue at a high level. The almost universal expansion of credit and inflation of currency, it is pointed out, will not immediately disappear, and several other causes of high prices will continue. An almost world-wide demand for raw materials is suggested, not merely to repair the destruction wrought in the fighting areas, but also to bring up to the standard existing before the war, the machinery and equipment of production and transport, which have been over-worked or perforce neglected during the war period, and to resume the work of repair, betterment and improvement in other directions. Another factor which it is considered will have an effect in keeping up commodity prices is a higher standard of living among the mass of the working classes in all countries, brought about by high wages and war expenditures. In this connection, it is to be remembered that the phenomenon of war time prosperity among the mass of the working classes is not confined to this continent and Great Britain, but is also in evidence in France, and apparently also to some extent in Germany.

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How such a course of development as that suggested will re-act upon Canada is pointed out

in an interesting study of finance after the war appearing in the current issue of the "Round Table." It is obvious that with high commodity prices, a debtor country will pay the interest charges it owes abroad with a less amount of commodities than when commodity prices are low. Similarly, a creditor country will receive less commodities in payment of the interest due it when commodity prices are high than when they are low. Canada is a debtor country and with high commodity prices after the war, will be able to pay the interest it owes abroad with less quantities of commodities than before. The "Round Table" thinks that in Canada's case the rise in commodity prices will more than counterbalance any increase in terms of money in the amount of the external debt. "Before the war," the Round Table remarks, "Canada's indebtedness to external investors may be put in round figures at five thousand million dollars, carrying an interest charge of two hundred and fifty million dollars yearly. It is doubtful if the external debt of Canada has been increased much, even in terms of money, during the war. For the external loans contracted by Canada in the United States are probably offset by the extent to which private liabilities due from Canada to the United Kingdom have been paid off during the war. The external interest charge on the Canadian community will therefore be the same reckoned in money, but reckoned in commodities it will be much less than before."

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The "Round Table" is possibly optimistic in the suggestion that Canada's external debt has not increased during the war. Since August, 1914, Canada's borrowings in the United States, plus \$112,000,000 borrowed from the British Government for war purposes, and since funded, are, exclusive of short term loans already repaid, probably little short of \$600,000,000. Against this is to be set the liquidation of private liabilities mentioned by the "Round Table," which undoubtedly involved a substantial amount, a certain amount of buying back of sterling bonds, taking over of mortgage loans hitherto held in Great Britain, and the purchase of such securities as the Anglo-French loan, etc. Then there is the borrowing from the British Government for the payment of the expenses and equipment of Canadian troops overseas, which is about offset to date apparently by the Canadian Government's credits to the British Government, running to about \$350,000,000. Additionally, there

(Continued on page 891)