Boosters and Barkers

Financing Canada’s Involvement in the First World War

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Contents

Illustrations

Figures

Tables

1

Business as Usual, 1914

Canada entered the war against Germany in 1914 as part of the British Empire. The formidable task of funding the Dominion's participation fell to Thomas White, the forty-eight-year-old minister of finance in the Conservative government of Robert Laird Borden. A former Liberal with a background in business and finance, the Ontario-born White had been in the portfolio, and the House of Commons, for less than three years.

After high school, he worked at various jobs, including reporting for the *Evening Telegram* in Toronto. In 1887, he joined the city's assessment department. He left in 1899 to become general manager of the National Trust Company, founded the year before by meatpacker Joseph Wesley Flavelle as part of a web of enterprises that included banking, stockbroking, and bond dealing. Associations with related directors and managers, such as securities experts Alfred Ernest Ames and Edward Rogers Wood, ensued. Wood, a vice-president of both National Trust and the Dominion Securities Corporation and the managing director of Central Canada Loan and Savings, understood bonds and Canada's dependence on the London market for new-issue funding. Before the war, federal borrowing from London was mainly through the sale of government-guaranteed railway securities and issues with interest rates ranging from 2.98 percent in 1901 to 3.56 percent in 1913.[1]

At National Trust, apart from overseeing estate administration, corporate and personal trusteeships, and liquidations, White managed related funds and loans, work that exposed him to real estate and mortgages, to bonds, debentures, and stocks, and to other investments. He was well positioned to engage in a booming market, which brought him into the inner circles of several big companies, including the electrical power and railway operations of William Mackenzie. White and National Trust did well, with net profits rising from $78,097 in 1901 to $160,779 in 1909,[2] the year before he was made a vice-president. After 1901, his duties began to involve him publicly in major arbitration cases. In 1903, he was an expert witness on Ontario's assessment legislation.[3] His part in debates over

Toronto's street railways and electrical power, where he tended to favour private enterprise, added to his profile, as did civic involvements.

Overshadowed by his business engagements, White's Liberal political persuasions were not overt. As early as March 1910, he was reportedly among a group of businessmen disgruntled with the naval initiative of the Liberal government of Sir Wilfrid Laurier. Its agreement on reciprocal trade with the United States, presented to Parliament in January 1911, riled Canadian commercial interests and intensified the rift. White spoke against reciprocity at a gathering of the Sons of England on 23 February,[4] three days after signing a manifesto along with seventeen other Toronto Liberal businessmen denouncing the agreement. At an anti-reciprocity meeting on 9 March, the *Toronto Daily Star* reported, he gave "the speech of the evening," replete with data on tariffs, biblical allusion, and much invective.[5] Not surprisingly, he was made nominal treasurer of the Canadian National League, set up to provide anti-reciprocity propaganda. Capitalizing on this wave, White stepped down from National Trust to help in the federal election campaign. Borden's Conservatives swept the country on 21 September.

Within days, Flavelle and party insiders were lobbying Borden, who recognized the Toronto dissidents' contribution, to name White to his Cabinet as minister of finance and receiver general, a key position. Some dissidents deemed him unworthy. Many furious Tories railed against such "outsiders"; the prospect of having a Toronto apostle of finance capital in office upset Montreal's business leaders. Sir Edward Seaborne Clouston, the general manager of the Bank of Montreal, the government's banker, had reservations. "With the approaching revision of the Bank Act I do not want a Minister who has to learn his business," he told former Conservative finance minister George Eulas Foster, who wanted the job again.[6] Regardless, Borden appointed White, but getting him into Parliament via a by-election was another matter. Four ridings rejected him. Sworn in as minister on 10 October, he gained election in Leeds on 6 November, promising no radical changes to Canada's traditional sources of income – customs and excise duties – which contributed almost 80 percent of the government's revenue. The simple monetary system and policy in place were based on the gold standard, where exchange rates were fixed in relation to an internationally agreed price of gold, and paper money could be converted into gold on demand. As explained by R. Craig McIvor, banks had to maintain this convertibility of their notes and deposits, and the "essential banking feature was that these institutions possessed no means of expanding their legal reserves from domestic sources."[7] Within the Department of Finance, White was surrounded by seasoned bureaucrats conversant with this inscrutable realm of banking, revenues, and expenditures.

Finance Minister Thomas White and the Duchess of Connaught at an equestrian event, 1912 | City of Toronto Archives, fonds 1244, item 569.

In the House of Commons, White was taunted for his switch of parties. Self-assured but not yet given to cut and thrust, he responded with a lengthy deconstruction of reciprocity, a speech that introduced the House to his penchant for detailed analysis. Regardless, long-time Edmonton MP (and former interior minister) Frank Oliver immediately classified White as anti-farmer. Liberal finance critic Alexander Kenneth Maclean, junior MP for Halifax (which he represented along with Borden), posed trenchant questions as a member of key standing committees, one on public accounts and the other on banking and commerce.

The next three sessions of Parliament, to June 1914, involved White in fields that would have bearing on his performance during the war.[8] In 1912, he championed the bill to form a tariff commission to collect “accurate data” for framing fiscal policies, only to see it killed in the Liberal-dominated Senate.[9] Navigating the banking sector brought him into contact with its main players and the Canadian Bankers' Association. From 1911 to 1913, amidst demands for reform, he ushered through the statutory revision of the Bank Act, in part to allow banks to issue notes over statutory limits. He also dealt with the government's costly commitment to two uncompleted transcontinental railways, begun under Laurier as rivals to the Canadian Pacific. Plagued by mismanagement and dwindling credit and crop failures on the Prairies, these projects made demands that would weigh down wartime finance. In 1913, the government began giving special aid to Mackenzie's Canadian Northern and (backed by loans floated in London) the Grand Trunk Pacific. The following year, another loan was secured for public works and for the government's construction of the National Transcontinental (the Grand Trunk's eastern section). Despite his opposition to such deals, White saw that the railways' bankruptcy could ruin the Dominion's credit.

During White's time in the Commons to April 1913, Borden was pleased with his performance. They meshed but not without tensions. That spring and summer, Borden noted in his diary White's "nervous temperament," professions of illness, and disruptive conduct in Cabinet.[10] White's grudging congruence on the railway question weighed heavily. In June, he began moaning about retirement. Borden cajoled and sustained him, just one of Cabinet's crotchety members. In public, he was buoyant, sociable, well briefed.

Despite his optimistic budgets of March 1912 and May 1913, and upbeat statements to the press, the Dominion was caught in a depression that would continue until after the outbreak of war. Both White and Borden, fearful that an unsettled economy could crumble, moved cautiously. Inflation had been evident since 1909. In his budget speech of 6 April 1914, he downplayed the international financial crisis brought on by the Balkan Wars of 1912 to 1913.[11] Calls for government action were passed over, leaving Ontario to eventually form a commission on unemployment. In October 1913, White had cautioned Borden of "a possible falling-off of revenues" and a need to halt tenders on public works;[12] between the fiscal years ending 31 March 1913 and 31 March 1915, customs and excise revenues fell dramatically, from $133,212,143.67 to $97,420,950.51.[13] Liberals hammered White over his increase of tariffs, his misrepresentation of the economy, and the aid for the Canadian Northern, pushing him to a "petulant outbreak" on 20 May 1914.[14] The size of the loan guarantees appalled White. By June, the government was running out of money. To sustain funding, manage sinking funds, and meet a growing national debt ($335,996,850.14 as of 31 March 1914),[15] including railway funding and maturing treasury bills and government loans from the 1870s and 1880s, the finance department secured loans totalling £17 million on the London market between September 1913 and June 1914. These loans, which met with varying market interest – only 12 percent of the loan of June 1914 was taken up by the public – illustrated government financing as a continuum from one fiscal year into another.

