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The Victory Loan and What It Means

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THE VICTORY LOAN AND WHAT IT MEANS

1. Canada's War Effort.

FOUR years have now passed since the Canadian people, as part of the British Empire, pledged all their resources to aid in overcoming the great German military force which, after forty years' preparation, was about to sweep with devastating might over Belgium and northern France. Our cause was just, and the actions of the enemy during the past four years have clearly shown that only the victory of the Allies in the present struggle will save the world from the horrors of German domination or of future wars even more bloody and destructive than the one we are now waging. To help achieve this victory, Canada has already done much. Cold figures can give but little indication of the countless acts of patriotic devotion already called forth by the war, but even a brief review of Canada's war effort may help to show what can be done by a nation in earnest. Such a review, too, should stimulate and encourage us to make the efforts and sacrifices which are yet required.

Men.

More than four hundred and fifty thousand men have left their homes in Canada to serve in the Canadian Expeditionary Force and other military and naval bodies overseas. Forty-five thousand of these men have already laid down their lives, and more than one hundred thousand have suffered wounds.

Munitions.

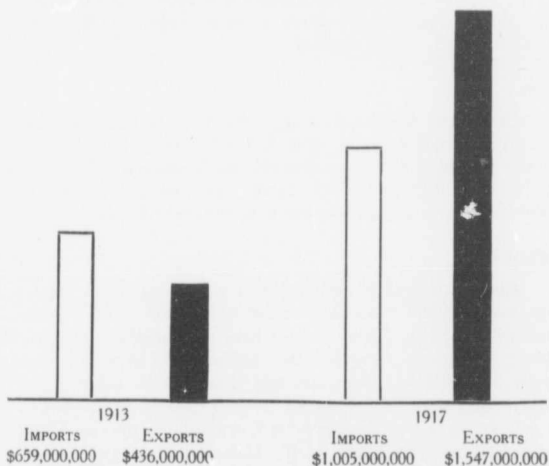
About two hundred and fifty thousand people in this country are now engaged in making munitions for the Allied Armies, and more than sixty million shells have now been sent overseas. Many workers are engaged in the construction of ships to replace those destroyed by submarines and mines. One hundred and twelve large ships, having a total carrying capacity of nearly half a million tons, are to be launched in Canada during the year 1918, as well as numerous smaller craft. Canada has also sent overseas large quantities of explosives, iron and steel, nickel, aluminium, copper, airplanes, agricultural machinery, timber, and railway material. The achievement of sending all this material overseas is the greater because it includes articles which were produced only in small quantities or not at all in Canada before the war.

Food.

By producing and conserving more food for export, the people of Canada helped to save the Allies from a famine with which they were threatened for a time because of the enlistment of farmers, the occupation of Allied territory by the enemy, the submarine campaign, and the loss of Russia's food supplies. During the past year our net exports of wheat and flour increased by more than eighty million bushels, and it is estimated that our conservation efforts are releasing meat enough to provide the ration for at least half a million soldiers.

Change in Balance of Trade.

The increase of production and saving in Canada is shown by our trade with other countries. Before the war we were importing many articles from other countries to satisfy our own wants, and exporting a much smaller amount of our own produce in return. This state of affairs had lasted for many years, but the war has turned the balance of trade the other way. Chiefly on account of the food and munitions which we are sending to Europe, we have begun to export more goods than we import. The change is indicated on the accompanying diagram.



Money values of Canada's imports and exports, 1913 and 1917 (January 1 to December 31). Part of the increase shown is due to the rise in prices, but part of the increase in the black column (exports) represents an increase in the actual quantity of material exported, and is due to the thrift and industry of the Canadian people.

2. Paying for the War.

Supporting the Canadian Army and Financing the Allies

War material costs money. Canada is not only buying supplies for the Canadian Army; she is also lending to the Allies part of the money with which to pay for what they buy in this country. In the earlier years of the war they were able to pay for what they bought here, but their expenses are now so heavy that, unless Canada lends to them, they can no longer buy food and munitions from us.

