

Financial Position of Dominion

Sir Thos. White announces the probability that before next issue securities of last loan will probably stand well above original cost

Toronto, August 5.

Canada is earning at home the money she spends on the war, and owing to her agricultural and other natural resources, skillfully worked and ably directed, has been able as a nation, not only to earn the entire cost of the war to date, but to make a very large national increase in wealth as well.

In a review of Canada's excellent financial position at present, coupled with a note or two of caution for the future, Sir Thos. White, Minister of Finance sets forth the above facts in a statement given out today to the Canadian Press.

Sir Thomas further announces the probability that before the next big war loan is issued for subscription securities of the last Victory Loan issue will stand well above their original cost.

STATEMENT.

The statement of the Finance Minister says:

"I desire for the information of the public to briefly review the outstanding features of the finances of the Dominion since the beginning of the year.

"The unprecedented success of the Victory Loan of Last November was followed by an anxious period as to the market price which would obtain for the new securities. It would have been a most serious matter if the price on our exchanges had declined several points as seemed probable if so large a volume of securities as four hundred million dollars had been listed on our narrow markets without provision for support or fresh distribution. Such a decline would especially have discouraged new and inexperienced investors, many of whom would, without full appreciation of technical market conditions, have drawn erroneous conclusions as to the cause of the decline and become discouraged as to future investments in Dominion securities. The loss also to those who from time to time would find it necessary to realize on their securities would have been heavy. To meet these contingencies, a plan of stabilization was arranged for in January, which has worked out most successfully. Over forty million dollars of Victory Loan securities have been traded in since then. Today any investor is able without delay to realize for his Victory Loans what he paid for them and the probability is that before the next issue is made, securities of the last Victory Loan issue will stand well above their original cost. In liquidating the Victory Loan bond is almost equal to the Dominion's currency.

"At the beginning of the year a very serious situation confronted certain municipalities of Canada. A great deal of short term financing had been done in the first and second years of the war in the expectation that it would be over before the loans matured. There were several such loans maturing in New York whose market was practically closed to all outside issues. The figures disclosed that on January 1st of this year Canadian provincial governments and municipalities had financing in prospect for the first six months of the year aggregating nearly sixty million dollars. They were all naturally anxious to get upon the Canadian market as soon as possible with their issues. The result of an indiscriminate and uncontrolled offering of these securities upon a market overshadowed by the new four hundred million dollar Victory Loan issue would have been most serious, if not disastrous. It became imperatively necessary to take action to regulate and control these issues. The sheep were, so to speak, huddled at the gate all eager to get out. The could be got out safely if allowed through one by one. Accordingly an Order-in-Council was passed prohibiting all issues of securities in Canada without the consent of the Minister of Finance.

"To further ease the situation the Government arranged to make loans to provincial governments to the extent that it might not be advisable or possible for them to market their issues and to prevent their being compelled to pay unduly high rates of interest. As far as the municipalities were concerned, arrangements were made whereby the banks carried the securities of the larger cities and towns until conditions permitted their sale. The result of these regulative and helpful measures has been that in the past seven months the Canadian market has gradually absorbed all these provincial and municipal issues, without confusion or excessive penalty in the way of interest rates. The sheep have all been got through the gate.

No better evidence exists of the essential soundness

of our financial conditions today than the success which has attended the marketing of the congested mass of securities which at the beginning of the year threatened to almost swamp the Canadian investment market. By reason of the absorption of the securities and the fact that capital expenditures of public bodies are now reduced to a minimum, the outlook for stable conditions in our security market appear to be most favorable. It is interesting to note that of sixty-five million dollars of our provincial and municipal securities sold in 1916, eighty-five per cent were placed in the United States. This year of a similar volume of such securities, only two and a half per cent were sold in the United States.

"Owing to many complex causes arising out of the war and due partly to world-wide conditions, Canada's exchange with New York, which is the great exchange centre of America, has been for some time past unfavorable. The rate against us has at times exceeded two per cent. It is to be pointed out that in this, in war conditions, there is nothing exceptional. Great Britain's exchange with the United States has for two or more years been at as high a discount, and exchange rates with neutral countries have, in the case of Great Britain and the United States, been at times unfavorable to the rate of even thirty per cent, and this upon an immense volume of purchases.

NOT UNMIXED EVIL.

"Adverse exchange is not an unmixed evil to a country at war. Economically speaking, it is the natural corrective of national extravagance and of unduly large outside investment of funds needed for war issues at home. If it costs two per cent to obtain New York funds, there will be less importation of luxuries and other commodities we do not need, and less buying by our people of outside securities offering high interest yields as against the rate of our war issues. An unduly high rate of exchange, however, penalizes the importer of necessary raw material and commodities actually needed by the public, and consequently enhances the general cost of living. Judicious interference is therefore justifiable to palliate or obviate its worse effects.

