

(February 28th.)

The Old Country.

BY RIGHT HONOURABLE SIR EDGAR SPEYER, BART.

ADDRESSING the Canadian Club, on the subject of "The Old Country," The Right Honourable Sir Edgar Speyer, Bart., said:

Mr. President and Gentlemen,—Let me say to begin with that I am not a public speaker, and that I address you with reluctance, knowing the high level of the addresses to which you have listened in the past. But I was told in London that it was one of the penalties of coming to your city, that I would have to make a speech and, having to choose between making a speech, and not coming here at all, I naturally chose the former, and I wish to take this opportunity of expressing my warmest thanks for all the kindness and courtesy I have met with during my too brief stay in Toronto.

I have asked some of my friends here what topic would be of special interest at this juncture, and I was told to say something about finance in the Old Country and the export of capital; and it seemed to me that it might not be amiss to try to dissipate some of the wrong impressions which I am afraid the general election campaign literature in Great Britain has created.

Great Britain has been for the last few months one of the most discussed places on earth. It is a good thing and a great relief that the elections are over, and it were a better thing if they had been over in one day.

One of the most interesting and important issues in this election, and one closely affecting business men, has been a financial question, viz., the Budget. This has been unfortunate in many ways, because, if important financial questions become

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a bone of contention between rival political parties the consequences are bound to affect business adversely. As has been truly said by a writer in the *Times*, the public becomes frightened, not by what is really happening, but by what the politicians say is happening, and it is the business of the politicians to contend and maintain that what is happening, when it is due to the action of his opponents, can only have the direct results. It seems to me that the frightening of capital at home of which we have heard so much, where it existed at all, was more due to the comments on the Budget than the Budget itself. After all it must be remembered that it is only a small body of thoughtful voters which really weighs the views and expressions of both parties, and deducts a substantial discount for the bias of each and pays a certain amount of attention to actual facts.

It is owing to these exaggerated statements that a wave of pessimism has passed over the British Islands and far beyond, and that some people really believe that British credit and prosperity are fast disappearing, that things look exceedingly black. This is much to be regretted, and those who write and talk in that way render their country a poor service.

A great deal has been said about the unpopularity of home investments and the export of capital. There is no doubt that they have been under a cloud, but it is quite another question whether this unpopularity is due to Government action or to general business and trade reasons.

In politics when you want to make out a good case, you have to put on the colors pretty thick. When Mr. Chamberlain wanted to alter the Fiscal system of Great Britain he found it necessary to maintain that British industries were dying, and that if the present system were maintained the fate of the Empire was sealed. This "Leit Motiv" has been played with renewed vigor during this election, and as a considerable part of the moneyed classes, viz., the investing public, is in sympathy with the Conservatives and Tariff Reform, it is only human that they should take a pessimistic view of the country's future and prefer to put some of their money abroad.

As regards the Budget, one party saw only destruction ahead, the other party predicted that the rejection of the Budget would be followed by a grave monetary crisis, some very imaginative persons saw a 10 per cent. bank rate. I need hardly say that both sides have grossly exaggerated the case. I do not propose to go here into the merits or demerits of the Budget policy, but only to try to explain why home investments have of late been comparatively unpopular and why

foreign investments have been favored. We need not go very far to find out the true reason. It can be put in two words.

Home investments are a very expensive article, and compared with foreign investments relatively too high. Great Britain still enjoys the highest credit in Europe, in fact in the world, for it would not be fair to include the United States because there the Government debt forms the basis of their note circulation.

After all that has been said about the terrible prospects for British industry and credit, consols are still on a 3 per cent. basis, and personally I see nothing alarming in this, in fact it is an adequate rate, taking everything into consideration. While it is dangerous to prophesy anything, it is my personal opinion that this rate will be the ruling one, and on the whole I think it is a good thing that it should be so. People who invest their money in Government securities should not have too small a return for their money, and it cannot be said that 3 per cent. is too much. In fact, in the light of past experience, the conversion of consols into $2\frac{1}{2}$ per cent. has proved a mistake. If it could be done, I should like to see consols reconverted into 3 per cent. Other countries, like Germany, have had the same experience. They have not been able to maintain the 3 per cent. type.

If we come to English railways what do we find? We find that the ordinary stocks of our leading railways yield less than $4\frac{1}{2}$ per cent. This of course is much less favorable than it was, but all those things are matters of comparison.