(1) Taxes

To buy supplies for the Canadian Army and finance the Allies, the Dominion Government has imposed more taxes. Customs duties have been increased. People who are making large business profits have now to give a share of them to the country. The war stamps which we all have to put on our letters bring in a revenue of about six million dollars a year. We have to pay taxes when we buy railway tickets, send telegrams, or write cheques. Special taxes are paid by banks, insurance companies, and trust and loan companies. By means of these war taxes the Government raised more than seventy-six million dollars (nearly ten dollars for every man, woman and child in the country) during the year ending March 31, 1918. New taxes are constantly being imposed. The most important new taxes are the Federal income tax and taxes on various luxuries.

(2) Loans

But Canada is spending so much on the war that all these taxes are quite inadequate. Up to March 31, 1918, Canada's total war outlay amounted to \$875,000,000, apart from hundreds of millions lent to the Imperial Government to buy food and munitions. For these purposes the Canadian Government obtained most of the money required by borrowing in Canada and in the United States. By the end of this year, our national debt will be more than \$1,200,000,000, most of which will have been lent by the people of Canada to their Government for war purposes.

Canada's War Debt.

This immense sum means a debt of one hundred and fifty dollars for every man, woman and child in the country. To pay

the debt in gold (if such a thing were desirable or possible), it would take more than two thousand two hundred wagon-loads of gold pieces, each wagon containing a ton of money. But that kind of calculation does not help us to understand the real thing which has happened when the Canadian Government borrowed this sum from the Canadian people.

What We Really Lend.

Money is something which we can exchange for the goods or services of others, and this is its only value to its owner. When we lend money to the country, we are lending not merely a pile of bank notes or glittering metal—our soldiers cannot eat money or shoot it at the Germans—but we are really lending the wheat and iron and men's work which our money will buy. One-eighth of all the people of Canada are now giving their services for war purposes. Millions of tons of material which we would have used in peace to satisfy our own wants, have been made into war supplies and sent to England and France. It is these goods and the services of these people which the Government has really borrowed.

3. The New Victory Loan.

More Money Needed.

The Dominion Government is now asking the people of Canada to bring forward their savings once more and lend it a sum greater than any they have yet lent. This loan, like the previous ones, will be used to support the Canadian Army and enable the Allies to buy food and munitions in Canada.

We Must Not Slacken Our Efforts.

Owing partly to the splendid efforts put forth by the United States, the military prospect now looks more favorable than it has done at any time during the last four years. It would, however, be most unwise for Canada to do less on that account. What the future may bring, none can tell; and we know that the enemy is still dangerous. If we were to weaken in our exertions because of a belief that the other Allies could now finish the war without further help from us, we should encourage our enemies and discourage our friends. On the other hand, the quickest way to win the war, and the only sure way, is to use ALL POSSIBLE FORCE from now until victory is gained. The men at the front have nobly

done their part, and they will continue to do so. It is for the people at home to support them, and that support can best be given by buying as many Victory Bonds as possible.

What the Tanks Did.

Canadians well remember the enthusiasm caused by the first appearance of the tanks, which probably saved the lives of thousands of Allied soldiers at the Somme and in the fighting around Cambrai. More recently, when the French troops this summer launched their great counter-attack, which turned the German advance into a retreat and won back hundreds of square miles of French territory, the tanks again led the way. Describing their work, a French official statement said on July 28, 1918:

"Since the opening of the artillery bombardment on July 18, the day of the French counter-offensive on the front between the Aisne and the Marne, our tanks have taken a glorious part in the battle. After piercing the enemy lines and enabling the infantry to enter the breach, they have not ceased to accompany or precede the troops. . . . THE CREWS DROVE THE TANKS INTO THE HOTTEST PARTS OF THE BATTLE AND RECOILED FROM NO OBSTACLES. THEY ATTACKED THE CENTRES OF RESISTANCE AND THE BATTERIES OF THE ENEMY UNDER TERRIFIC FIRE FROM MACHINE GUNS AND SPECIAL GERMAN CANNON. THEIR GALLANTRY ATTAINED THE GREATEST RESULTS. EACH TANK ACCOUNTED FOR FIFTEEN OR TWENTY GERMAN MACHINE GUNS. SOME OF THE TANKS CHARGED THE GERMAN BATTERIES, PUTTING THE GUNNERS OUT OF ACTION AND INSURING THE CAPTURE OF THE CANNON AND MATERIAL. THE LOSSES SUSTAINED BY THE GERMANS AS A RESULT OF THE ONSLAUGHT OF THE TANKS WERE VERY HIGH, ACCORDING TO PRISONERS."

How Our Money Will Save Men.

