

Comparing the year ending 31st March, 1918, with the previous one, we imported from the United States goods to the value of \$792,000,000, as against \$678,000,000, and we exported to them \$418,000,000, as against \$290,000,000, so that we owed them on balance \$374,000,000 instead of \$388,000,000. During the six months ending September, 1918, matters did not improve; the scale of imports and exports was larger, but the resulting difference against us was proportionately about the same.

Cost of the War.

The cost of the war to Canada as at 30th November, with all outstanding items carefully computed, was about \$1,125,000,000 as compared with \$685,000,000 up to the corresponding date a year ago. The balance due to Canada by Great Britain, in the open accounts between the two countries, is about \$170,000,000. If we desire to consider the extent to which Great Britain's debt to Canada on war account may help our finances by its liquidation at a future time, we have to add to this \$200,000,000 due to the Canadian banks by the Imperial Government.

The Victory Loans.

In November, 1917, the first Victory Loan (the fourth Canadian War Loan) was offered. The sum asked was \$150,000,000, and 875,000 people subscribed \$421,000,000. The figures we quoted a year ago were largely exceeded when the returns were completed. This issue was made at 98.67, and if it had followed the fate of most war loans, it would have declined in price somewhat before the next loan appeared, but the organization which made the issue so successful took care of the market so well that, while a very considerable percentage of the loan was turned over from day to day, the issue price was not merely maintained, but was raised to par by July, 1918. As a consequence, when the second Victory Loan came out in October last, the Finance Minister was able to make the issue price par with accrued interest. The latest figures for this loan show that, while \$300,000,000 was asked, 1,080,000 people have subscribed for \$690,000,000. We were very proud that the subscriptions to the loan of 1917 reached a total of \$53.37 per head of our population, but the amount subscribed to the 1918 loan was \$88.10 per head. In 1917 one citizen in ever 9.02 bought a bond, and, in 1918, one in every 7.25. The largest amount subscribed per head was in Ontario, where the average was \$128.75, and where one in every 4.94 bought bonds. The smallest was in Prince Edward Island, where the average was \$32.13, and one in every 17.33 bought bonds. In these calculations the population is estimated at 7,821,200. This is not an official estimate, but it was made with great care.

Canadian Securities

Sales of Canadian securities were only a trifle larger than for the calendar year 1917, but the table below will show that they were almost entirely absorbed in Canada:—

Securities.	Total sold.	In Canada.	In Great Britain.
†Government	\$704,632,729	\$675,869,396	\$25,600,000
Municipal	45,805,720	43,099,820	2,705,900
Railway	5,000,000	5,000,000
Public Service Corp.	2,375,000	1,375,000	1,000,000
Miscellaneous.	5,155,000	3,505,000	1,650,000

Total 1918 \$763,968,449 \$724,849,216 \$35,955,900 \$3,163,333
Percentage .. 100% 94.87% 4.70% .43%

†—Government issues include \$3,500,000 Government of Newfoundland Bonds and \$2,000,000 of the French Republic Bond issue, which were absorbed by the Canadian market.

This, as compared with anything in our past, is very surprising. Not only are both of our huge Victory Loans at a premium, but the general course of our bond market has shown a corresponding improvement. While it opened in 1918 at the lowest level of prices, and therefore at the highest yield in interest, that we have seen for years, it has improved so that the yield is now from one-quarter to one-half of one per cent. less than at the beginning of the year. Not only have we taken care of all new requirements, but we have paid off loans maturing in the United States to the amount of about \$40,000,000. Now that the war is ended, we must expect large issues of provincial and municipal bonds, and these should find a ready market either in Canada or in the United States.

American Finance.

The financial and trade situation in the latter country is very fully set forth by our New York agent and the history of American finance during the war is dealt with at length. It is difficult to realize that, in spite of their coming into the war so late, their industries were apparently almost as completely diverted to war purposes as those of other Allied countries, the expansion in particular directions, and in foreign trade generally, being without example and beyond our imagination of what was possible. One or two items from his report give us some idea of the scale of their operations. The disbursements of the Government for the fiscal year ending June, 1918, were about \$13,000,000,000, of which \$4,738,000,000 were loans to Allies. The estimated expenditure for the year ending June, 1919, was \$24,000,000,000, but it is thought that in view of the armistice, this will be reduced to \$18,000,000,000. The total loans to Allies in November last were stated to be \$8,185,000,000. Nothing is more impressive than the fact that of these colossal expenditures, one-third is raised by taxation. It has been frequently said that without the Federal Reserve System of banking the United States could probably not have financed the war without more or less collapse of her financial system. It is equally true that the System has permitted an expansion of credit which, notwithstanding the importation of over \$1,000,000,000 in gold since the war began, has gone far enough to require a very conservative course for the immediate future.

Great Britain's Task.

This may be a good point at which to consider the position of Great Britain. The report of our London manager should be read by everyone who desires to realize the part that country has played in the war. Unprepared—except as to that navy which by blockading Germany really won the war—she raised a vast army which, like none of the other armies, fought in all the widely separated areas of the conflict. For two years, while we awaited the entry of the United States, she bore the heavy part of the whole war, lending money, supplying munitions, coal, food, sympathy and advice to her allies. In resourcefulness, invention, daring and unyielding courage, whether in the trenches, at sea, or especially in the air, she astonished her own children and she amazed that part of the world which has never understood her, unless it be now that the war is won.

When the war began she had a debt of three and a half billions of dollars. If we deduct what she has lent to her allies, and certain other recoverable items, she will probably owe twenty-two billions of dollars at a rough estimate. From the first report of the Committee on Currency and Foreign Exchanges after the War, it is clear that the mind of the British banker is steadily bent not upon further possibilities of inflation, but upon recovering the gold position of Great Britain as soon as possible.

Gold Reserve.

The Bank of England has the largest quantity of gold in its history, but its ratio of reserve is low, and the new Government issues of £1 and 10-shilling notes have reached the large total of £293,790,000. Great Britain controls a large percentage of the new gold produced throughout the world, and in the scramble for gold which we shall doubtless see for many years to come, she will have the best position. In raising money for the prosecution of the war she has shown a wonderful confidence in her people as to their power, as well as to their willingness, to provide whatever was necessary, week by week, and she has latterly avoided the large issues at particular moments which have so disturbed finance elsewhere. She at first alarmed some of us by the vast amount of Treasury Bills which she kept afloat, but later in 1917 she seemed to have "found herself," and sold National War Bonds and War Savings Certificates in a steady stream through banks and post offices, to a sufficient extent to meet her needs of £25,000,000 per week.

War Finance.

What she was not able to pay was her indebtedness to the United States and Canada for munitions supplied, as this required international money, that is, gold or balances due by foreign countries. She had shipped to the United States, either directly or through other countries,