Even with White's close watch on revenues, accountability was imperfect. In his first year, Borden had tried to clamp down on unauthorized spending. White was most concerned with railway spending and the rampant growth in military and naval outlays, thanks to the minister of militia and defence, Samuel Hughes, whose disregard for formal tendering and contracts frustrated White. Hughes's upset of pre-war defence plans had funding implications.[16] His department's expenses rose from $7,580,600 in the fiscal year 1911–12 to $11,151,398 in 1913–14.[17] (By comparison, in Canada's last military engagement, where soldiers' pay was split with Britain, the contingents sent to the South African War had cost Canada less than $2.9 million.)[18] When a conference of deputy ministers and others met in Ottawa in January 1914 to begin preparing a "general Defence Scheme," the Department of Finance was not directly represented. Moreover, Hughes would ultimately replace Canada's wartime mobilization scheme with his own. There was no conscious financial anticipation of war. In discussing White's budget of 6 April 1914 in the Commons, critics saw that militia estimates for 1914 and 1915 had flatlined. Debate in June on military affairs focused on training and naval defence.

1914

The Commons broke for the summer that month. In July, with tensions in Europe set to explode, White was in New England on vacation, returning once to Ottawa and making plans to accompany the prime minister on a western tour that fall. When Austria declared war on Serbia on 28 July, financial crisis ensued across the Continent, forcing the closure of the London Stock Exchange (currency differentials) and the paralysis of the London market, which was slow to appreciate the full risk of war. The closure of the Toronto and Montreal exchanges (the securities markets) had already sparked fears of panic in Canada; doubts arose as to the government's capacity to sustain the convertibility of its currency into gold; there were heavy withdrawals of the metal from banks. Without a lender of last resort (a central-bank function), historian James Powell explains, the possibility of bank runs was potentially serious since banks were required to close if they were unable to meet depositors' demands for gold or dominion notes (paper money).[19] On 2 August, an alarmed White, aware of bankers' fears of losing gold reserves, rushed back to Ottawa to deal with the situation. The capital seethed with patriotic enthusiasms. With rhetorical flourish, public discourse immediately began fabricating Canada as a democracy in opposition to German authoritarianism,[20] a dichotomy that would carry through to the Dominion's calls for domestic finance of war, where popular investment in government securities was viewed as a complement to democracy and an emulation of soldierly sacrifice. Anti-German sentiments rooted in pre-war notions of British superiority flared.

At midnight on 4–5 August, when Britain's ultimatum to Germany expired, Canada also went to war. On Parliament Hill, departments scrambled to meet their priorities, although the government initially expected a conflict of short duration that could be financed using traditional pre-war methods. When the chair of the Civil Service Commission, economist Adam Shortt, returned from England in September, he reported that London financiers predicted that the conflict would be over by Christmas. Internationally, financiers feared that continued conflict would be unaffordable and disrupt trade.[21] As the war progressed, the anticipated end would creep forward. For purposes of financing, such incertitude was deeply problematic.

Fearful of public panic and further runs on gold, White had acted on 2 August. He called Bank of Montreal president Henry Vincent Meredith, who would become a key advisor on wartime finance.[22] White requested a meeting in Ottawa the following day with Montreal's most powerful bankers. His primary concern was the lack of provisions in the Bank Act to deal with the possible draining of deposits to meet demands for currency. At the same time, knowing the banking network well – its small size and head-office control made it "an ideal system to direct"[23] – he did not completely trust the Canadian Bankers' Association, a diverse group with spotty authority. Instead, he called on a quickly formed, four-member "advisory committee": Sir Frederick Williams-Taylor, general manager of the Bank of Montreal; Edson Loy Pease, general manager of the Royal Bank of Canada; Daniel Robert Wilkie, president of the Canadian Bankers' Association; and Herbert Barber Walker, manager of the Canadian Bank of Commerce in Montreal.[24] They arrived on 3 August, met with White to discuss how to handle the "atmosphere of incipient financial panic,"[25] and drafted the substance of the order-in-council that would become the Finance Act. They were joined by Borden. That evening, Cabinet addressed, along with the need for emergency war powers, the financial crisis through five orders-in-council: two amended customs and inland revenue acts, another increased the amount of dominion notes to boost the supply of money, and two others were more substantive. A roughly calculated $50 million would be authorized under a war appropriations bill to defray costs to year-end 31 March 1915.

The Finance Act effectively took Canada off the gold standard, thus allowing the Canadian dollar to float against other currencies. (The dollar would trade in a narrow range against the American dollar before beginning to weaken in 1918, whereas it gained on the British pound sterling almost from the outset of the war.)[26] Meant to conserve gold and allow Ottawa to advance funds and facilitate credit,[27] thus stabilizing bank credit, the bill suspended the conversion of Dominion and bank notes into gold, authorized the chartered banks to pay their liabilities in their own notes and issue them to depositors, and introduced the creation of national credit by establishing a discounting mechanism that allowed the government to advance dominion notes to the banks on securities pledged to the minister of finance. The government was thus allowed to act as a lender of last resort – one means of increasing the money supply. By breaking the link to gold, it would have more latitude to finance war since it could essentially increase the fiduciary issue of notes (notes not backed by gold) and issue more notes backed by Britain's treasury bills. Moreover, the government felt compelled to assure the public that all of Parliament's powers were to be utilized to prevent "any avoidable interruption of stable business conditions."[28] These measures, whose contravention of the Bank Act and other statutes would be overridden by emergency legislation, were announced on the morning of 4 August, the day that war was declared, effectively forestalling any runs on banks. On 10 August, a further order-in-council suspended the redemption of dominion notes into gold. Although the Finance Act would establish an agency of inflation, notably through the issue of dominion notes, White would refuse to recognize any such intent. But as one authority would observe, "The printing presses had pumped out currency, and some at least of the war's cost had been carried by deliberate inflation."[29]

The emergency session of Parliament that lasted from 18 to 22 August gave statutory form to the resolutions and brought forth the authoritarian Emergency War Measures Act. On 20 August, White tabled a budget. Intended as a temporary measure, the Finance Act, officially the Act to Conserve the Commercial and Financial Interests of Canada, became law two days later. In discussing it in the Commons, White had acknowledged his advisory committee, its proximity, and its role in assessing securities offered by banks.[30] It was a pragmatic way to face crisis. The committee would subsequently dictate policy to the Canadian Bankers' Association.[31] What the committee could not do was control ongoing problems within the banking system, notably the persistence of competing interests and, in the fall of 1914, a troubled mortgage market. Nor could it find the money needed to finance the war. The demands facing White in his budget were double-edged. In addition to war needs, if he hoped to meet the government's requirements for the remainder of the fiscal year, he also had to address the imperial loan of £5 million from June, the retirement of £1.7 million in treasury bills in November, and the projected need for another £3 million that fall. The Finance Act ended the monetary crisis, but White still faced the looming costs of military commitment, with revenues insufficient to fund nonwar spending in a period of recession.

The short wartime budget tabled by White was a statement of desperate need and rough calculation. Before the war, he had been confident that the £5 million loan secured in June, together with another for £3 million in the fall, would carry the government until the end of the fiscal year, but this plan was dashed. Along with the Finance Act, two other bills were introduced on 20 August: one to replace the Dominion Notes Act and another on customs and excise duties to raise the taxes on spirits, tobacco, coffee, and sugar. The new Dominion Notes Act would authorize an increased fiduciary issue of notes to allow the government to increase the money supply required to support the war effort.