A tank costs a good many thousand dollars. We can have all the tanks and other engines of war we need if the people at home will provide the money to build them. The man who saves his money and lends it to the Government is helping to provide tanks and other material of war which will save many lives. Early in the war our troops had not so many machine guns as the Germans. This condition has been remedied through the loans and taxes of the people at home. One \$500 Victory Bond will supply two machine guns, and two \$100 bonds will buy 5,000 machine gun

cartridges. Steel helmets have turned aside many a German bullet which would otherwise have taken a Canadian life. The person who lends the Government \$50 is enabling it to buy 30 steel helmets. Our soldiers must be fed and clothed, and Canadian wheat must be sent to help feed the people of England, France and Italy. It is for these and like purposes that the Government now requires a new loan.

Sacrifices Must be Made.

In order to lend what the country needs, we must produce and save; there is no other way. During the coming year, the people of the United States will spend nearly **HALF THEIR NATIONAL INCOME** on the war. The people of Great Britain, who have sent more than six million men to war, and who have even lived on short rations of food that their fighting men might have enough, subscribed practically **HALF THEIR NATIONAL INCOME** to a single British war loan, which raised **FIVE BILLION DOLLARS**. Can we do as much in proportion?

Canadian soldiers are doing hard and dangerous work. Over in France they receive only a dollar or so a day, while they are daily exposing themselves to death or wounds. They are setting us a good example. They are fighting heroically: we must lend in the same spirit. We must be prepared to make sacrifices.

QUESTIONS.—What other war taxes have Canadians to pay besides those mentioned above? What will the Government do with the money it borrows?

4. Why Save?

Our War Needs.

In order to carry on the war, Canada needs:

SOLDIERS.

WORKERS for the farms, mines, forests, factories and railways.

RAW MATERIALS such as iron, copper, nickel, coal, wood, wheat, oats, wool, cotton, leather and many others.

FACTORIES, MACHINERY, RAILWAYS, SHIPS, to turn this raw material into articles needed by the Allies and convey it to the places where it is needed.

How are these to be obtained?

Labor and Material Scarce.

Before the war, we were using all our raw materials to make the things which we used every day (both necessities and luxuries) or to construct more buildings and machinery, or we exchanged them for articles produced by our neighbors. We had no raw material to spare. Most of our factories were kept busy, and most of our men had work. Now almost half a million of our producers have left their occupations to join the fighting forces. Many women and young persons have joined the ranks of the workers, but they are not enough to take the places of all who have gone. With fewer workers than before, we must now produce vast quantities of war material in addition to what is needed by the people at home. The people of Canada must realize that WE HAVE NO LONGER ENOUGH LABOR, MATERIAL AND FACTORIES TO KEEP ON PRODUCING LUXURIES, IF WE ARE TO PRODUCE THE WAR SUPPLIES NOW REQUIRED. Either we must do without luxuries or the soldiers must do without munitions. In order to perform our duty in the war we must abstain from some of the things which we like, in order that the labor and materials which would be used in making them may be used for war purposes.

Something to Think About!

EVERY CENT SPENT ON THINGS WE DO NOT NEED LESSENS THE AMOUNT OF LABOR AND MATERIALS AVAILABLE FOR PRODUCING THINGS THE COUNTRY DOES NEED, AND THEREFORE HINDERS CANADA FROM DOING HER FULL SHARE IN THE WAR.

What Happens When People Spend Money?

Every time a person spends money, he is demanding some raw material or he is making somebody work for him, and usually he is doing both. Any example will show this. Suppose a person buys an article made of wood. He is making some man work in the woods of northern Ontario or British Columbia to cut down trees; river-drivers and railway men must work to bring the lumber to the factory, and coal is used to haul the train, perhaps a distance of several hundred miles, to some manufacturing town in western Ontario or elsewhere. After being hauled to the factory, the wood is made into a finished product, and it is then hauled back to the railway to be shipped away. Men and horses are needed to do this hauling. The article is then carried on the railway to the town or city where it is to be sold—perhaps to Regina

or Winnipeg or Halifax—at a cost of more coal and more men's work. On arriving, the article is unloaded from the car and carried by more men and horses on a dray to the store where it will be sold. Finally, somebody must stand behind the counter and sell it. The person who buys the article is therefore using some wood; he is using the services of lumbermen, railwaymen, factory hands, carters, and store clerks. He is using space in a freight car, when every inch of space is needed for more important things; and he is using coal to run machinery in a factory and to haul trains.

