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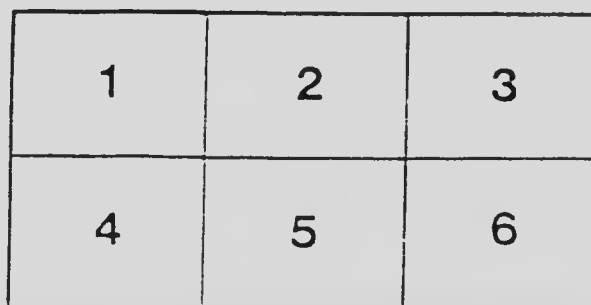
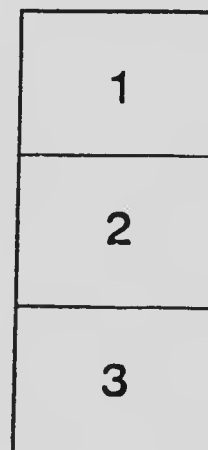
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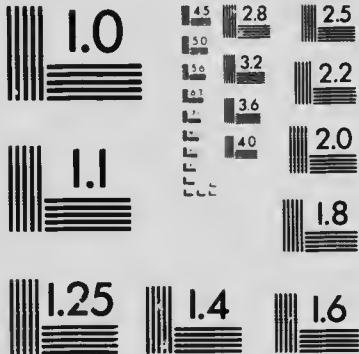
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WITH COMPLIMENTS OF
W. T. WHITE, M. P.

**Canadian Trade *and*
Finance During
the War**

Address by the
Hon. W. T. WHITE

Before the
Canadian Club of Montreal
November 2nd, 1915

*Address delivered by Hon. W. T. WHITE, before The
Canadian Club, on Tuesday, November, 2nd,
1915, at the Windsor Hotel.*

CANADIAN TRADE AND FINANCE DURING THE WAR.

MR. PRESIDENT, GENTLEMEN OF THE CANADIAN CLUB OF
MONTREAL:—

I esteem it a very great honor to be present at your opening luncheon. The Prime Minister would have been glad to accept the invitation which was extended to him, but it seemed at the time that his engagements would not permit. I desire to assure you that men in public life appreciate very highly the Canadian Club as a means or agency not only for informing, but for forming and testing public opinion throughout Canada. Personally I cannot conceive of a more representative audience than I have before me to-day.

By the choice of your Committee, I am to speak on the subject of Canadian Trade and Commerce during the War. It is a formidable subject. If I attempted to deal with it exhaustively I feel sure that more than the subject would be exhausted before I concluded, so I shall deal only with certain of its outstanding and salient aspects. Adopting a figure of speech, I shall keep to the plains and the mountains and the rivers, and shall not descend into the valleys and glens, nor explore the rivulets and creeks.

Now, there are certain aspects of the economic condition of Canada at the date of the outbreak of the war to which I desire at the outset to direct specially your attention, because they are basic and fundamental to what I have to say upon this subject. You will remember that about a year ago, when I had the honor to address you, I referred to the fact that Canada had been a borrowing country. I told you that, for the six months preceding the outbreak of the war, Canada, and by Canada I do not mean the Dominion Government, but Canada as a whole, had been borrowing at the rate of about one million dollars per day. Canada borrowed in international markets about two hundred million dollars for the six months immediately preceding August of last year. Prior to that Canada had been borrowing at the rate of two or three hundred million dollars per year, principally in the London market. The proceeds of those loans

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had gone into the construction of railway and other enterprises throughout Canada, and had furnished the money for the capital expenditures of Governments, Dominion, Provincial and Municipal. I said then, as I say now, that there is nothing objectionable in borrowing, provided the borrowing is for productive purposes. If a manufacturer borrows a large sum of money and establishes with it a plant which will earn him not only interest on the money but a margin, he has gained by his borrowing and, therefore, in so far as the borrowing to which I have referred was productive in character, in so far as it added to the productivity of the Dominion, to that extent it was not detrimental, but fruitful, and in the interest of the Dominion.