"To assist in adjusting the balance of our international accounts arrangements have been made which will, I think, be materially helpful and at least hold exchange within reasonable bounds. Orders placed in Canada for American war requirements, such Canadian issues as may be permitted in New York, prohibitions upon non-essential imports by Order-in-Council, together with special stabilizing financial expedients, will all contribute to this result.

BENEFITS.

"It cannot be too strongly emphasized or too frequently drawn to the attention of the Canadian public that our military effort at the front and the prosperity at home, which enables us to continue to sustain it, depend largely upon our finance; that is to say, upon the ability of the public to make and save money and lend it to the Government in return for war loans. It is the literal truth to say that without

the Victory Loan of last year our farmers could have marketed only a portion of their products, the wheels of many of our factories would have become still, and our general trade and commerce would have suffered most serious depression. The proceeds of that loan enabled the Imperial Government to buy in Canada grain, flour, meats, munitions and a multitude of other supplies for the armies and civilian populations of the Allies. The distribution of the money has maintained the industry and furnished the wages of our basic manufacturing establishments. It has kept in employment thousands engaged in munitions and other war work. It has made business good for the wholesaler, retailer and all others who supply the day-to-day needs of the Canadian public. Putting it another way, our war finance enables us to raise and equip our forces at home, send them overseas and maintain Canada's divisions at the front with their reserves in training in England. The fact is that it is certain on the farm and in the factory, Canadian enterprises in control of our great industries and Canadian business organization in shop and warehouse which are directly earning the money, through the rendering of services and the creation and distribution of commodities, which supports and maintains our military effort. Canada is earning at home the money which she spends on the war. How different would be our conditions if, instead of earning the money at home and taking the national profit on the business which yields the money, Canada had, in order to meet her military expenditure, to borrow abroad? The effect could only be a greatly reduced military effort or a crushing foreign indebtedness piled up against us which would penalize us in exchange and enhanced cost of living for years, if not for generations, to come. Canada, owing to her agricultural and other natural resources and the possession of highly efficient manufacturing plants, served by highly skilled labor and directed by men of great enterprise and ability, has been able as a nation not only to earn the entire cost of the war to date, but to make a very large national increase in wealth as well. If from the increase in bank deposits, new securities, goods, commodities and other property now owned by the people of Canada, over and above what they possessed in 1914, there be deducted the whole national debt of Canada due to the war the surplus would be found to be very great indeed.

"At so critical a time when the hearts of so many of our people are filled with anxiety for those overseas, and after four years of the terrible sacrifice and suffering of the war and the loss of young Canadian manhood incalculable in terms of earthly value, one hesitates to speak of national balance sheets or of material gain or loss. But it is essential that the prosperity of the country be maintained in order that we may continue to sustain the increasing burden of the war, and that prosperity depends absolutely upon our power to finance in greater part at least our export trade. That we can continue to finance it will depend as in the past upon the willingness of our people to save their money and lend it to the Government in exchange for its war loan issues, the proceeds of which are at this time the real working capital for Canada's export trade and for a large proportion of her domestic business as well. The maintenance, and better still, the increase of that working capital is at this juncture one of the most supreme national duties of the Canadian people."

THE LAUGH THAT LIFTS.

In the large garden across the street is a lady who laughs. Fourteen families live within earshot, and fourteen families know and like her. In the evening hours neighbours dally along the border of the big garden to exchange some smiling word for her laugh. The bargain is easily struck, and the buyers go home satisfied. Her laugh is like that of the girls at a woods picnic. If it could be canned for the market, it would sell like Caruso.

In the same region lives a man who never smiles nor speaks a smiling word. He counts one in the census, but the cheer-hungry world is making no path to his door. It has no appetite for his wares. The human race is fed up on gloom. No one need even go across the street for gloom. It grows with other weeds on both sides of the road. Anyone can fall into gloom at any time by just letting go of cheer. Though cheer is as cheaply made as gloom, there is always a brisk market for it. The world never saw a mortal selling cheer at a loss in order to close out his stock.

He who has heard the laugh of the woman of the street or the hyena or the cynic, knows that no mortal by mere resolution can say:—"Go to, now, I will laugh myself popular." The laugh that lifts is not an incident nor an accident. It is an outward sign of an inward grace. It has been studiously imitated for commercial use, and this imitation is heard on the stage. But at its best, this make-believe laugh falls short of the spontaneous uplifting laugh.

The laugh that lifts has behind it a preparation—a long laboratory process in the secret chambers of the soul. It comes from a conscious or unconscious confidence in the beneficence of the divine order of things. A baby's first laugh is of this fine quality. It is the echo of the last laugh he heard in heaven, just before he set sail for the shores of time. His laugh of every honest mortal, old or young. Creation's plan provides a laugh from the cradle to the grave and far beyond it, and he who cannot laugh the lifting laugh has lost a valuable bit of his heaven-made heritage.—Minneapolis Journal