Coal

This coal is needed. The Fuel Controller of the United States said not long ago that, in spite of increased production, so much coal is needed in the United States for war purposes during the coming year that there will be a shortage of THIRTY-FIVE MILLION TONS—more than it takes to heat all the homes in Canada. Most of the coal used in this country has to be supplied by the United States. Unless the people of North America resolve not to use a single pound of coal for unnecessary purposes, some persons will be unable to heat their homes, and, worse than that, there will not be enough coal for the munition factories. If some people waste coal, the present supply is so limited that others will have to go without it.

Luxuries Will Not be Made if People Stop Buying Them

It may be said that because an article has already been made and is exposed for sale in a store window, no labor can be saved by not buying it. But if a million Canadians stop buying things which are not needed, the manufacturer will stop making them, and some at least of the labor and materials which he would have used can be devoted to war work. The man who formerly made automobiles and tires for pleasure purposes can easily learn to make trucks for use in the war; the people who formerly made expensive and fashionable clothes for civilians can make uniforms for soldiers; and those who formerly operated machines making unnecessary things can learn to make shells instead. No doubt many people will dislike changing their occupation, and some manufacturers and merchants will do less business during the war if the Canadian people economize. But when they consider the greater sacrifice which others are making at the front and what would happen to their business IF THE WAR SHOULD BE LOST

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THROUGH LACK OF MUNITIONS, such people will probably themselves be willing to make what sacrifice may be required of them during the war.

Small Savings Important.

The smallest saving helps. By saving only a slice or two of bread or a teaspoonful of sugar in each family every day, the people of Canada can do much to help in saving the Allies from hunger. If everybody in Canada saved FIVE CENTS A DAY, the total would amount to MORE THAN ONE HUNDRED AND FIFTY MILLION DOLLARS A YEAR. Few people are too poor to save, but those who are richer have a special duty to live economically. Everybody can help to MAKE SAVING FASHIONABLE. There is not a cent in Canada which cannot find some useful work at home or elsewhere. The necessity of saving is urgent.

EVERY CENT WE SAVE AND LEND TO THE GOVERNMENT HELPS TO PROVIDE LABOR AND MATERIAL FOR MAKING WAR SUPPLIES WHICH WILL SAVE THE LIVES OF CANADIAN SOLDIERS, ASSIST THE ALLIES, AND BRING VICTORY NEARER.

No Excuse for Extravagance.

Now that the Government has imposed a tax on many luxuries, even those who spend money extravagantly are forced to contribute something to the country in the form of a tax for war purposes. But it is better to LEND the Government a sum of money than to SPEND IT ON LUXURIES, for in the latter case the Government would derive in the form of taxes only a part of the amount it would otherwise receive. The Government might raise the extra amount it needs by taxes later, but THE GERMANS WILL NOT WAIT. The Government uses our money to buy labor and material. If we use up labor and material for ourselves by buying things which we do not need, and encourage our neighbors to go and do likewise, there will be less labor and material available for the army. The purchase of unnecessary articles is not patriotic, even if it does result in the collection of more taxes. The war requires ALL OUR RESOURCES NOW.

From what has been said it should be clear to every person who reads this that the lives of Canadian soldiers depend upon the economy of Canadians at home. Few and little to be envied are those who, knowing this, will be guilty of extravagance during

the coming year, and it is to be hoped that any such will be checked by the disapproval of the public. Rather will all loyal Canadians examine even more closely the ways in which they are accustomed to spend money, to see where greater savings can be made.

QUESTIONS.—What is the difference between a necessity and a luxury? Give examples of both. Would it pay to close the schools to save money? How can we save more food, clothing, coal, electricity? Is it possible to be too saving?

5. How the Government Borrows.

Deciding the Amount.

When the Government decides to borrow from the people in order to pay Canada's expenses, it has to decide how much to borrow. This will depend upon the amount that is needed and the amount which the people can afford to lend. The Minister of Finance, who knows what the war is costing, how much the people of Canada have in the banks, and what they have lent on previous occasions, makes an estimate of the amount to be asked; but, if more should be offered, he reserves the right to borrow it all.

What is a Victory Bond?

