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# Financial Aspects of the War.

## What the War Means to Canada.

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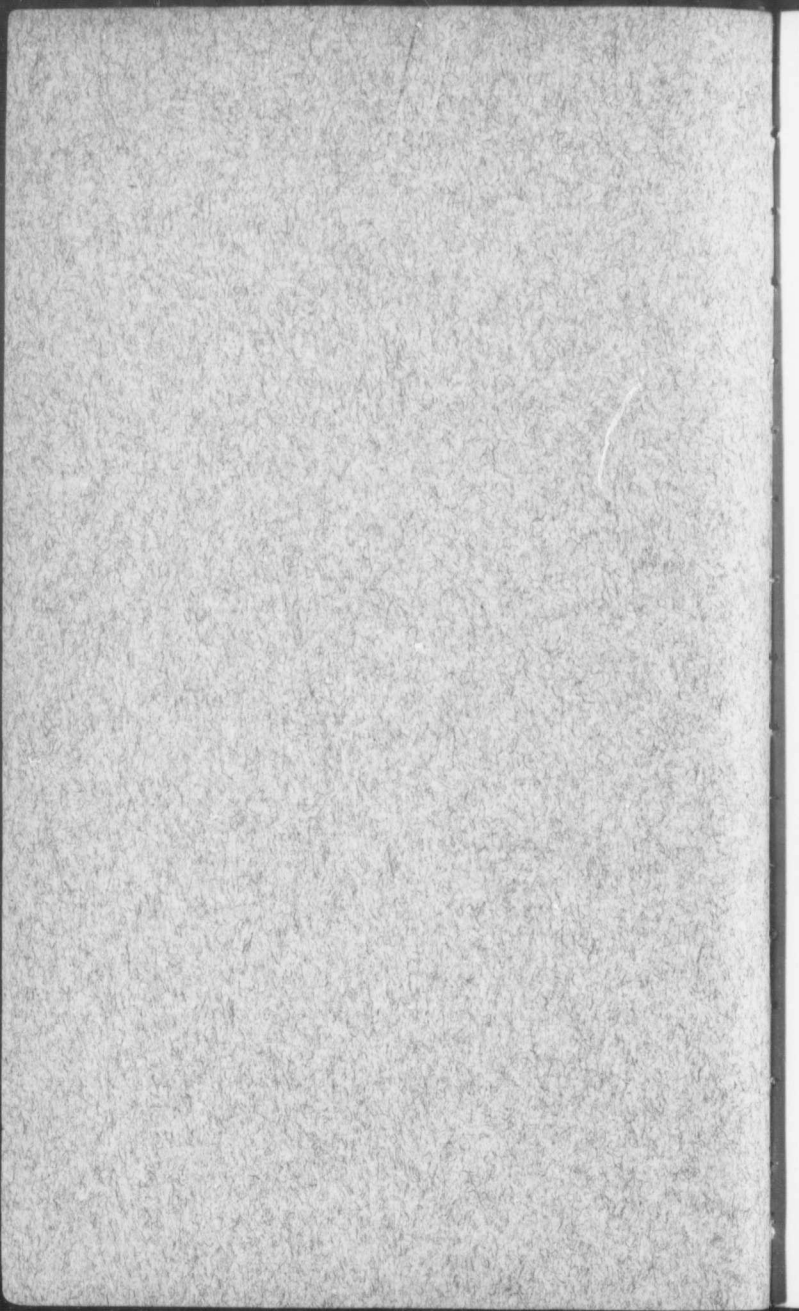
*(Reprint of Articles)*

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BY

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# Financial Aspects of the War

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THE title is vague enough to permit me to say almost anything about the war, past, present and future, provided I can somehow say it in terms of money, but the habit of expressing what we do in terms of dollars is so apt to obscure the real meaning of things, that while I shall be obliged to explain much by reference to dollars, I shall try also to explain by reference to the real facts of life. At the end of Canada's fiscal year, March 31st, 1913, the climax of a period of great expansion, we found that we had imported goods to the value of 300 million dollars more than we had exported, and owed more than 125 millions besides for interest on securities held abroad. We were thus 425 millions on the wrong side internationally, and we had to sell, mostly in Great Britain, 400 millions of new securities to help to square the account. The natural contraction which followed improved the figures, so that by March, 1914, the excess of imports was only 180 millions, but as our interest bill of course increased, this left us still about 320 millions on the wrong side.