For the appropriation of $50 million, the calculations were probably the best that could be determined. Small steps had been taken: in the spring of 1914, the militia department's budget was double that of 1911. In August 1914, increased duties were expected to generate $7 million, with more than $36 million to come from borrowing. Using figures hastily supplied by various departments, Borden estimated $13,275,000 for mobilizing and equipping an overseas contingent. On 21 August, speaking on the appropriation, based on a division of 22,318 soldiers, Borden forecast that it would cost about $1,000 to maintain a soldier in the field for a year.[32] Other costs, including civil and naval defences, as well as flour for England, brought the total to $30 million. Debate in the Commons was muddled, with a flood of questions about contracts, naval procurement, the assembly of a contingent, and other specifics. White was compelled to delve into tariffs, dominion notes, banking matters, and the uncertainties of borrowing.

In June, the government had floated an imperial loan of £5 million, which, with an anticipated further loan of £3 million, would have met requirements until the end of the fiscal year, including the retirement of treasury bills in November. However, in light of special expenditure for wartime defence, continued commitment to public works under construction, and declining trade and revenues, Parliament passed the appropriation for $50 million. Determining how much of this sum would be expended before the fiscal year-end was, to White, problematic. Assuming expenditures of $60 million, and allowing for the June loan, treasury bill retirement, and increased duties, he calculated that Canada would still need an additional $36 million. Other elements entered the debate, some setting the stage for major fiscal initiatives in 1916–17. Not only did the Liberals question White's assumed ceiling, but Michael Clark, MP for Red Deer, Alberta, who believed that White was attempting to meet "the extraordinary and the abnormal by very ordinary and very normal proposals," called for "direct taxation" to mitigate Canada's inevitable debt load. Frank Broadstreet Carvell, a New Brunswick MP, advocated a graduated income tax.[33] The calls were turned aside.

In late August, White acted on the need for both accountability and the immediate flow of funds. On 27 August, Auditor General John Fraser, on instruction from White (and he from Borden), joined a group of deputy ministers and the Department of Militia's paymaster general to draft rules for war expenditure, notably a system of credit vouchers (against the appropriations) and Cabinet approval.[34] Within months, this unwieldy accord would founder, sidetracked by irregular and surging spending in the militia department but also by White's propensity for executive control. Accountability, such as it was, shifted from the auditor general to the public accounts committee, which in 1915 would begin to delve into the murky world of contracts.

At the outset, the stark need for war funding, to meet military needs and dominion treasury bills maturing in November 1914, was highlighted by urgent telegrams exchanged between Borden and Canada's acting high commissioner in London, George Halsey Perley, on the matter of further imperial assistance. On 26 August, White had asked Borden to cable Perley:

> Consult Imperial Government confidentially regarding prospect of our floating in London a war loan of eight or ten million pounds early this Fall. Impossible to make issue here as funds could come only from banks which are endeavouring to meet commercial demands and take care of Canadian maturing Treasury Bills in London. United States Government unfavourable to issue there. If direct loan not feasible would Imperial Government loan us amount in exchange for or upon security of our standard debenture stock which is British Trustee Security.[35]

The request raised concerns over the loan's immediacy, its demands from other dominions (South Africa and New Zealand),[36] and its aggravation of "prevailing financial conditions." The release of dominion notes would help the banks to deal with maturing provincial and municipal securities, but with finances "almost paralyzed" by the restriction of funds from England and the United States, "we must however get the loan," a frantic White told Perley on 31 August.[37] Within days, the British chancellor of the Exchequer agreed to provide a loan, although unsure how to do so. On 19 September, acting under authority of the War Measures Act, and still doubtful of any domestic loan, Canada's Privy Council confirmed Perley's arrangement with the Bank of England, as agent for the British government, for a loan of £7 million before war closed the new-issue market in Britain. The rapidly mounting costs of mobilization – Canada's first contingent arrived in England in October – necessitated approval on 17 October of Perley's negotiation of a further loan of £5 million, altogether making £12 million, to run to 31 March 1915. The loans were facilitated through securities issued under Britain's National War Loan in November of £350 million ($1,750,000).[38] This loan, publicized in Canada and to which Canadian banks subscribed heavily, included raising funds for the dominions and was meant to carry hostilities for only a few weeks. The militia expenditure to 31 December 1914 amounted to $26,221,980; another $18 million was estimated to 31 March 1915.[39] Almost from the beginning of the war, reflecting borrowing by other belligerents, speculation over Canada's issuance of dominion bonds had begun surfacing in the press, with White hinting in October, in a release published in newspapers countrywide, of "a Canadian permanent funding war loan,"[40] a radical departure in funding. The financial crisis was already having severe regional repercussions, notably on the Prairies, where the threat to the credit structure on the eve of the fall harvest brought hardship and calls for debt moratoria.[41] In the two or three years before the war, little business was done in Winnipeg in stocks and bonds, with investment and speculation largely restricted to real estate and grain.[42] In Quebec, farmers liked mortgages. Traditional preferences existed in other provinces. Within months, a few newspapers and analysts, among them outspoken journalist Arthur Hawkes, believed that White was grossly underestimating the cost of war.[43]

With Parliament not set to resume until February 1915, the government moved to find millions more from conventional sources. During the fall and winter of 1914, new issues of dominion notes were made to provide "the domestic liquidity,"[44] temporary loans were secured from the Bank of Montreal, and more treasury bills and dominion stock were issued in London. Within Canada's securities markets, the exchanges were settling. Toronto and Montreal reopened for limited trading in October 1914 and Winnipeg in February 1915. But another source of funding was being scrutinized. Although the United States would not enter the war until 1917, its involvement was evident from the start, as Britain and France both came to New York seeking to finance purchases and to place bond issues, and the capital market for Canadian industry gradually shifted to Wall Street.[45]

The international context of Canada's war finance was illustrated in August 1914 when White, as trustee for the Bank of England in an arrangement negotiated by Perley, announced that a stockpile of gold from abroad and American sources would be built up in the vaults of the Royal Mint in Ottawa, thus reducing shipping expenses and the risk of loss at sea. The gold would come principally from Britain, South Africa, the United States, and Russia, with lesser amounts from Brazil and Borneo, via armed ships to Halifax or Vancouver. It would be checked by Department of Finance personnel and thence sent on trucks and guarded trains to Ottawa or New York. This pool of coins and bullion, along with smelting and further refinement, would meet a number of interconnected needs, helping to fund Canada's expenditures, facilitating remittances for British purchases in the United States, allowing for the use of gold in Ottawa (to cover both the payment of Canadian and American indebtedness in Britain and the sale of American securities there), and balancing exchange. As British purchases in America grew, and the rate of exchange turned, gold would move to vaults and accounts in New York. From a European perspective, as historian Martin Horn demonstrates, Canada had only a peripheral, custodial role in the fractious development of Britain's and France's financial relationship and in later dealings with America.[46]

Between 12 August and 16 December 1914, Ottawa received 288 consignments worth $104 million (£21 million). By May 1917, between $1.2 and $1.3 billion had been deposited. The Bank of England would later calculate the amount of gold received in Ottawa between 1914 and 1921 at £323,303,235 (roughly $1.376 billion). In the Commons and in his *Story,* White identified management of gold as one of the two major "duties" that devolved on his department, the other being domestic borrowing. Although reports of shipments criss-crossed the country by wire, the department's oversight and the mechanism for transatlantic payments were negligible functions to most Canadians, but they nonetheless constituted primary components in the evolving sphere of Entente-American finance, whose significance was not fully comprehended in 1914.[47]