The Government borrows by selling bonds. A twenty-year Victory Bond for one hundred dollars, bearing interest at $5\frac{1}{2}$ per cent., is a PROMISE THAT THE DOMINION OF CANADA WILL PAY ITS OWNER \$100 TWENTY YEARS after the date of the bond, with \$5.50 INTEREST EACH YEAR in the meantime.

Three Kinds of Bonds.

There are three kinds of Victory Bonds. A bond payable to bearer must be kept in a safe place, because any person who may find or steal it might secure the principal and interest. When interest is due, the owner of such a bond clips off a coupon, presents it at any bank, and receives the interest. A second kind of bond has the principal registered at Ottawa while the bond is provided with interest coupons payable to "bearer." The principal in this case when due cannot be collected without the signature of the registered owner. A third kind of bond is "fully registered," and in this case the holder receives his interest every six months by cheque from Ottawa, which cheque can be cashed

at any bank; also both the principal and interest can be collected only by the registered owner. These three kinds of bonds may be had in denominations of \$50 and upwards.

How to Buy a Bond.

A large selling organization, under the direction of stock and bond brokers, and all banks, will sell Victory Bonds for the Government. When the purchaser of a bond gives his money to the bank for the Government in full payment of the amount of his application, he receives his fully paid Victory Bonds. Victory Bonds may be bought with paper money or coins, or the buyer may draw a cheque on his bank to pay for them. In the latter case, the money is simply transferred on the books of the bank from the account of the purchaser to that of the Government. It remains in the keeping of the bank until required for Government purchases. Then the proper Government official pays it out by drawing a cheque. Many of the manufacturers and merchants who receive cheques from the Government immediately deposit them into their own bank accounts. Thus a man may provide funds for the Government by simply drawing a cheque, and his money may be used to pay for war material without ever leaving the bank.

Why More Interest is Paid on Bonds Than on Savings Deposits.

As most people know, a person who deposits money in the Postal Savings Bank, or any savings branch of a chartered bank, receives only 3 per cent. interest on it. One reason why he receives only 3 per cent., while the purchaser of a Victory Bond receives 5½ per cent., is because the bank will pay the money out at any time, while the owner of a Victory Bond has lent his money to the Government for a term of years. There is always a ready market for Victory Bonds, so that those who have loaned their money to the Government and desire to withdraw it before their bonds mature, can obtain their funds by selling the bonds through a bank or bond dealer at small expense.

Advantages of Buying Victory Bonds.

A Victory Bond is the best investment in Canada.

1. A Safe Investment.

It is safe, because Canada is both willing and able to pay her debts. Every acre of land, every bushel of wheat, every stick

of timber, every factory, and every other form of property in Canada is part of the security and would be taxed to the limit before Canada would break her promise to pay.

2. Profitable.

A Victory Bond is profitable, because its owner will receive at least five and a half per cent. interest as long as he keeps the bond. After the war everybody will have to pay high taxes, but the Dominion will not tax these Victory Bonds or the income from them. There is also a chance that they may be sold at a premium if the war ends soon.

3. Maintain Canada's War Prosperity.

Victory Bonds maintain the present prosperity of Canada. If the people of Canada do not lend to their Government, the Government cannot buy war supplies; and if the Government stopped buying war supplies, there would be an end of war industries and high wages. There would be little work to be had.

4. Help to Win the War.

Finally, Victory Bonds provide the means of buying munitions which will save the lives of Canadian soldiers and bring victory nearer. An Allied victory will make this world a better place to live in. Any act, however small in itself, which will lead to that end, deserves praise. There is something noble in the act of saving even a five-cent piece for the war.

6. How Canada's Debt Will Be Paid.

The Debt Will be Paid by Canadians and Largely to Canadians.

What Canada borrows must be paid back. Everybody in Canada will have to pay taxes to help pay the debt. At first sight it may seem almost impossible for Canada to repay a sum equivalent to \$750 for the average family of five persons—and it may be more, because the war is not yet over—even though the taxes be arranged in such a way that the poor family will pay less, and the rich family more, than this sum. But those who have lent to the country have been, in great part, Canadians. Our war debt will therefore be paid by all Canadians to those Canadians who have lent to their country.

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It Will Really be Paid in Goods and Services.

When our national debt is paid, those who receive the money have the right to receive payment in gold if they choose. But there will not be enough gold in all Canada to pay so huge a debt. Nor do we need so much gold to pay it.