If the same investor goes into the foreign markets he can get a better yield than that on perfectly good security, besides which he gets an international market and a bearer security, whilst in the case of English railways he will have to buy registered stock, with stamp and fees to be paid, which is not as marketable as a foreign stock, and into the bargain he is often told that capital is not safe in his own country. It seems to me, therefore, quite a natural consequence that investors show a bias in favor of foreign securities, chiefly because they want a better yield for their money. It should be remembered, too, that during the last decade a great many foreign countries have become prosperous, have enjoyed good credit, and in consequence have gained the confidence of English and European investors generally. And this process is not at an end. More countries will become desirable fields for investment as time goes on and as order and civilization spread. Within the next ten years we may anticipate great developments in Southern and Central America.

The Monroe doctrine imposes new duties on the United States, and they will have to see to it, that order is evolved out of chaos in the various smaller sister republics where untold wealth awaits development.

To English investors, therefore, home securities have become a fancy article with a fancy price, and with the tendency of many people at home to extravagance it is natural that they should look to the places where a higher return will enable them to spend more money annually.

But there is a wider aspect of this case, and it is this: The old countries, and Great Britain foremost amongst them, instead of being asleep, have realized the importance of their hold in the world, *i.e.*, to furnish new countries with the sinews of war at rates which are more remunerative than those they can obtain at home. By doing so they contribute very directly to the prosperity and well-being of their own people, and also help the progress of the world in general.

The idea that the older countries are stinting their own industries by sending capital away to new countries has no tangible basis. In England there is plenty of capital for all sound enterprises, and if proof were needed as to the truth of this, it is seen in the fact that in spite of all the adverse factors which I have mentioned, the credit of British industrial companies is still higher than that of any other country in the world. When the old countries send out capital they stimulate their own industries which produce for the world, as the capital is sent out in the form of the manufactures of the older countries. This explains the remarkable expansion in the export trade of the United Kingdom in recent years, in which there has been an unprecedented increase in the export of manufactured goods, accompanied by no increase in imports of manufactured goods into the United Kingdom.

In the previous period, when Great Britain was not exporting capital, *i.e.*, the period during and after the South African War, and when people were more extravagant, the expansion in its imports was mainly in manufactured goods from other countries, but it did not take long for the British people to see the danger of such a situation. And now "Nous avons change tout cela," as the British people have again become enterprising, and are placing their capital where it ought to be placed, to develop the general wealth of the world and thus to stimulate their own productive industries.

The advantage of foreign investments is fully realized by other countries, and France, Germany, and the United States have placed a great deal of capital abroad, the latter country

having begun to do so in the Far East and South America. The French are less enterprising. Their endeavor is to get wealthy by keeping their expenditure down. They get rich rather by saving than by increasing their income by adventures. Great Britain, Germany and the United States, however, are more daring.

Expansion and contraction in British trade are to a great extent brought about by the British people themselves. It depends on the amount of capital they have and are willing to invest, and the direction in which they place it. Experience proves that exports expand whenever foreign investments are made and contract when they are stopped, and when we are spending too much money at home and having inflation.

From 1895 to 1904 we were in such a period. We were too extravagant and spent too much money at home, in addition to having had a war expenditure during that time of something like £250,000,000. But since 1904 Great Britain has again invested largely in foreign countries. The result has been large exports and considerable imports of foodstuffs and raw materials needed for her industries, while the import of foreign manufactures has been checked.

In a very interesting paper which was published some time ago by Mr. Paish, of the "Statist," it was estimated that Great Britain has invested in the last 60 years outside England nearly 3,000,000,000 stg., yielding an income of £150,000,000 per annum. Of this total of £3,000,000,000, nearly £2,000,000,000 has been expended in railway construction either by companies or by governments which have raised loans in Great Britain. This capital has been supplied in about equal portions to the Dominions beyond the seas within the British Empire, and to foreign lands. There is no doubt that the vast growth of her trade and prosperity is mainly due to that fact. By building railways for young countries Great Britain has enabled them to increase their production of wealth enormously, and to produce things that are wanted at home, such as foodstuffs and raw materials. In return these young countries buy our things.

Great Britain has by her pluck and enterprise all over the world, and by what amounts, to almost an unerring instinct, placed her money not only where it was needed, but where it has done a great deal of good. She has never placed it where it might have hurt her country's interests. She has laid the foundation for the credit of many a young country, and thereby has given them their purchasing power.