In speaking engagements in late 1914, White's messages were meant to reassure. On 14 December, he claimed that "nowhere in the world has the shock of sudden financial restriction been met and adapted so quickly and so smoothly as in Canada."[48] Pushing the government's "Made in Canada" message, he urged Canadians to produce more, a plea that permeated public and commercial discourse,[49] with the duty of thrift entwined with sacrifice. The thrift movement had been around since before the war,[50] but it derived intense meaning in wartime. Newspapers could not fail to notice White "hammering home the truth that Canada must greatly increase her production of things the world needs if she is to make good the great drain caused by war borrowings and by the large excess of imports."[51] In his address that December, he speculated that "Canada would borrow $100,000,000 a year during the course of the war," although he would still be looking to London for most of it, confident that the city would be able to resume lending "within a few months."[52] Heightened public engagement would in time become a fulcrum of war finance, but at this point White was not seriously anticipating any large-scale domestic loan. Skeptics believed that it would impinge on commercial credit and cut into bank deposits. White himself would cite adverse exchange in funding military expenditures, Canada's sluggish productivity at the war's outset, and competitive securities as factors that discouraged any experimentation with a loan.[53] Moreover, the government's borrowings from the public through dominion and post-office savings banks had been falling. At the same time, it was managing the maturing of government securities issued from 1884 to 1912. Although White notified London in November that he had been offered a loan in New York – he had gone there late that month for this purpose (and in the hope of meeting the British Treasury's departing advisor, Sir George Paish) – he was averse to American aid, largely because of the higher interest rates. It was a balancing act. With the London market closing temporarily, Ottawa was obliged to explore the domestic market.[54] Indeed, the domestication of wartime debt was a common theme among all belligerents.[55]

In Britain's low-interest war loan of November 1914, the targeting of commercial investors (including Canada's banks), not the general public, would prove instructive, as would its successful loan of June and July 1915. Another telling feature of Britain's loan of 1914 was how it was spun as oversubscribed, a boost to the war effort, when in fact the Bank of England had to buy in great amounts to cover up failure. The use of oversubscription would not be lost on the planners and publicists of later war loans in Canada: any loan had to be seen as successful. What was not contemplated in Canada, even as the traditional means of raising money were being implemented, was mass, voluntary investment in bonds as a means of financing and cultivating civilian identification with and support for the war, a track parallel to recruitment. Working- and middle-class Canadians were inclined to put their savings not into securities, which were expensive because of their large denominations and were an unfamiliar field, but into property, mortgages, banks, building and loan societies, penny banks, and the emerging credit unions in Quebec.

2

Inching Toward Innovation, 1915–16

Popular predictions that the war would end by Christmas meant little to the minister of finance. As Thomas White indicated in his budget of February 1915, the open-ended task of finding the money for requirements at home and overseas had been "onerous." The prospect of launching a "Canadian war loan" was not a hypothetical. Questions of borrowing, monetary supply, and taxation were pervasive, and references to Britain's experience were frequent. Canada's initial waves of patriotism and enlistment did not readily open the door to civilian finance of the war.

By early 1915, the stream of articles on the war finance of belligerents was underway. In his analysis in October of Canada's course, William John Alexander Donald of McMaster University admitted that White's task would "not be an enviable one." The solutions to fiscal problems were new taxes and tariff revisions, he believed, and so a committee of the country's "best financiers" should tackle the problems. There were few professional economists in Canada, Brandon College's William Archibald Mackintosh would observe,[1] and their advice to the government was mostly admonitory, not practical.[2] White would be more inclined to listen to the prime minister, businessmen such as George William Allan of Winnipeg, Harry Alden Richardson and other banking kingpins, and Toronto capitalists.

In January, White had faced critiques of his issuance of domestic notes by William Stevens Fielding, editor of Montreal's *Journal of Commerce* (and a former Liberal minister of finance) and by the *Globe* (Toronto).[3] No criticism stuck. Parliament resumed sitting in early February, and even before White's budget speech, Liberals turned the spotlight on government accountability in the militia department – White's bane. The surge of spending and unauthorized expenditures there, notably for the hastily established Valcartier Camp of the Canadian Expeditionary Force, had produced an accounting mess, not totally the fault of the militia minister. "It was difficult for the Militia Department to conduct business in wartime," said White's deputy in March, leaving the minister, in place of contracts, to get orders-in-council to cover unapproved disbursements.

At year-end 31 March 1915, spiralling "War Account" expenditures, spread across the entire government, stood at $60,750,476.01,[4] a sum that White could not have anticipated. Of equal concern were cost-sharing arrangements between his government and the British War Office and Treasury for the maintenance of Canada's forces overseas. To pay its soldiers, for instance, Colonel Walter Reginald Ward had been sent with the Canadian Expeditionary Force as overseas paymaster in London, where for a short time the militia department placed sums to the credit of the Canadian high commissioner's office. Requisitions were made on that office by the paymaster, who in turn transmitted sums to the regimental paymasters. In March 1915, discussions began between the War Office and the high commissioner for arrangements that would lead to reciprocating advances. Until August 1915, the high commissioner was also the starting recipient of the funds advanced by the War Office for the purchase of Canadian munitions.[5]

Throughout the year, views on the sources and amounts of loans ranged widely. Analysts such as Canadian-born (but American-domiciled) journalist Agnes Christina Laut saw American financiers and manufacturers as the mother lodes, the focus of attention by the joint Anglo-French loan mission formed in August 1915. As agreement on this loan approached – it was announced on 13 September – some Canadian bankers still saw the wealth that would flow from a "splendid crop" as the basis for internal borrowing. Hanging over all the views was the question of when war funding would stop. Laut believed that unimaginable costs and America's pre-eminence, even in 1915, would lead to the "automatic financial exhaustion" of all others. In Ottawa, fresh from talks with Wall Street bankers about Allied loans, she told a "finance official" that Canada's war debt would eventually exceed a billion dollars. "He gave me one look of contempt and almost called me a fool," she recounted.

White faced financial demands from all quarters. Domestically, western MPs called for the relief of farmers caught without seed grain as a result of drought and crop failure the previous fall. This unexpected need brought on another "paroxysm" in Cabinet from White.[6] In the Commons, he spearheaded the passage in March of a bill that would provide for more than $10 million for seed grain and other relief. His lengthy budget speech of 11 February, a lucid "business statement" in Borden's opinion,[7] had been delivered just as Canadian troops were reaching France. The budget was cautiously based on a continuing drop in revenues, existing financial obligations (notably the coverage of maturing treasury bills), and the upward pattern in military expenditure. Dawning public realization of a protracted war with high expenditures likely fostered greater acceptance of new and higher taxes. Under the authority of a second appropriation act, this one for $100 million, White proposed a series of measures for both war and nonwar needs, much of it to provide interim funding: more temporary loans from the Bank of Montreal, imperial advances, more dominion notes, a new issue of treasury bills, and issues of dominion stock in London. As well, in addition to a war-tax stamp (hastily printed only in English) on mail, taxes were levied on the transactions of financial institutions and on cables, telegrams, and transportation tickets. A tax on wine, effective 12 February, through overprinted postage stamps by the Department of Inland Revenue, was not a big revenue tool; it created public confusion and drew reaction from the Department of the Post Office.[8] The 1915 budget did include the only major change on tariff duties to be made during the war: increases of the general and intermediate schedules and of the British preferential tariff. These revenue sources, light and evenly spread, were contained in the Special War Revenue Act and the Customs Tariff War Revenue Act, both of which received royal assent on 8 April.