A few months later we had to face the outbreak of war, and the financial prospect for Canada was particularly bad. How could we hope to correct such an unfavorable situation, and as our deficit must be met by a sale of securities abroad, how were we to keep Canada's credit in good shape, since England could not and would not now buy a dollar's worth for any new purpose? The last loan placed in London by the Dominion Government—one of 25 million dollars—was in March, 1915, but this was not supposed to be for war purposes.

#### MADE WITHOUT STRAIN.

Steps were taken, as we all know, to prevent the hoarding of gold, and to avoid financial disturbance, but most of these precautions seemed later not to have been necessary, although, doubtless, they produced the desired result by their very existence. Building operations, or the fixing of capital in any other form of national or private betterments, practically stopped, a widespread feeling of the necessity for economy prevailed,

and by March, 1915, we had reduced the excess of imports to 36 millions. Even then, with interest by this time probably amounting to 150 millions, we were about 185 millions on the wrong side. As the European market for our securities disappeared, a market was rapidly created in the United States and the passage from the period of an excess of imports to that of an excess of exports was thus made without the strain we had expected.

When the war began it seemed clear that Canada would be obliged to borrow her share of the cost of the war, and, great as was the burden borne by Great Britain, she agreed to lend us, I believe, although I do not speak with authority, \$5,000,000 a month. As most of our expenditure at that time was made at home, this was a material help to our finances.

#### FIRST LOAN IN NEW YORK

In July, 1915, mainly because of capital expenditures which could not be arrested, Canada made her first loan in New York, borrowing 25 millions for one year and 20 millions for two years.

By the end of 1915 we began to feel the good effects of the stoppage of public and private building, and the exercise of public and private economy, and of the export of all kinds of munitions, such as foodstuffs, clothing, saddlery, shells, rifles, etc. It became evident that we could and should pay our own war charges without aid from Great Britain, and as the business of making shells and kindred munitions began to expand and take shape it also became evident that we must so finance the payment for such munitions, as to enable Great Britain to pay to some extent in treasury bills instead of in cash.

In November, 1915, the finance minister offered to the Canadian public an issue of 50 millions. This was the first issue ever offered in Canada, as the 45 millions was the first ever offered in New York. It was also the largest loan ever offered by Canada in its history. New York is a great money centre; Canada is not a money centre in any important sense. Would the public take it? Could they take it? The response, as you know, came in subscriptions of over 100 millions, the most amazing thing in the history of Canadian finance. The government concluded to accept the 100 millions and to set aside 50 millions as a credit in connection with the munitions being made in Canada for Great Britain.

In March, 1916, the finance minister brought out his second loan in New York, this time one of 75 millions, repayable in

5, 10 and 15 years. Of this, 25 millions practically replaced a similar amount borrowed in 1915 for one year.

#### EXPORTS EXCEEDED IMPORTS.

When the Dominion fiscal year closed, 31st March, 1916, we were delighted to find that, leaving out gold and bullion, our exports exceeded our imports by 249 millions, so that, from the international point of view, we were well able to pay our foreign interest, and a large part of our war charges. For the six months of the present fiscal year for which returns are available, the excess of exports without gold and bullion is over 140 millions.

Following the action of the government in setting aside 50 millions for a credit in connection with munitions for the imperial government, the banks were called on to consider to what extent they could aid by buying imperial treasury obligations. This they have done to the amount of 100 millions and they have undertaken to purchase 50 millions\* more early in 1917.

In September the minister of finance brought out his second war loan in Canada, and this time he confidently asked for 100 millions. The loan was underwritten by the banks to the extent of 50 millions, but as we know, the subscriptions amounted to over 200 millions, and not only did the banks obtain nothing on their underwriting, but the subscribers received only from about 35 to 50 per cent. of their subscriptions, except in the case of small amounts.

This brings up to date the wonderful story of our national finance since the collapse of trade expansion in 1913.