Speaking of trade generally, it seems to me there is every reason to take a hopeful view. There is greater general enterprise in the world, due to greater confidence, larger gold production, and more settled conditions in parts of the world where they did not exist formerly. The credit of other lands, including the United States, has been fully restored, and Great Britain is supplying them with unprecedented amounts of capital. It is reasonable to expect, therefore, that British imports and exports will very largely increase in consequence of our exports of capital, and also in consequence of the large amount of produce that other countries are able to send to the British Isles in exchange for British goods. Add to this the large gold supplies and you will see the causes that are operating towards a very active international trade. And I do not believe that either Conservative or Liberal Governments will be able to retard the great increase in the foreign trade of Great Britain.

One word about the savings of Great Britain. They have been very large. In one single year Great Britain has been able to provide something like £180,000,000 for new enterprises at home and abroad after paying for all other needs at home. A country that can do that cannot be said to be in a critical or alarming condition.

In saying this, I do not for a moment claim that everything is for the best in the best of all possible worlds in Great Britain. By no means. It must be evident to every impartial observer that a great deal will have to be done, and done quickly, in the Old Country if it is to be fit to run a good race with the most advanced and efficient countries, and the first and most urgent requirement in my opinion is a much more thorough, much more prolonged, and much better education. Because there can be no doubt that in this respect Great Britain is to-day not in the first rank, and that is a serious handicap. The real wealth of a country is the qualities and faculties of its people. The material wealth is only the product of labor and skill. What is wanted is efficiency and the bringing up of a generation with sound bodies, good muscles, alert minds, and adroit hands.

I believe, however, that it is recognized by both political parties that the need for better education exists, and I certainly think that the present Government is fully alive to it. The policy underlying the Budget, which has been so much discussed, proves in my opinion that those that are responsible for the government of the country have made a correct diagnosis of the ailment from which Great Britain suffers.

It would lead me too far, in the short time at my disposal, to speak more in detail on this topic, and I will only say that the money provided by the Budget will indirectly very materially affect the education question. It will also deal in a manner never done before with the question of unemployment and poverty. By creating insurance against invalidity, death and unemployment, the pressure on the poor will be greatly relaxed, and they should be enabled to leave their children longer at school, which is one of the recommendations made by the Poor Law Commission.

Unemployment is chiefly due to bad organization and to the creation of unemployables. Under our present organization in Great Britain, children leave school early because their parents cannot afford to continue their education. They are not sufficiently fitted for later life, and a great many of them are bound, therefore, to drift into casual employment. One step has already been taken to mitigate unemployment by the establishment of Labor Bureau, and I hope in the future it will be possible to extend this Labor Bureau Organization to the colonies, where workmen and laborers are needed. Much mutual advantage might be derived from the interchange of ideas, and of people between the mother country and her people. Co-operation in all social questions between various parts of the Empire is urgently required. The great problem of over-crowding in the cities and rural depopulation, the question how to make the land more attractive are for Imperial statesmanship to tackle, and the Old Country can learn many a useful lesson from the Oversea Dominions.

In conclusion, let me repeat that to which I have already referred, viz., that for 1910 the indications are favorable to the investment of a large amount of capital by Great Britain abroad, mainly here in Canada, in South Africa, in Australia, in India and in South America. We shall doubtless provide a good deal of capital also to countries like the United States, which are in much need of it, and to Mexico.

These large investments will probably tend to a large expansion in exports, both actually, and in proportion to our imports. We shall probably hear nothing of "dumping" for some time to come.

It looks to me as if we had entered upon a period of very great and wide trade activity, when buyers will experience difficulty in getting delivery of the goods they want, and when sellers will be in the extremely comfortable and pleasing position of finding ready buyers.

That Canada is bound to make great strides during this period of prosperity goes without saying, provided she realizes the paramount necessity of only offering such securities in the home market as are absolutely good, and as long as all Canadians doing business with the Old Country will remember that credit is confidence, and that both are delicate plants, which one cold blast might destroy.

Canada's great natural wealth, the practically unlimited supply of capital from the home country at preferential rates, the free markets and good prices for produce, the increasing supply of skilled farmers and the free supply of labor render Canada's future assured; and nobody, I need hardly say, will rejoice more in this than the mother country, which has given and will give to Canada all the financial and moral support which she can expect and which she fully deserves as long as her affairs are conducted in the spirit of to-day by wise and farseeing statesmen and business men who know how to appreciate the value of the trust and confidence Great Britain is showing to the Dominion of Canada.