

States. Our borrowings in 1915, therefore, did not decrease, despite war conditions. What is important, however, is that the borrowing last year represents only financing which was absolutely necessary. In previous years, loans have been raised not only for legitimate development, but also for unwise speculative purposes and to further the unwholesome causes of high finance. In comparing the figures of the past two years, it must be remembered that for five months of 1914 Canada sold no securities, owing to the closing of the money markets during the financial crisis.

The assumption by the United States of the role of Canada's banker is important. In 1909, the percentage share of Canadian bonds purchased by that country was 3.90. Last year, the share had exceeded 60 per cent. Since 1909, to date the percentage figures have been as follow: 1909, 3.90; 1910, 1.50; 1911, 6.58; 1912, 11.35; 1913, 13.65; 1914, 19.77; 1915, approximately 60 per cent., without reckoning the Canadian internal loan of \$100,000,000.

At the end of 1913, the Canadian people owed abroad approximately \$3,000,000,000, of which \$2,500,000,000 was due to Great Britain and \$500,000,000 to the United States. When war broke out, our debt to Great Britain alone, according to Sir Frederick Williams-Taylor, was approximately \$2,725,000,000. For the United States to be able to absorb more than 60 per cent. of our securities last year when previously it had never taken more than 20 per cent. is a significant performance. After the war, Great Britain may not be able to finance our development requirements to the extent as of previous years, and the neighboring republic will, therefore, be expected to take a substantial share of our securities. The securities they are buying are good, and it is in the best interests of the United States to increase further its 60 per cent. share of the Canadian import trade. All things considered, we may regard the nearest international money market as Canada's borrowing field for some time to come.

Canadian Credit High.

Canadian credit in Great Britain has been well established for some years. Last year, it found a high place in the United States. A few years ago, Canadian short-term obligations in London totalled about \$40,000,000, an amount which careful observers regarded with some misgiving. This sum was gradually reduced, and, despite the numerous difficulties last year, provision was made for all Canadian provincial and municipal obligations afloat in London at the outbreak of war. The greater proportion was paid off. This is further testimony to the strength of Canadian credit in London.

The only serious difficulty which occurred last year was a temporary default on treasury bills of the city of Prince Rupert, amounting to £280,000, and maturing in June. The British treasury board rather unexpectedly refused to sanction a renewal of more than six months, and hence the default. The matter was taken up by the Canadian government, with the result that the British authorities agreed to a longer renewal and the whole transaction was then regularized. Part of the loan was liquidated with funds raised in the United States.

There need be little fear in regard to the relation of war taxation to Canadian credit. During the war and after, taxation is quite unlikely to jeopardize the security for Canadian loans. Financing since the war has followed the best British traditions, and this will

continue. Not only will the tax burden of Canada be immensely less than that of any of the leading belligerents, but there is as a backbone to credit, immense natural resources and increasing production therefrom.

Change in Trade Balance.

Both because of the war and of the natural trend of events, a surprising change occurred in the trade balance. The Dominion's excess of imports over exports, or the adverse balance of trade, in 1913 was \$300,000,000. Imports commenced to decline as a result of the general slackening of activity, and in 1914, hurried by the war, the unfavorable balance was reduced to \$180,000,000 and early last year to \$36,000,000. Imports continuing comparatively small and exports increasing, both on account of war orders and of heavy agricultural shipments, the trade balance had changed by the end of September last to a favorable one of \$100,710,037. Coin and bullion imports and exports, chiefly on account of the Bank of England, have been omitted from these calculations. Thus in a little less than three years an adverse balance of trade of \$300,000,000 has been converted into a favorable balance of \$100,000,000.

The position of the trade balance at the end of September is clearly shown in the following figures:—

Merchandise.	Twelve months ended September.	
	1914.	1915.
Total exports	\$468,210,010	\$517,982,240
Total imports	531,853,489	417,272,203
	— \$ 63,643,479	+ \$100,710,037

During the year ended September, 1913, our imports were \$688,000,000, and these were reduced last year to \$524,000,000, a decrease of \$164,000,000. In the same period, our exports increased from \$425,000,000 to \$612,000,000, an increase of \$187,000,000. Our imports thus had been decreased by 23 per cent. and our exports increased by 44 per cent. This, together with less borrowing, marked economy and increased production, are having a healthy effect on Canadian business.

The figures relating to the imports of coin and bullion for the twelve months ended September, 1915, were \$107,000,000 as against \$41,000,000 in 1913-1914. The exports of coin and bullion were \$94,000,000 compared with \$20,000,000 in the previous year. 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.

Decline of Imports.

The decline in imports is due to a variety of reasons. The cessation of imports from Germany accounts for a few millions. The impossibility of other countries in Europe being in a position to export; the slackening of the extraordinary period of construction in Canada; a slight but temporary loss of population due to enlistment; lack of demand for railroad labor; the after effects of the real estate boom, with a consequent reduction in purchasing power, account for many more millions. But the reduction in imports has helped the trade balance, which is still further assisted by an increase in exports. The policy of more production, which is being vigorously prosecuted in Canada, is having some