There is another matter to which I next desire to draw your attention, and that is the so-called adverse balance of trade which Canada had experienced for some years prior to the outbreak of the war. For the fiscal year of 1913, Canada's so-called adverse balance of trade was about three hundred million dollars. For the fiscal year of 1914, it was one hundred and eighty million dollars, and for the six months ended September 30, 1914, that is to say, at the end of the month immediately following the outbreak of the war, the adverse trade balance of Canada was forty-five million dollars. Now, there is another matter usually overlooked in considering the question of Canada's external indebtedness, and that is an invisible but a very important factor—the interest which Canada as a nation owes, and is obliged to pay annually upon her past indebtedness. That annual interest has been computed at from one hundred and twenty-five to one hundred and forty million dollars per annum; so that you will bear in mind that in addition to the trade balance—the adverse trade balance to which I have referred—there was an invisible balance against Canada to the amount of, say, one hundred and forty million dollars. Then, at the time of the outbreak of the war, there were many short-date obligations maturing in London—obligations of Governments, Dominion, Provincial and Municipal, and of railway and other corporations. You may remember that from 1913 onward, because this war was casting its shadow before, interest rates had stiffened, and it was difficult to issue permanent loans. The result was a great deal of short-date borrowing, and Canada at the outbreak of the war found herself in the position of having many short-date obligations maturing in London for which those who originally issued them had intended to provide by funding operations.

That in a general way, Mr. President, was the position of Canada on the occasion of the outbreak of the war. Now, you will gather from the statement which I have made that there was a very heavy trade balance against Canada, greatly increased by this invisible factor of interest, and that Canada was confronted also with large obligations maturing abroad.

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If the war had not broken out, the situation would have been taken care of by the issue of further loans. I told you before that the way we met our borrowings in London in the past was by fresh borrowing, that is to say, when a note came due we renewed the note. Of course it did not quite take that form, because for the purpose of dealing with the matter of international balances you take into consideration fresh borrowing for all purposes, but, generally speaking, the way Canada took care of her heavy adverse balances during the past few years was by issuing loans, or put it in a way better understood, by the selling of securities. If we sell commodities to the amount of our imports there is no adverse balance of trade against us, but if our exports fall very short, as I have shown they did, of our imports, then the way to offset the adverse trade balance is to effect loans. Take, for instance, the Anglo-French loan recently floated in New York. The object of that loan was to redress to a certain extent the adverse balance of trade existing against Great Britain and Europe. Great Britain and Europe could not hope to sell commodities to the United States to the extent necessary to redress the balance of trade, therefore, the next best thing was to sell securities. When the war broke out Canada's borrowings in London, upon which she would ordinarily have relied to redress the adverse trade balance and take care of the obligations to which I have referred, were automatically cut off. The British Government promptly took possession of the London market. Permission was given to issue some Treasury bills and effect some renewals, but, generally speaking, Canada was deprived of her financial mainstay. Therefore, we had to meet the situation which I have described in other ways. Now, I am sure it is a subject-matter of congratulation to you all, as Canadians, that the situation has been met, and that after one year of war Canada's economic condition, her financial and commercial condition, is better than it was at the outbreak of the war. How has that been accomplished? There were many agencies at work. I shall touch on a few only. In the first place, the public, understanding the necessity, commenced to economize. When you economize, you do two things, you consume less yourself and you have more to sell to others. Our imports began to diminish, and our exports to increase, as a result of economy continued throughout the year by the Canadian people. Then the instinct of the Canadian people was also sound in this, that they realized that the way to meet the situation was by increased production. You will remember last year gave you a slogan here, which I repeat now; it was "Production, production and again production." By the way, the Press passed it on to the west that I had given as a slogan, "Production, protection and again protection." What I said was "Production, production and again production," and I asked the

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people of Canada to sow, plant and raise everything they could in order that we might greatly increase our exports. The people did it, and this year Canada has the greatest crop, by far, in all her history. I believe it is a conservative estimate to say that Canada's agricultural production this year is at least two hundred million dollars more valuable than it was the year before. That is real wealth, not book values, real wealth taken from the soil, which is the source of all wealth.