#### HOW MUCH MORE?

We have done better than we could have imagined in our wildest dreams, but how much more can we do, and when the war is over can we pay the debts which have been incurred? This is where we should abandon the use of the dollar mark and try to get at the real facts of life. Our problem at the moment is to supply, not only men for fighting purposes, but also men and women to work our fields, mines, forests, factories, etc., so that we may clothe and feed our soldiers, do the same for all at home, build enough to keep the national

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\* Since this article was written the banks have agreed to take still 50 millions more, making 100 millions thus far for 1917.

plant efficient, and produce munitions of war of every conceivable kind, covering many thousands of different articles from wheat to shells.

We have done this successfully for an army of over 300,000 men, and we need not doubt our ability to go on to the end. Continued success in our share of the war does not now depend so much upon national finance, as upon the supply of men and upon the economy of the individual. We must supply many more men and we must not lessen our production of all classes of munitions. We cannot do this without harder work and longer hours for those who remain in Canada, and clearly not without the employment of women in the place of men to a very much greater extent than we have thought of thus far. Only thus can more men be freed to go to the front, whether they go willingly or by conscription, and only through economy such as we have not begun to exercise can the task be successfully accomplished. If a wage-earner restrains his desire, or even his apparent need, to spend, and thereby saves \$100, and if he invests it in our war loans, he has put just \$100 more of fighting power into the British army, which will absolutely not be available if he does not save the amount. Even if he only deposits his savings in a bank he will aid the cause almost as effectively. This saving of \$100 by a workman may seem a trifling matter, but let me say that in the aggregate it becomes one of the most important aspects of the war, and if the thrift campaign about to be inaugurated meets the measure of success that it deserves, much of our anxiety about the future financing of the war will disappear.

#### TO HELP WIN THE WAR.

Our problem then is to keep enough men in the firing line, to take care of them, to make all the munitions for the Allies that we can, and to pay the interest on our foreign indebtedness, so that Canada shall bear her part in the war as nearly as possible out of her own resources. If we can do more than this every dollar we can invest in the British treasury obligations issued in payment for the munitions we have supplied, is in effect so much of an offset to our own war indebtedness. So if any man, rich or poor, withstands his desire to spend his money on something he can do without, whether he puts his savings into a war bond or into a bank, he has by that act helped to win the war. Carried out to its full extent this would, of course, reduce us to the condition of those living in the war zone, but each man must decide just what economy

means in his case, and what he may safely do, having regard to those dependent on him, should not be very hard to determine.

When the soldiers come home and the orders for munitions stop, what then? Frankly, I do not know, nor do I believe there are any who do. We can estimate the force of some of the factors in the situation but we cannot even guess at the number of factors, good and bad, to be considered. In 1865 most people thought that the United States was facing bankruptcy. How could a total national and private debt of about 6 billions be paid? How could employment be found for a million and a half of soldiers coming back from the front? In less than three years, however, these problems had been solved and by 1868 business had become good. The expansion of business which followed the period of sharp readjustment after the war was so vast that by 1873 the country had to face the greatest panic the world had ever known. We shall probably have a bad time for a while, but the experience of the United States and the futility of all attempts to gauge the future since the war began should warn us not to prophesy but to be prepared for almost any emergency.

How long the war will last we do not know. How much our national debt will be we do not know. What we do know is that, if we do not falter, we can win the war.

When we have won the war, if our share of the cost has been mainly borne by Canada itself or does not too largely represent money borrowed elsewhere, the burden can be borne, because it will mainly consist of the transference of money from Canadians as taxpayers to Canadians as bondholders, and however hard that may be on the taxpayer, the country cannot be ruined by the mere readjustment of a debt which it owes to its citizens. In any event, let us remember that taxation, so long as it is not really oppressive, may be met by increased energy and increased economy and in a wasteful country, such as Canada has always been, there is a large margin on which to draw.

#### PRODUCE TO LAST POSSIBILITY.

When the war is over and the painful task of reorganizing our industries is accomplished, we shall find that many things have adjusted themselves. The places in the community, once filled by our gallant and ever memorable dead, will be filled by women and girls, by boys called on for the time to work as

if they were a few years older than they are, and by men working a few years longer than their energies would ordinarily warrant.