The tariff would provide the biggest share of tax financing throughout the war. In 1915, direct means such as income taxation were again rejected for being politically unacceptable, administratively too costly, and constitutionally off limits as a provincial and municipal preserve. "It is not a question of raising a few millions by stamp taxes, by income tax or other minor means of supplementing revenue," White stated in his budget speech. Upwards of $30 million would be needed.[9] By 31 March 1916, the war tax on financial institutions would amount to only $2,083,943.78. At the same time, contextually, war funding for provincial use was being generated in other jurisdictions. In April 1915, Ontario instituted a broad provincial war tax; Nova Scotia initiated one in 1915; and Alberta, Manitoba, Ontario, and Quebec would introduce amusement taxes in 1916, followed a year later by British Columbia.[10]

By early 1915, finding the money for domestic needs and war was proving supremely difficult. Response to White's budgetary proposals from the Opposition, which understood the basic call for more money, ranged from outrage over military spending and corruption in procurement to critiques of White's self-crediting manner, his secretive handling of public finance,[11] and his protectionist leanings. Many MPs wondered where large sums would come from. Large sums, White maintained in his budget, would have to come from foreign borrowing over the next fourteen months. He was thus calculating the payment on long-term securities for another year of hostilities and beyond. In March 1915, a combative minister sparred in the Commons with Alexander Kenneth Maclean over the inflationary effect of new currency issues, a consequence that White and other ministers resolutely denied. On 26 March, White introduced a new dominion notes bill, different from that of the previous year. It gave statutory authority to orders-in-council passed in 1914 that authorized the release of $26 million in notes guaranteed to the Canadian Northern and the Grand Trunk Pacific, both struggling under the burden of building transcontinental lines. Since they were needed to move men and wartime supplies, the government had little choice, nor could it risk any diminution of its own security. As well, the bill authorized a fiduciary issue of $10 million in notes, which White maintained was possible under the Finance or Dominion Notes Acts. Arguing that it was required as an exigency of war, he rejected the claim that the bill asked Parliament "practically for a blank cheque."[12] (Tellingly, the amount of dominion notes in circulation would jump from $157,656,118.91 as of 31 March 1915 to $298,058,697.67 at 31 March 1919.)

That same month, March 1915, a government bond issue for £5 million, the first such since the outbreak of war and underwritten by the Bank of Montreal, was floated in London for port, canal, and channel work and for "other Capital outlays." It was oversubscribed by British investors, White happily reported,[13] even as military costs persisted. By the time the 1st Canadian Division, a force of some 17,800 soldiers, arrived in France in February 1915, war costs had surpassed $100 million, forcing Canada to borrow £2 million monthly in London.

Over the spring, as a long war appeared inevitable, the pullback of British sources from development funding in the dominions marked the beginning, historian Ian MacDonald Drummond explains, of pressure for a more creative use of North American capital markets, with White, "to a remarkable extent, willing and able to run the national finances himself."[14] In a sluggish economy, he believed that the time was not right for a domestic war loan. Such a source was being bandied about in the press and in financial circles familiar with the war bonds of other belligerents. The finance department was investigating the possibility of a domestic loan,[15] but as late as July, White was not fully prepared to test Canada's capital market, despite imperial pressures to do just that. In June, Britain had already launched a second war loan, with a return of four and a-half percent. With an economic upswing, but still facing negative reports from parts of the country, White was stubbornly reluctant, despite his budget's anticipation of war loans. He was not alone: McMaster economist Donald, in his examination that fall of Canada's financial problems, considered many sources of potential revenue, but domestic borrowing was not a clear option.[16]

As war conditions steadily closed the London market, a loan from a New York syndicate was arranged for domestic spending by Sir Frederick Williams-Taylor, via his bank's New York agency, and was authorized by an order-in-council of 27 July. The loan for $45 million, Canada's first in the United States, was to be raised by the issue of one- and two-year notes in denominations of

$1,000, dated 1 August. Secured just ahead of some Ontario and municipal issues in New York, the loan had the approval of British officials, then mired in their own exchange crisis and negotiations for an Anglo-French loan from a syndicate led by J.P. Morgan and Company of New York, the financial and purchasing agent for Britain and France.[17] Aware of America's neutrality (although Germany was still floating money there), White had initially worried whether "the Government or public opinion in the United States would favour a public offering by one of the belligerent nations." Accordingly, like the London loan, it was proclaimed to be for public works and other domestic needs, thus taking "the loan out of the category of a war issue."[18] However, neither White nor Williams-Taylor liked the New York option. It carried risk. The market there charged high commissions (three-quarter percent on this loan) and demanded short-date maturities and collateral requirements that differed from those of London's market. Morgan's was nonetheless America's largest, best-connected private bank, the credit broker to the Entente alliance of Britain, France, Russia, and Italy. At the same time, there was little choice for governments in Canada but to go to New York; over the course of the war, more provincial and municipal loans and credits were negotiated in the United States than by the Dominion. As White would later explain to Parliament, the New York loan was carefully planned, but there were limits to what he could accomplish internationally. And, as with other major loans, the loan took time to discharge: $19,394,000 was outstanding as of 31 August 1917, with a number of investors having converted to bonds maturing in 1935.

As White prepared to test the waters of borrowing in New York, it was with hesitation that he considered a Dominion War Loan. The government seriously doubted that a large issue could be raised. Some outside financiers questioned Canadians' willingness to lend. Others disagreed. After analyzing Canadian public and commercial finance, including a market slump and the option of Anglo-French bonds, Montreal's financial *Chronicle* favoured the international trend toward investment in domestic securities, especially if bolstered by patriotic impulse and an "educational campaign," to bring funds out of savings accounts and the "old stockings."

White understood that for Canada, like other states participating in the war,[19] taxation would not be enough and that the war would have to be funded mainly by borrowing. Raising taxes was also politically perilous. White sounded out High Commissioner George Halsey Perley about imperial thoughts on borrowing in New York, and with the dominions being pushed toward internal borrowing by the British Treasury, White's thinking began to shift as his department monitored Britain's war loan. On 29 July 1915, the *Globe* called on the government to issue twenty-year debenture stock at four and a-half or five percent to "small investors." What such advocacy did not advance was informed calculation of the magnitude of Canada's financial resources or its place in the international strata.

In the fall, British commissioners went to Washington and New York to resolve sterling-dollar problems. They did not come to Canada, as anticipated, forcing White to make quick visits to New York in September and November in order to confer with them about Canada's relations with the British Treasury and the London market, as well as about the high-profile Anglo-French loan (the foreign-credit loan), and to consult financiers about another loan to offset the abrupt drop in Canada's revenues. The foreign-credit loan was successfully placed by Anglo-French commissioners through Morgan's, which spread it over a syndicate of sixty-one financial houses. The loan received attention in Canada, both for and against. A by-product was heightened awareness of borrowing.