I have stated that by economy on the part of the people our exports have increased and our imports diminished. We have greatly added to our exports by increased production, and this is still going on most satisfactorily. In addition to that we have received from the Imperial and other allied Governments large orders in Canada for supplies of all kinds, and for shells and other munitions of war. You saw a statement the other day given out by Mr. Thomas, in which he said that orders to the amount of some five hundred million dollars were being placed in Canada for munitions. We have recently been paying out over twenty million dollars a month for munitions, that is at the rate of two hundred and fifty million dollars per year, and according to the statement this is to be increased. All that production will enter into the figures of our exports for the coming year, so now you will see what has happened and is happening, in connection with the trade situation. The annual adverse trade balance to which I have referred has not only been wiped out, but at the present time the trade balance is favorable to Canada. Remember my statement, that for the six months ended September 30, 1914, the adverse trade balance was forty-five million dollars. I informed myself as to the figures before leaving Ottawa, for the six months of the present year, ended on September 30, 1915, and instead of an unfavorable balance of forty-five million dollars as in 1914, there was a favorable trade balance of sixty-four millions for the six months ended September 30, 1915, or one hundred million dollars to the good in one year.

Now, while that process went on, and has been going on most satisfactorily, so far as that aspect of our trade is concerned, the process was not rapid enough to have prevented the necessity for gold exports to pay the adverse balance existing against us from time to time during the first year of the war, and to pay this invisible balance to which I referred of interest owing by the Dominion of Canada upon its past indebtedness. The question then arises, how was it that Canada was not obliged to export gold. With the adverse balance which existed, and with this one hundred and forty million dollars which had to be paid for past indebtedness, how is it that Canada did not lose her gold, because as a matter of fact Canada has not lost her gold, but has increased her gold. That is a very gratifying statement to those

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who realize the significance of the matter of gold conservation. There were several ways by which gold exports were avoided. In the first place we redressed the balance of trade to the extent that we borrowed outside of the Dominion of Canada. I pointed out to you that you can redress the balance of trade by increasing your exports, or if you cannot do that, by selling your securities abroad. You remember that there was very considerable Canadian borrowing during the early part, and in fact during the whole of the first year of the war, in the United States. Municipalities, provinces and some corporations were able to sell their securities in the United States to a very large aggregate amount. To the extent that those securities were sold outside of Canada, to that extent the adverse trade balance was redressed. The Dominion Government was a heavy borrower that year. I saw that with regard to these factors I have mentioned, if gold exports from Canada were to be avoided, the Dominion should borrow as much money as it could outside of the Dominion of Canada. That was, I believe, an absolutely sound policy. We had not only the situation which I have described to meet, the question of the redressing of Canada's adverse trade balance, but we also had to make provision to meet the duty which devolved upon us as a member of the Empire to provide the war expenditure that would enable Canada to do her duty in the mighty conflict confronting the Empire. From the beginning there was no question that Canada would do her very utmost. No question arose as to the cost, it was no time to count the cost in dollars and cents when the ideals for which the British Empire has stood, and always will stand, were at stake, and the Government and people of Canada were one in this, that to the extent of our power Canada should put forth her best efforts, she should raise, equip and send forward her sons to do their part with the other parts of the Empire in this great struggle for the freedom of the world. Therefore, the Dominion Government borrowed large sums of money outside of Canada. It was perfectly clear that if the Dominion Government had attempted to borrow within Canada the money required for raising and maintaining and sending forward our troops, and had refrained from borrowing outside, two things would have happened. In the first place gold exports could not have been avoided, as they were; and in the second place, the army which Canada would have sent forward would have been much smaller than has been the case. Therefore, the policy was perfectly clear that the Dominion Government should borrow, in the circumstances, outside of Canada, as much money as was needed for its purposes, in order that to that extent it might redress the trade balance, and meet, nationally speaking, the obligations to which I have referred, and fund the expenditure for the sending forward of Canada's army, and since the war broke out, the