Our obligations will demand that we produce to the last possibility, from farm, forest, sea and mine, and from our factories. We shall possess for our industries, plant, capital, skill in our workmen, enterprise in their employers, such as we could not have possessed but for the war. Any surplus of labour not required in the factories will, if we have great depression, turn to the land, but we hope that the desire for an open air life on the part of many a soldier, the high prices obtainable for all farm products, and the many advantages of a country life, will lead thousands to take up farming, not as a last resort, but as the fundamental source of our prosperity.

#### IMMIGRATION WILL COME.

That there will be much immigration into Canada I do not doubt. The tide from Europe may be slow during the time of rebuilding in the destroyed areas, but slow or fast, how can we doubt that Canada, with the last great area of unploughed land in a democracy, with a sufficient water supply, with the climate which bred the men of St. Julien, of Festubert, of Givenchy, of Courcellette, will ever fail to be a magnet for the youth of all countries? Our difficulty will not be so much the want of immigrants, as to decide whether they are to be allowed to settle here, seeing that we shall want to know what kind of comrades they will prove if we have ever again to fight for our liberties.

There is so much more to be said, so many considerations to depress, so many to give us hope, which I have not dealt with, that my remarks merely touch the fringe of this great subject, but if what I have said helps any man to do his daily task more patiently in this long time of waiting, I shall feel amply repaid.



# What the War Means to Canada

(Reprinted from the *Varsity Magazine Supplement*,  
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NOW that we are entering the third year of the war and are assured that the Central Powers have passed the maximum of their fighting strength and that victory for us is only a question of time, we may, provided we do not for an instant relax our energies in carrying on the war, begin to consider what the war has meant and will mean to Canada. Before the war we could look back upon a series of romantic events connected with the discovery and first settlement of the various historical units which, just fifty years ago, we began to gather together to form the Dominion of Canada. This romantic past is a great possession and he must be a poor Canadian who has never been thrilled by it. By the creation of the Dominion we became the most important of the overseas portions of the British Empire, the precursor and the natural leader of those other Dominions of which the whole Empire is now so proud.

In the maps of the world in which the Empire is coloured red we are the largest part of the Empire. We possess the largest area of unploughed land in the temperate parts of the western world. We are a democracy living under good law and order and where the dominant language of the world is spoken.

But we are among the most thinly populated parts of the world. We have struggled hard to harness our country for its undoubted future. In doing so we have built three trans-continental railways and we still have many communities bitterly resenting their lack of railway facilities. With such a small population we cohere too loosely as a people and with our short history as a Dominion we still lack experience politically and socially as to the best means of developing and making the most of the vast trust which has been put in our hands. We have gathered feverishly the first fruits of our virgin condition, the individual thinking only of himself and not at all of his country and its future. We have not shown much intelligence in agriculture, in pastoral pursuits, in working our forests, in

mining, or in any direct production from our natural resources, doubtless because the results of such intelligence as we have exerted have been a sufficiently handsome reward for our enterprise. We had begun to be a nation of manufacturers but mostly of a few articles largely needed at home, and until recently we were without good technical schools or much laboratory practice in direct connection with industries. We were making money too easily, developing material views on must public questions, cultivating few high national aspirations, and, indeed, swimming freely and comfortably in the current of an easy-going, pleasure-loving world. There were those who were sure of trouble ahead with Germany and who deplored the flabby state of mind which satisfied itself by calling the more thoughtful citizen a croaker. There were also those who felt that safety for the British Empire required that we should soon find a form of Imperial Government which would ensure to us a voice in the councils which debated the German peril or any other foreign peril that menaced the Empire.

But we were very young and inexperienced. The English thought us to be much like our American cousins. The Americans thought us to be like our British forbears. No one seemed to recognize that we had sufficient idiosyncrasies of our own to make the name "Canadian" mean much. Could any foreigner, indeed, recognize the type physically? We thought we could readily do so, but I fear others could not. In our youth, however, lay vast possibilities; the germs of a high civilization were about us and some at least aimed at the stars. Because of our universities, and our largest technical school; of the work of many of our young painters; of our growing concern for the history of our country; of the character of the narrow rill of fine literature produced here; of the fairness of our audiences and the nature of our discussions in Canadian Clubs, boards of trade, etc., and, finally, in our dreams for the future of Canada, we have felt sure of an enduring success, even when the evils attending our material prosperity and our apparent disregard of the future were at their worst.