Although announced in the press as a participant in the negotiation of the foreign-credit loan, White was excluded, leading some sources to amplify the call for a domestic loan. To many Americans, the Dominion was a small player; one Wall Street wag thought that Britain should offer Canada as collateral.[20] But, recognizing the importance of international factors in his own financial planning, White made the most of the New York negotiations: any improvement in exchange rates as a result of spending by the Allies in the United States would help Canada, he believed. In his postwar summary of Canada's New York loan, White would boldly claim that it had revived a "dead" securities market in Canada.[21] Profound impact came, too, from Canada's experience on the Western Front, where, during the Battle of Ypres in April 1915 alone, more than 6,000 had been captured, wounded, or killed. Such reverberation, including the earliest waves of soul-crushing casualty lists, would play out in Canadians' perception of their engagement on the "home front."[22]

Pressing need, plus the examples of Britain and other participants in the war, would lead to a significant change of direction for White and his department by the autumn of 1915. As it became evident that the usual means of finance would not suffice, there was reluctance to take dramatic steps; White would not make changes until it became necessary. After arguing against domestic war loans for roughly a year, he would turn around and pursue exactly that, setting a new course of policy and methodology that would dramatically influence not only how Canada's war would be paid for but also the propaganda that would shape the solution.

Further appreciation of domestic borrowing was heightened by news of Britain's second war loan, launched in late June 1915. Meant to counter inflation by attracting "small investors" and to steady international exchange by drawing in American funds, Britain's bonds sold for £5, £25, and £50, and it also offered vouchers for 5s. The four-and-a-half percent interest rate was attractive. An advertising agency was engaged to popularize the loan's terms, and government committees were formed to promote thrift and small-scale investment, significantly through continuous saving and through promotions not tied to short, fixed-term campaigns. The loan was deemed successful, even though over half of the million-plus subscribers bought units of £100 or more and the banks contributed a third of the new money. As historian Martin Farr explains, too much had been expected of "inexperienced small investors."[23] Canada's major newspapers followed the loan. A portion was sold in Canada, where there were also offerings of Anglo-French and Russian war bonds; on the Western Front members of Toronto's 48th Highlanders would subscribe for $35,000 worth of British bonds.[24] The collective response led the *Globe* to conclude in June that a domestic loan in Canada "might be surprisingly effective."[25] There was already a new-issue market. The proportion of domestic and private bonds absorbed in Canada between 1904 and 1914 had averaged 18 percent, nothing of the magnitude that would be spurred by the war. The figure would climb to 67 percent by 1920.[26]

Equally attentive to the British loan was the Department of Finance. In June, White was expressing his preparedness to sell bonds to institutions as well as individuals, but the government vacillated. Apart from the British experience and market pressures, there were more direct factors in White's timing. A railway bailout was one. Imperial funding was also problematic because of the decline in sterling exchange. The last war appropriation was proving insufficient. Canada's trade balance and economy were improving, and over the summer (as White did a turn as acting prime minister), record crops were maturing across Canada. Britain, which was now borrowing in the United States, continued to pressure Canada to borrow domestically. Speaking to the Toronto Board of Trade on 7 October 1915, White announced that Canada would float a National War Loan after the crop had been harvested.[27] Positing a favourable trade balance and signs of prosperity, coupled with unfavourable exchange rates, he believed that the time was right for Canada to "finance in part her own expenditure."[28] In commenting on the announcement, the *Lacombe Guardian* (Lacombe, Alberta) reasoned, "It was not the intention to bring it [a loan] on during the period of heavy financing of Canada's crop movement, as such action would result in curtailment of credit to the farming communities. There was no need for haste."[29] Nor did White focus exclusively on the loan.

A popular platform speaker, he deftly positioned loans and borrowing in the category of government achievement and himself as a major spokesman. In his address to the Board of Trade, White was at his best: "I always arrange my financing months in advance. I get the money, and I never worry over the interest,"[30] although in the realm of bond issues and international exchange, certain things that did matter, such as the cost of borrowing in the United States, interest payments, rates, and fractional points. Behind the scenes, his alter ego showed. Unlike the British Treasury, which felt that Canada could foot its own costs, White told Perley in London that the Dominion's capital market was tight and that internal funding would limit its ability to field troops. On 3 November, Robert Laird Borden would note, "Discussed Finances in Council. White greatly perturbed says war will cost us 250 millions next year."[31] The day before, White had told the Canadian Club of Montreal of his intention to launch the loan, which would come with risk. The Department of Finance had no experience with such a venture, and no one yet had a genuine understanding of the limits of Canadians' possible contributions. The market already contained war bonds from other countries at good rates. The Ontario government offered 5 percent bonds that were tax-exempt, a rare feature at the time.[32] Throughout the summer, newspapers had published accounts of the British war-loan apparatus and public engagement. Response to the Anglo-French bonds also illustrated the pragmatic belief of the *Financial Post* (Toronto) in early October that "there is little sentiment in the bond business." A segment of dealers "scent a healthy demand among loyal British subjects in Canada for the loan and, being in the business, they are going to facilitate the gratifying of that demand. The general feeling is that such bonds as reach Canada will sell like wildfire."[33] Competitive offerings concerned White, who did understand the motivational balance between patriotic drive and investment, a parity that he repeatedly proclaimed.[34] He would later explain his rationale behind the loan's intended appeal:

> That so large an issue should be made attractive to investors was apparent. The investment community was still in a discriminating mood. The war had not advanced so far nor patriotism aroused as yet to such a pitch that rate of interest and other features of a loan became of secondary importance. Although a war loan, it was regarded ... as an investment issue to be critically examined and compared with other investments available on the Canadian and New York markets.[35]

Definitions of such "practical patriotism," a term in use since the nineteenth century,[36] varied from civilian contribution to corporate sentiment.

Resisting calls for small-denomination bonds and definitive explanation, White proceeded cautiously. In the estimate of financial analyst Bernard Keble Sandwell, "the results accruing from failure would be of a most disastrous character as concerned the public credit."[37] In his address to the Canadian Club of Montreal on 2 November 1915, White declared that Canada should not only count the cost of "sending forth men" but also begin to shoulder more of the burden by boosting production, a harbinger of the eventual merger of borrowing and self-sufficiency. Further, he proposed a domestic loan at the end of the month. Under the authority of the War Appropriation Act, Canada's first Dominion War Loan (known in French as the Emprunt de guerre dominion du Canada) was launched on 22 November with minimal promotion but much advance preparation to safeguard the result. From 2 to 4 November, White had the Canadian Bankers' Association agree to subscribe half of the $50 million loan through twenty-two member banks. As Sandwell put it, the banks "practically, though informally," underwrote the loan.[38] Local branches, some 3,000 of them, would process loan applications, distribute bonds, and cash interest coupons. Uncertainty among members, especially smaller banks, about the effect of this imposition on their business would force a reduction of the amount to $21.7 million.[39] Together with $10 million from insurance companies and other large commitments, advance subscriptions totalled $40 million. The official period for public purchase was tight, from 22 to 30 November.

The widely published prospectus for the loan laid out its terms and steps to show what people faced after they had grasped the concept of loaning money to the government. The issue, consisting of ten-year bonds, was priced at 97 and a half (meaning 97 and a-half percent of a bond's face or par value) and paid 5-percent interest,[40] with an eventual yield on maturity on 1 December 1925 of about 5.48 percent. (The calculation of a bond's yield involved the purchase price.) The bonds themselves, beautifully engraved in colour, were issued in denominations of $100, $500, and $1,000 for bearer bonds with interest coupons attached, which anyone could hold and cash, and in $1,000, $5,000, and multiples of $5,000 for registered bonds, on which interest cheques were mailed out to registered holders by the Department of Finance. Applications could be submitted through the banks and recognized brokers, who would be allowed a commission of one quarter of one percent. Applications and 10-percent deposits would be followed by the issue of provisional receipts and, if desired, instalments, which could be paid up to 1 May 1916. As an added attraction, the interest on the bonds was tax-exempt,[41] and they could be converted into other denominations or future issues. Once the loan closed and the government's overall allocations had been determined, the receipts would be exchanged at a bank for scrip certificates. Once they had been fully paid up, these would be turned in for actual bonds, which, at maturity, would be redeemed in Ottawa or any regional office of the assistant receiver general.