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Dominion of Canada has borrowed no less a total than one hundred and ninety-eight million dollars in Great Britain and the United States. And what has been the effect of this policy? Gold exports have been avoided; our gold supplies have been conserved, because by selling securities outside we have helped to redress the trade balance and furnish the money which was necessary to take care of these maturing interest obligations. I am speaking now from the standpoint of exchange. I do not mean that the money was appropriated to the payment of any specific interest or obligation. It will probably surprise you to learn that out of over one hundred and fifteen million dollars borrowed up to September last from the Imperial Treasury for the purpose of carrying on this war, approximately one hundred million dollars of the amount has been spent here in Canada. Speaking from the standpoint of exchange, if we borrowed the money outside of Canada it would have little effect upon the exchange situation to which I have referred. As a result of the borrowings I have mentioned, and the fact that so large a portion was spent in Canada, the trade balance has been redressed, gold exports have been avoided, and I may tell you that to-day the Dominion Government and the banks of Canada have gold reserves exceeding by over twenty-five million dollars the gold reserves which Canada had at the outset of the war.

At the outbreak of the war Canada undertook to raise, equip and send forward twenty thousand men, but the men came, inspired by the loftiest patriotism, from all parts of the Dominion, to Valcartier, and when the troop ships sailed there were no less than 33,000 Canadians on board.

We have been a non-military nation, utterly unprepared for war, and at the time it seemed to me that Canada was making a considerable effort in sending thirty-three thousand men to the front, and doing it so expeditiously. We had no adequate conception of our own strength, or of the desperate character of the struggle in which the world was engaged, but when the 33,000 men grew to 50,000, and the 50,000 to 100,000, and the 100,000 to 150,000 men, and now to 170,000 men under arms, and the call has gone out for 250,000 men, we begin to realize the power of Canada, and the magnitude of the struggle in which we are participating as belligerents.

I repeat that Canada has never counted the cost, and will never count the cost of sending forth men, and if I refer to the cost it is only for the purpose of bringing before you the financial situation, and the measures necessary to meet it, with respect to which I have an announcement to make to-day. I have always thought that I would much rather make announcements to Canadian Clubs than to Parliament, because there is no opposition in the Canadian Clubs. It would be an ideal way for Ministers to present their measures. It would be an ideal way

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from the standpoint of the Government. Whether it would be ideal from the public standpoint is another matter.

It costs Canada, because we are a democracy, and we are tender, and rightly tender, towards our soldiers, a great deal more per man than it does the European nations, to place the flower of the youth of this country in the battle line, and so it should. I never see them drilling, parading, marching, without feeling that there is a "Canadianism" in their faces, a quality of high intelligence and patriotism, that is most inspiring. I do not believe that this world can show a finer body of men, men of finer mental and moral quality than those men who are going forward to do their duty in the cause of Canada and the Empire.

You can estimate one thousand dollars per man to raise, drill, equip and maintain—a thousand dollars per man per annum for Canadian citizen soldiers. The expenditure, therefore, which Canada had to face for sending forward 33,000 men is \$33,000,000 per annum; for sending forward 50,000 men, \$50,000,000 per annum; for sending forward 100,000 men, \$100,000,000 per annum; for sending forward 150,000 men, \$150,000,000 per annum; and now with the call that has gone forth, we may look forward to an expenditure of from \$200,000,000 to \$250,000,000 per annum for the 250,000 soldiers who will be under arms. As I stated to you, on account of the adverse balance of trade and the obligations of Canada maturing abroad, and the invisible balance I have referred to of interest payments, it was indispensably necessary that Canada should borrow not only for her capital expenditure, but for her war expenditure, outside of Canada, until the situation should have changed. I informed you that the situation had changed, and instead of Canada having an adverse trade balance, she now has a favorable one. The time has now come when Canadians—and I know the people will nobly respond to the call—when Canadians, in addition to sending forward the men, should endeavor to provide the Government with a portion of the money represented by our war expenditure. We should do that from a spirit of national pride, that Canada can not only send men, but can raise money as well; we not only have the men, but we have the money and the wealth and the resources behind us. Then, there is a further question, a business question. The exchange situation has radically and profoundly changed since last year. Last year the exchanges were all in favor of Great Britain, and if you were paying money in London, you had to pay a heavy premium. That is now changed, and if you want to bring money out of London, you get only about \$4.60 for what is the equivalent of \$4.86 and two-thirds, or a difference of 5%. Supposing I have balances in London. The question is, how am I going to get them out to Canada, because our war expenditures are principally in Canada. Only by paying as high as 5%, and exchange has gone up more than