Like a bolt of lightning in a blue sky we were put to the test. Were we really sons of the mother of whom we sang so loudly? Did we really mean that God should save the King, Had we kept this great outpost of the Empire for the Empire or for ourselves? Were we willing after our sad talk about approving first of Britain's cause before aiding her—were we willing to fight? Were we fit to fight? Could we, lovers of

peace, much bent on our own affairs, far from the madding crowd of Europe, be turned immediately into hardened men who would not flinch in the roar of battle? Let us be honest and admit that we were not as sure as we wished to be.

All those doubts are past. We did not hesitate but sprang to the colours at once. By the end of the war we shall have raised about ten times as many soldiers as we promised at the beginning. We have made soldiers out of utterly inexperienced civilians in the shortest time on record. These men in khaki have been seen and photographed so often that the whole world knows what Canadians are like. They do not now say that we are like Americans or that we are like Englishmen, and every man in our ranks, no matter where he was born or of what stock he is descended, wishes to be known as a Canadian. I am sure we have not fought better than the Anzacs or the English, Scotch or Irish, but we have fought as well. Our boys have quitted themselves like men, and that is enough. We are baptised and admitted to the councils of the world. We have helped in the greatest emergency the world has ever known. We have even saved some of those days when the fate of empire was hanging in the air between morning and evening. For a generation when men and women gather together in Canada there will be men wearing medals on the clasps attached to which will be French and Belgium names indissolubly linked with the soldiers of Canada. In this atmosphere will grow up the children who were too young to take the man's part at the front or the woman's part at home, but who will be shaped mentally and physically by the great deeds of their fathers and mothers; and who shall estimate the effect on the generations yet to come?

When the war is over there will be at first a painful period of readjusting our affairs financially, industrially and socially. What effect will the burden of the war debt have upon our incomes and our power to produce cheaply? What suitable occupation can we find for our returning soldiers and for the soldiers and immigrants from other lands? How can we deal successfully with our immigration problems, racially and industrially? We want men on the land, not in the cities; and we must so plan that men can acquire the land and pay for it as easily as possible, so long as they are reasonably fit. We want men of other nations to understand that this is a British country and that if they come to Canada their children must speak English. Immigration under other conditions will rap-

idly become intolerable. What will happen to the many women who have filled the places of men during the war? How can we put to ordinary uses the skill in organization, engineering, invention, workmanship, division and co-ordination of labour learned in making munitions of war? How can we preserve the new relations between the state, the employer and labour and thus begin to build a better social structure than the world has ever known? How can we preserve the present conviction that production is a duty to the state as well as to the individual, that personal expenditure has a relation to the state as well as to the individual and that extravagance may be a national crime even if we are able to pay for it? How can we preserve that attitude of mind which now gives money freely for anything connected with the conduct of the war, so that war taxes for a generation to come will be the cheerful offering of a people thankful for liberty preserved and for the blessings of a peace which was otherwise impossible?

It is easy to ask questions especially as I do not intend to try to answer them. What I wish to impress on all university men is that upon the good or bad solutions of these and other cognate problems will depend the future of Canada and that from the men of our universities more than from any other source will be provided the leadership under which good or bad solutions will be found. If this is true, every suggestion that is made regarding the duty of Canada after the war—and the air is filled with them—should be studied most carefully and promptly so that we may not be unprepared when our boys come home.

Our responsibilities are enormous. We have been put in charge of one-third of the British Empire in area. We have in racial origin, land, climate, laws, society, industrial energy and moral quality such an opportunity as has seldom come to any people. We are the greatest hope of the home-seeker in the world. If we will turn the energy we have shown in the war to the building of that Canada which our elements are intended to produce, we shall show the world a nation such as history has not yet recorded. This is not boasting—this is said in deep humility. I am sure that all the cards are in our hands and I hope we may learn how to play them and thus win the greatest game since the foundations of society were laid.