When people lend to the Government, it does not matter whether they pay gold, paper money, or cheques (so long as they have enough to meet the cheques). What the Government wants is the goods and services which can be obtained with the money, and it will take any kind of money which can be exchanged when necessary for goods and services. In the same way, when the debt is paid back after the war, very few people will desire to receive it in gold. They will want any kind of money which can be exchanged for the things they will need. In this way they will receive, not so many gold dollars, but so many gold dollars' worth of goods and services. CANADA WILL PAY HER WAR DEBT WITH HER WHEAT, IRON, WOOD, AND OTHER PRODUCTS, AND WITH THE LABOR OF HER PEOPLE.

QUESTION.—Why is it true to say that the debt will really be paid in goods and services when Canada has promised to pay in gold?

7. The Meaning of Money.

Although it is clear to most people that money is useful to them because it will buy things which they desire, and not because of its own qualities, yet this truth is sometimes overlooked in arguments on the subject. It therefore seems worth while to examine here the meaning of money. This will enable us better to judge of certain schemes which have been suggested for paying the expenses of the war.

Money the Medium of Exchange.

Money is something which we need because of the division of labor. If each person made for himself all the things which he used, he would not need money, because he would have nothing to buy. But a civilized man nowadays does not attempt to grow all his own food, make his own clothes, build his own house, be his own doctor and dentist, and attend to all his other wants in person. Instead of this, each person chooses some one thing to do, whether

it is farming or tailoring or carpentering or looking after a machine or teaching school, and he exchanges his services for money with which he can, in turn, get whatever he wants.

If There Were No Money.

If there were no such thing as money, it would be awkward for people to exchange their goods and services with each other directly. The shoemaker who wanted bread, for example, would have to carry a pair of shoes around with him until he found a baker who happened to want shoes and would give some bread in return for them. Since people need bread oftener than they need shoes, it is plain that the shoemaker might have great difficulty in finding somebody who would exchange with him. Many other examples might be given to show how hard it would be to exchange our goods with other people without using money. With money, of course, there is no difficulty. The hungry shoemaker now sells his shoes to anybody who can afford to pay for them, and receives money in exchange. Money is something that everybody desires, and in exchange for enough of it, our shoemaker can buy what he wants from anybody who will sell. Because money thus comes in between the goods and services which people give and the goods and services which they finally receive in return, it is called the MEDIUM of exchange.

Money the Standard of Value.

Money also serves as a standard of value. Without such a help in measuring value, it would be hard to calculate how many pairs of shoes should be given for a coat, or how many hours' work should be given for six dozen eggs. Now it is easy, because we have learned the habit of expressing the value of things in money first. We say, "This coat is worth twenty dollars. This pair of shoes is worth five dollars. Therefore one coat is worth four pairs of shoes." Just as we compare the lengths of two pieces of wood by measuring them in feet and inches, we compare the values of articles by measuring them in dollars and cents.

What a Dollar is Good For.

A dollar is useful to the man who has it because of its purchasing power. He has, one might say, a RIGHT TO ONE DOLLAR'S WORTH OF ANYTHING WHICH IS FOR SALE. There is something wonderful in this power which money gives us over other people. Carlyle said, "Whoso has sixpence is sovereign (to

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the length of sixpence) over all men; commands Cooks to feed him, Philosophers to teach him, Kings to mount guard over him, to the length of sixpence."

Three Things Which Can be Done with Money.

The person who has acquired by his work or otherwise such a right to the goods and services of others, may do one of three things with it:

He may use it himself—that is, buy one dollar's worth of something which he wants.

He may give it away.

He may lend it to somebody else. What happens in this case is that the borrower uses the dollar's worth of goods and services for the period of the loan.

What it Means to Lend Money to the Government.

When the Government asks us to lend money to the country, it is asking us to do without some of the things which we would otherwise use in order that they may be used for the benefit of the whole country. BY SAVING OUR MONEY, WE RENDER AVAILABLE A SUPPLY OF LABOR AND MATERIAL. BY LENDING THE MONEY WHICH WE HAVE SAVED, WE GIVE THE GOVERNMENT THE POWER TO USE THIS LABOR AND MATERIAL.

QUESTIONS.—What is meant when we call money the medium of exchange and the standard of value? When we lend money, what do we really lend? When our money is paid back, what is really given to us?