The terms of the issue had been decided in a narrow time frame within the Department of Finance. The yield was low compared to other high-grade securities available in New York (such as the Anglo-French bonds of 1915), but it was offset by the exemption from taxation, a feature that "New York interests" had demanded from both Ottawa and London.[42] The results of the loan astounded many. In eight hours, economist Oscar Douglas Skelton claimed, this "radical venture" was oversubscribed,[43] with 24,862 subscribers committing $103,729,500. On 3 December, White moved to accept on allotment $100 million, which went immediately to the government's credit in its consolidated fund. In making this allotment, or allocation of subscriptions, the government professed to favour, as it had throughout the campaign, the smaller subscriptions, which it identified as sums up to $5,000. In a deft move to take all of the oversubscription, and with little thought to consequent debt (a near doubling), White explained that the "patriotic reasons" of the large subscribers – the banks, corporations, and municipalities that had already planned their investments – could not be dismissed. The allocation plan reflected this decision.[44] There would be three categories. First, subscriptions of $50,000 and under would be accepted in full. Second, subscribers (other than the banks) of amounts over $50,000 would receive allocation in full but would be allowed to withdraw or reduce their subscriptions. Third, the banks, which subscribed an aggregate of $25 million, would be allowed to take whatever portion of their subscriptions they wanted, as long as the total did not exceed $100 million. The impact of allocation was minimal. Of the $103,729,500 subscribed, $100 million was allotted.

Even though the loan received minimal promotion, mainly in the form of published prospectuses, it had been "snapped up" in a heady jingoistic environment. Readers of the *Toronto Daily Star,* for instance, learned of the Allied offensive at the Dardanelles, opposition to Cecil B. DeMille's film *Carmen* (1915) because of star Geraldine Farrar's alleged "pro-German tendencies," and the joyous reception in Toronto of 143 invalided soldiers on the first day of the loan's issue. Contemporary discussions of debt, currency inflation, the effect of the loan on bank deposits,[45] and thrift and economy were overshadowed in the press by gushing accounts of civilian involvement. Through mass marketing, the gospel of thrift and sacrifice would nevertheless become embedded in campaigns for engagement.

Building on the fabrication of democracy thrown up at the start of the war, emphasis was placed on the ideal of "financial democracy," personified by the rhetorical figure of the "small investor," a term that could never be consistently defined but had been tossed about since at least the 1860s. Anecdotal accounts pointed to the farmer, "investors of small savings," the small company, and school children who raised money for a bond. The analysis of war finance in

January 1916 by young Queen's economist William Clifford Clark questioned the use by many belligerents of taxation, currency extension, and loans. However, in light of the avenue opened by Canada's fall loan, he saw long-term potential in tapping "smaller investors," with this proviso: "If the borrowing is done within the country, it would seem that if the Government can retain the unquestioned confidence of the people the limit is set only by the people's power to lend."[46] Whether official direction was influenced by the concurrent work of Britain's Committee on War Loans for the Small Investor is uncertain.

Canadians did have a tradition of saving in small accounts in government and post-office savings banks. The concept may also have been promulgated as a social and political ideal.[47] Small investors, including rural folk, were the group that White wanted most to publicly identify and credit. His idea from the first was for the loan to be a "popular one," the *Financial Post* observed, but it understood the core drive: "There is good reason to believe that many or most of the big banking and financial institutions have already given the Finance Minister an intimation of the amounts they will subscribe for. This probably accounts for the optimistic sentiments expressed by Mr White as to the success of the loan."[48] On 22 November, White told Borden that financial experts said the price was right. "There is therefore no danger to apprehend that the securities will go to a discount after allotment – a most important factor," he explained. A pleased prime minister pledged to subscribe $25,000 himself.[49] The successful drive was read as a demonstration of strength on the part of both the government and the banks.

The success of the loan, which White proclaimed on the second day of the campaign, was no miracle. The result was virtually guaranteed. From the savings accounts reported in bank and government returns, White knew of the potential for investment. While passing through Toronto after a trip across Canada, undertaken to feel "the pulse of the people," he slyly avoided calling the banks' subscriptions "underwriting." As he told one reporter, the oversubscription "was why I considered it unnecessary to underwrite the loan, although in ordinary issues I am a firm believer in the principle of underwriting. Underwriting usually costs one and a-quarter percent, which on a loan of $50,000,000 would mean $625,000. Consequently, by dispensing with the underwriting the Government was able to give the public a price that is most attractive."[50] At the same time, bonds were not the kind of investment made by people capable of contributing only cents or a few dollars to war charities, such as those with minimal bank accounts, farmers unfamiliar with securities, or workers and clerks earning less than $500 a year. As would be evident in subsequent war loans, many Canadians did not understand what a bond was.[51] The amounts subscribed by denomination suggest preferences for the larger bonds: $100 bonds ($4,099,500), $500 ($8,699,500), $1,000 ($58,876,000), and $5,000 or multiples ($28,325,000).[52]

Although actual money from subscription instalments would take time to materialize, White was overjoyed by the windfall, which had been secured at an initial cost to the government of only $3.4 million, including the $2.5 million expense of discounting the bond price by 2.5 percent. To illustrate the low promotional scale, printing costs ($40,107.88) for the prospectuses, scrip certificates, and bonds exceeded advertising expenses ($36,023.16).[53] Less enthused were the brokers. Although pleased to sell bonds at a time when unrestricted share trading was still prohibited, they had a tough task competing with the network of bank branches, which processed applications, bond distribution, and coupon cashing. The banks pulled in more than three times the commissions earned by the securities community. Some banks reportedly laid claim to the application forms issued by bond dealers, with the finance department refusing to intrude or even to direct a splitting of commissions. Despite such concerns, bonds quickly entered the market and government thinking. The 1915 loan put in place a durable keystone of Canadian war finance. The government borrowed from the banks on treasury bills, Clifford Austin Curtis would explain after the war, in expectation of "floating long-term loans, and, indeed, the banks' holdings of government securities move in close relationship with the government's issue of war loans, showing plainly that a large proportion of each war loan was used to liquidate debts already incurred. Thus, the government's system of financing may be summarized as being a method of issuing short-term bills and then making refunding loans."[54]

For White, even while dealing with the conundrums of railway finance and military spending, the challenge after the war loan was how to use the $50 million oversubscription. In an interview on 30 December, he declared the Dominion's finances to be satisfactory, with enough money until the coming summer. (Imparting calm and confidence was part of his job.) Sidestepping the question of funding beyond that point, he said that the question of more borrowing would be examined in the spring. Despite the success of the November loan, he was unsure that it could be repeated.[55] In the meantime, he urged Canadians to "work harder, save more." Other Cabinet ministers echoed this call, among them George Foster, who, more forthrightly than White, spoke at year's end of the need for more domestic war loans.

White did know where the extra $50 million had to go: imperial credits. Canada's position on Atlantic shipping routes and adjacency to the United States facilitated Britain's purchases of wheat and munitions, a process that had started early in 1915, but the related financial relationship was far from smooth. Imperial purchases of munitions in Canada, a scandal-racked system, had reached crisis levels that fall. Imperial funds were channelled to Canada's Shell Committee, formed in September 1914, from the British War Office through the Department of Finance, which sent the payments to the militia department. By 15 February 1916, £27 million had thus been advanced to Canada, a course with accounts "full of anomalies."[56] In late November 1915, the committee was replaced by the Imperial Munitions Board (IMB), the Canadian arm of the British Ministry of Munitions. Based in Ottawa and chaired by Joseph Wesley Flavelle, who White knew well, the IMB would be responsible for purchasing in Canada.