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5% during the past year. That is to say, for five million dollars I would have to pay \$250,000 to bring the money out here. Therefore, it is desirable that Canadians should bear a part, not by any means the whole, but a part of our war expenditures in Canada, and therefore I announced a short time ago that the Dominion Government would bring on a Canadian patriotic domestic war loan, to which the people of Canada would be asked to contribute. In other words, I have borrowed outside to date, until the situation is completely restored, and then I ask the people of Canada to help by subscribing to a Canadian national war loan. It is my intention, therefore, and this is the important announcement that I desire to make to-day, to bring on a Canadian domestic war loan about the end of the present month. Its terms will be reasonably attractive, and I have in mind at present the principle of instalment payments, and I ask the business institutions of Canada, and the people of Canada, to prepare themselves to do their share in participating in this loan, when it is officially announced. I mean officially announced as to terms and as to price, and let me say this: the amount, price and terms of the loan will, necessarily and properly, not be made public until the prospectus is published. Any statement as to the amount of the loan, as to the terms of payment, or as to the price, unless officially announced by the Dominion Government, is premature, unauthorized and wholly conjectured. I may say that His Royal Highness the Governor General, who has always taken a deep interest in Canada's finance—as indeed in all our affairs—has most graciously expressed his desire to subscribe to this loan, and his name—the name of His Royal Highness the Governor General—will head the list.

Now, Mr. President, the economic outlook for Canada is excellent. No question arises in my mind as to the improvement in general business throughout Canada, with the crops we have, and the manufacturing activity everywhere manifest. The financing of the war will devolve upon the Government, and therefore, for the reasons that I have given, I propose to ask the Canadian people to assist us to some extent, and as I stated, I know they will nobly respond. This war may last a considerable time. I do not think my opinion on that point is more valuable than yours, and therefore I shall hazard no guess; but I think it well on general principles to be prepared for a prolonged struggle, and if it should terminate in a shorter period, we will be agreeably surprised. If we calculate that the struggle may be long, then we shall take well in advance those measures which are necessary in order that we may continue to do our part, as the great struggle continues and develops. For the people of Canada I say the duty is still—because modern war is made not only with men and with munitions, but also with money and resources—the policy for Canadians, the war policy

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and the economic policy, is for all those who cannot go to the front to put forth their best efforts to increase the production and wealth of the country; because this war, in my opinion, is going to be won by superior resources, and the superior resources are unquestionably on the side of the allies. Apart from the question of financing the huge sums which we must find to do our part in this war—apart from that, Canada, if she increases her production proportionately to what she has done this year, will be able easily to sustain the burden of the war. If she can finance, and she can, then the question which arises is that of paying the rapidly increasing interest on an expanding public debt, but when you set off against the interest payments an increased production of one, two or three hundred million dollars per year, the economic position becomes clear. If on the one hand you produce, say, three hundred million dollars of new wealth, and on the other hand you pay out fifteen million dollars in interest, I do not need to tell you, as business men, of the advantage, and how the country is going to get on. You will get on well, because you are increasing your production to such an extent; so that for those who do not go to the front, I would say, give to all the causes, the Patriotic Fund, the Red Cross, all the others, continually give, patriotically and generously, and on an increasing scale, because our army is increasing, and above all, work, produce more, in order that the country may continue to grow stronger for whatever lies before it. I believe the people of Canada will do that, and therefore, that we shall continue to do our share, and more than our share—this is no time to consider shares; we must put forth the maximum effort.