8. Paper and Gold.

"Whose image and superscription is this?"—you remember how a great lesson in government hung on the answer to that famous question. The subject of it was a Roman coin. In the modern world we have another kind of money the Romans did not know, but which can also teach us a lesson about government. That is paper money. Read the "superscription" on a dollar bill. It runs: THE DOMINION OF CANADA WILL PAY TO THE BEARER ON DEMAND ONE DOLLAR. Notice what that implies. The bill is not strictly a dollar, but a promise to pay a dollar. And that

is the nature of all paper money. It is a PROMISE TO PAY. It is credit money, something taken on trust. If you trust a person you are ready to accept his promise. Everyone in Canada knows that the promise of the Government to pay a dollar is as good as an actual dollar, and they are quite justified in their trust. In like manner the banks issue promises to pay in the form of bank notes, and these are now so well safeguarded that we take them also in full trust. The scrap of paper, which bears the name or warrant of our Government, is "as good as gold."

That brings us to the next point. Paper money is, in most countries and always in Canada, a promise to pay GOLD. A dollar is a definite weight of gold. Why gold? Is it because gold is more desirable in itself, more useful, than anything else? That is quite a mistaken notion. Gold is simply the most convenient and most generally adopted standard of value and medium of exchange. It possesses certain qualities which make it specially suitable AS MONEY. That is all. What men really need and really work for is not gold, but the goods and services which we habitually value in terms of dollars, that is, in terms of gold.

This explanation should help to keep us clear from two opposite errors which arise about money, especially in war-time. These are:

- (1) That the Government, because it promises to pay in gold its ever-growing debt, should make special efforts to obtain gold, sending as many men as possible to the mines;
- (2) That the Government, in order to pay for the war, should set about printing more paper money.

Consider the first of these plans. What would happen if the Government diverted workers from other forms of production to the production of gold? There would be more gold, of course, but there would be less of the things that gold represents, less munitions, fewer ships, less wheat and meat. There would be less of the very things we most need, and the extra gold could not buy them for us from other countries, save perhaps by diverting to us a small amount which otherwise would go directly to our Allies. Besides, when nations trade with one another, they exchange goods for goods, and gold is in general merely a means of balancing the accounts. In our present circumstances it would be sheer waste

to turn our energies from the production of essentials to the increased production of gold.

As for the second error, people would not fall into it if they always remembered that paper money is just a promise to pay. As long as people believe that this promise will be kept whenever they wish, they will accept paper money without any distrust; but if they have reason to believe that the promise will not be kept for a long time, or perhaps will never be kept, then they naturally will not have anything to do with the paper money. They must be assured that behind the promise there is always the power to pay.

This seems very plain, but yet some governments, anxious to find an easy way to pay their debts, have tried to do so by thus "making money." The result has been untold suffering and misery for their people. A famous example of this occurred at the time of the American War of Independence.

In order to raise money to pay the cost of this war, the Continental Congress, as the body was called which administered the affairs of the States, issued large amounts of paper money. In fact, during the nine years of the War of Independence, they issued about half a billion dollars of this "easy money" to buy war supplies and other things. The Government paid out Continental money, as it was called, in exchange for supplies, and the new money gradually became distributed among the people. Everybody had more money than before, but there were no more clothes, shoes, bread, guns, and other useful articles in the country than there had been before. In fact, there were less goods than before, less real wealth, because so much material was being used in the war. In these circumstances, money, and especially paper money, would not buy so much as formerly. The more paper dollars there were, the less one paper dollar would buy.

We have said that paper money consists of promises to pay. How did Congress keep those promises? If it had raised taxes for this purpose people might have felt confident that they could exchange their paper money for gold or other goods when they pleased. But instead of raising taxes when the first batch of paper money was all paid out, Congress merely printed more. The more Congress printed, the greater grew the distrust of the paper money. So things went from bad to worse. In 1776 a paper dollar was worth only half as much as in 1775, and by the end of 1780

THE VICTORY LOAN AND WHAT IT MEANS

THREE DOLLARS IN CONTINENTAL MONEY WERE WORTH ABOUT ONE CENT! To-day it is merely a curiosity and worthless as money.

Such are the results when a Government tries to pay its debts by merely printing paper money. The people of the United States remember this lesson so well that even to this day, when they wish to say that anything is utterly worthless, they sometimes say it is "not worth a Continental."