Just a few words about the war itself. I did not believe when the war broke out that it would be a short war, although, as I said, I do not think anybody's opinion on that point is of very much value. The factors entering into the problem are too numerous for any human mind to grasp, and make an inference that would be sound, or hazard a guess that would be likely to be realized. I believe it will be a fairly long war, because under conditions of modern warfare it is not possible to bring off those decisive engagements which used to decide the fate of an army or an empire. Here we have war on an unprecedented scale. Twenty-five million men or more under arms in Europe, in lines extending from the North Sea to Switzerland; from the Baltic Sea down beyond the Carpathians, locked in a death grapple. I believe that the war will be determined by a wearing-down process, by the process of attrition, and that the belligerents having the greatest resources in men, in munitions and in wealth will win. The Allies are superior in resources to the enemy, and I believe that in time, by a slow and remorseless process of attrition, that they will gradually wear them down. We see it now only from one side. From the very beginning Germany has

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seemed to me to be like a great fortress from which she makes sallies, but she is and has been under siege from the beginning, is really on the defensive, and will be until the end; and if we keep on, as we shall keep on, there is only one end in view. Germany must collapse.

Britain's part in the war has been a great and noble and, to me, a most wonderful part. I doubt if it is realized what a part Great Britain played in this war, and how she has upheld all her ancient traditions, those traditions under which she became the world's champion against tyranny in Europe. Great Britain has stood forth again in the part of saving the world, because the British fleet since the outbreak of this war has verily saved the world. We take it all as a matter of course. The seven seas are clear of enemy ships of the second naval power in the world, the second naval power with her ships blockaded in the Kiel Canal, unable to venture out; twenty-five enemy cruisers intended to destroy British commerce at the outset of the war, and not one of which has not been sunk or interned.

Let us not overlook our Allies. The battle of Marne was the greatest battle ever fought in the history of the world, under one of the greatest commanders that history has ever known, General Joffre; nor do I know of greater qualities of mind, of military skill, of profound strategy, than those displayed by the Commander-in-Chief of the allied forces, the great forces of France, the small but wonderfully valiant and powerful army of England, when he ordered his forces to retreat and to continue to retreat to the confines of Paris, and then taking his stand with a fresh army on his left and on his centre, said: "This is the time to take the offensive, and every Frenchman must advance or die where he stands," and the French and the English did advance, under their great chief, and in the four days' fight that followed they defeated the Germans, and Germany has been on the defensive ever since. Mr. Chairman, I say that Great Britain's exploits in this war have been in accordance with the highest traditions of her great and glorious history; in clearing the seas the British navy has again saved the world, and as to the army which she has organized, and the Dominions of the Empire have organized, I say that instead of being critical, to me it is a most marvellous thing that Britain has been able to organize and equip an army of three million men. You cannot expect men to perform miracles, to improvise armies, and yet it seems to me that is precisely what has been done. The British authorities have raised a great army, a splendid fighting organization. They have really wrought a miracle. Remember Great Britain never expected to put an army of more than 200,000 men into Europe. Their plants, their arsenals were all equipped on that scale, and here, in one year, they have been able to raise and equip an

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army of three million men. To me it is a most wonderful performance.

Now, I am frankly an optimist with regard to this war. My heart is saddened by the carnage, but I never allow myself to doubt the result. It is not an empty optimism, but an optimism founded, to me, upon the plainest consideration of reason and of fact. This war, as I have said, will be won by attrition, and it will, therefore, be won by the belligerent having the greatest resources. We have the greatest resources, and we have the will to persist. I have a profound belief, an invincible confidence, an almost religious faith in the high destiny of the British Empire, and in addition to the material considerations which would be a basis for the faith that is in me—the immense resources of the allies, the far-reaching power of Great Britain, speaking from the standpoint of material strength—there is another and a higher reason why I believe that we shall emerge from this conflict victorious. It is this: that the British Empire, to say nothing of the other nations, and I should like to say much for them, stands for certain ideals with which I do not believe this world is ready to part, and therefore the moral forces of the universe are fighting on the side of the allies. Some people may say, but how long can they hold out? The answer is that they can hold out a great deal longer than the enemy.

Mr. President, the way may be long, it may be arduous, but there can be only one ending to this war, and I think that the statesmen of the allied powers, the statesmen of Russia and of France and of Italy and Japan, the statesmen of England and the statesmen of the Dominions as participants in this war, will see to it that the conflict is not a draw. This war, Mr. President, must be fought to a finish. If not it will be renewed again at intervals over this century. Diplomacy will not lose what has been won by the sword, and the allies will not hold their hands nor conclude any peace that does not involve the utter destruction of the Prussian oligarchy, and the militarism which is its expression.