The conclusion is clear. It is not money which the war consumes but the things which money represents. It is these things we must save—and produce—to the utmost of our power, and it is these things we DO save when we save money. The Government asks us to save, as far as we are able, for purposes more necessary and supreme than our own satisfactions. Every Victory Bond we buy is so much saved for ourselves against the future and meanwhile lent to the Government in the hour when it most needs all that we can give.

QUESTIONS.—For what purposes is gold now used besides its use as money? Why would not wheat do for money? Wherein is paper money more convenient than gold? What reasons have Canadians for believing that the paper money they use is good? Will there be fewer notes and coins in Canada after the people have lent the Government all it asks for?

[The facts in the following Appendix are taken from a circular issued by the Dominion Victory Loan 1918 Publicity Committee.]

APPENDIX

HOW OUR LAST VICTORY LOAN WAS SPENT

Last year Canada provided, through Public and Bank Loans, \$650,000,000 for War purposes—\$150,000,000 in the March War Loan, \$400,000,000 in the November Victory Loan, and \$100,000,000 from the Banks.

The total Loans provided in Canada for War purposes to date aggregate \$950,000,000.

What Became of It All?

In addition to providing for our own War expenditures in Canada we loaned \$732,816,397 to the British Government on the following conditions:—

1. That it all be spent in Canada to buy food, shells, explosives, aeroplanes, and other war necessities.
2. That the British Government lend us in France and England the \$534,450,826 which we need there to feed, clothe, munition and pay our Canadian Army.

In addition to the above, it was necessary to arrange that the United States supplement Canada's effort by loaning the British Government certain sums of money required to complete the purchase of wheat and other foods, and war materials in Canada.

As a result of the above arrangements the British Government bought in Canada during the year ending March 31st last, the following:—

THE VICTORY LOAN AND WHAT IT MEANS

FOOD STUFFS

	VALUE
Wheat	\$303,776,038
Flour	62,875,839
Bacon	57,786,615
Cheese	36,277,359
Oats	22,218,299
Barley	6,821,540
Beef	5,186,882
Canned Salmon	4,686,894
Sugar	3,185,853
Canned Vegetables	3,041,967
Ham and Pork	3,073,904
Butter and Eggs	3,359,581
Cream and Condensed Milk	1,129,225
Lobsters	1,085,754
Oatmeal	1,229,607
Fish, Cereals, etc., etc.....	4,680,475
	<hr/>
	\$520,415,832

WAR MATERIALS

	VALUE
Shells	\$235,448,415
Explosives	25,677,440
Aluminum	7,502,963
Wire	3,013,727
Spruce, etc.	1,841,295
Nickel	1,450,078
Ferro Silicon	1,404,088
Ships	1,220,000
Boots and Shoes	1,093,853
Copper	1,015,619
Clothing	2,164,181
Miscellaneous Supplies	43,232,578
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	\$325,064,237

Total Canadian Exports to Britain \$845,480,069

This business has been made possible by our successful War Loans.

There was no other way to provide the money, and our financial responsibilities in the War are steadily increasing.

THE VICTORY LOAN AND WHAT IT MEANS

It is, therefore, imperative that we make a success of our 1918 Victory Loan in order that:—

1. The British people and our armies may continue to be fed and supplied with munitions, aeroplanes, clothing, boots, and all other War necessities.
2. That our Canadian FARMERS and MANUFACTURERS may continue to have a good market for their products and that there shall continue to be abundant employment at good wages for all our work people.

We are well able to oversubscribe the 1918 Victory Loan.

The War Has Made the Canadian People Rich

Our farm production last year is estimated at \$1,621,028,000, an increase of about \$400,000,000 over the previous year.

Our total Bank deposits on March 31st, 1918, aggregated \$1,787,263,100, as against \$1,152,214,191 on the 31st March, 1915.

Our favorable balance of trade during the past three years aggregates \$1,117,344,285, being in excess of Canada's total War expenditure to date.

Our industrial Companies are in stronger financial position than at any previous date in our history.

Our workers are receiving higher wages than ever before.

Each of our War Loans has been more successful than the preceding one, and the bonds of the 1917 Victory Loan are now selling above the issue price, a condition that exists in no other belligerent country.

The Canadian people have the wealth and the will to make the Victory Loan of 1918 the crowning success of Canada's War Programme.

The Victory Loan and What It Means

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