The funding process faced scrutiny. From the British perspective, cost containment was a priority. Banker, astute treasury advisor, and soon to be the IMB's representative in London, Robert Henry Brand, already saw ways to address exchange problems and to relieve Britain's load. While he and William Lionel Hichens, an industrialist authorized by the British government, were in Canada setting up the IMB, they "formed the opinion" that to cover its expenditures Canada should advance "credits for war purchases," a plan that Brand urged on the government and in speeches to Canadian Clubs in Toronto and Ottawa in December. Credits were needed for the "long struggle," he claimed. But a one-time use of $50 million would last Britain "just 48 hours" and all subscriptions to the loan "just 110 hours."[57]

The form of imperial credits quickly took shape. Following the conclusion of the war loan on 30 November, White had pivoted to its use, exactly as the critical state of munition funding came to a head. That day, White's department issued a release indicating that the excess would be advanced to Britain. On 2 December, he met with a committee of the Canadian Bankers' Association to discuss establishing credits. Two days later, he offered to lend the British $40 to $50 million in instalments, Canada's first credit to the imperial government,[58] an advance that underlined when and how future loan campaigns would be conducted. On 16 December, in a preparative address to the Toronto Board of Trade on financing war orders, White broached the idea of a "co-operative plan" whereby Canadian firms that made munitions or supplied matériel to Britain or France would accept British exchequer bonds in "part payment," due after the war, a means that would bypass unfavourable exchange rates.[59] As details were thrashed out over the coming months,[60] White, who disclaimed long-term financial responsibility, would repeatedly deny that he was under any constitutional obligation to furnish funding, arguing that such funds, provided on moral grounds of imperial solidarity, would be best arranged on a basis of clear understandings of Canada's capabilities.

The loan to Britain was viewed in Britain as a complete reversal. "Thus after having figured year after year as our constant and heavy debtor, Canada has suddenly transformed herself into a creditor of Great Britain," the *London*

Economist observed on 18 December. "That perhaps is the most surprising economic *volte face* caused by the war."[61] Parallel to munition funding and the creation of "reciprocal accounts" was the first imperial advance to Canada in the fall of a £30 million loan for paying and maintaining Canada's overseas forces, to be doled out at the rate of up to £2.5 million a month.

1916

The funding from Canada's loan was spread over December 1915 to February 1916. By March, Canadian advances had absorbed almost all the available loan funds, just as Brand and Britain's chancellor continued to push the Dominion. White then closed the door to Flavelle on further funding, with the recommendation that he approach the banks, an arrangement that White facilitated. As a result, a renewable loan would fund production from April through June. The first direct munition loan by Canada's banks provided $50 million under an agreement of 31 March 1916 between White as minister of finance and the Canadian Bankers' Association, representing twenty-one banks; another $26 million was divided between 1 May and 1 June. Essentially, the finance department advanced millions in treasury bill certificates to the banks to fund production on the strength of short-term British treasury bills held at the Bank of England to the order of the minister of finance.[62] Such was one reality of transatlantic war finance.

The arrangements for these munition loans were difficult for White, too, because of pressure from the banks to sustain their liquidity before a second domestic loan. A key piece of reciprocal funding had fallen into place in June, when Britain offered to advance $150 million for the use of Canada's army in Europe followed by White's support for a munitions credit.[63] A second munition loan from the banks was made on 30 June, with $12 million paid out on 1 July and the same amount paid out on 1 August. To make the loan attractive to the banks, White was later persuaded to drop the rate of repayment on the British Treasury's bills deposited with his department from the 5 percent set in the Finance Act to three and a-half percent. The treasury's requests in August for continued funding were again refused by White, just as he was concluding arrangements to pay down Canadian indebtedness to Britain in a plan that he had put to the treasury's representatives in New York the previous fall during the Anglo-French loan talks.

A complication was the matter of exchange rates. Since Canada had raised loans in New York, and given that munition contracts in Canada often involved American subcontractors,[64] the exchange rate between the British sterling and the American dollar was strongly affected by Canadian actions. Pressed by the Allies' ongoing financial demands, the British Treasury, at the peak of the crisis, called on Canada to assume the entire cost of the Imperial Munitions Board's production. It launched a campaign through Brand to bring White to Britain so that he might gain a fuller understanding of the treasury's financial problems, sort out the IMB's needs, and discuss the triangular arrangements involving the use of Canadian securities in purchases from the United States.[65] White was loath to go. Running through the campaign were efforts by Brand and Flavelle to accommodate a sensitive minister's notions of personal control, Canadian priority, and need for consultation while, in Brand's case, explaining to treasury officials Canada's positions and separating them from American needs in the context of inter-Allied finance. From the time the IMB had been formed, Flavelle and Brand had both monitored federal finances and the capabilities of Canada's banks.

Munition funding was just one of the substantial challenges facing Canada in 1916. Reluctant to call the election due that year, Borden had the imperial government extend the life of Canada's Parliament to 1917. In Europe, the Battles of St. Éloi Craters in April and of Mount Sorrel in June, along with the failed offensive on the Somme from July through November, would consume vast tonnages of shells, necessitating another major munition drive, for which there was inadequate capacity in Britain. At home, the Somme rendered more floods of casualty lists, in turn generating ingenious appeals for new enlistment. On 31 December, Borden announced an expansion of Canada's military forces to half a million. There would be financial consequences.

At the beginning of 1916, the newly knighted Sir Thomas White grappled with a host of internal problems: his conflict with Samuel Hughes over spending and the militia minister's growing distance from the government over substandard equipment and procurement;[66] railways at the brink of failure; and the demands on the Department of Finance, which had to add staff mainly to process the September war loan. Despite the formation of the IMB in November, much criticism of war profiteering landed on White's doorstep.[67] In the Commons, which resumed sitting on 12 January, the Opposition also began pressing him for an accounting of Canada's share in paying the Canadian Expeditionary Force overseas. Canada bore the cost (paid through Britain), but since Britain and Canada (which paid for Britain's munitions and foodstuffs) worked through a system of reciprocal credits, many costs and adjustments could not be determined. The costing of supplies was a distant matter handled in Britain by the War Office and Canada's high commissioner (and later by Canada's Ministry of Overseas Military Forces). Moreover, the IMB, even with a new system of accounting, was a British body, beyond scrutiny in Canada. White disclaimed any responsibility for its expenditures.[68] Complicating the situation was the ineffectiveness of Parliament's public accounts committee and the overworked office of Auditor General John Fraser. In support of White's claim on Canada's cost load, Borden would state in May that all expenditures had been authorized by orders-in-council, a position undermined by Fraser's critical testimony on unauthorized sales of munitions and White's seeming disregard.

Financial strain showed. White's erratic behaviour in Cabinet, including, Borden observed in February 1916, his "mania for talking,"[69] did not deter his focus on his next war budget, his third. In the lead-up, praise and cover for White were provided in the Commons by Borden, his bulldoggish solicitor general, Arthur Meighen, and others. In the prior estimates, the government had included funding for military pensions, certain to be a factor in long-term financial calculations. As usual, White first floated his budgetary proposals in Cabinet; on 12 February, Borden noted, "White's budget quite radical in its retrospective taxation of war profits. He expected Council to balk but on the contrary they urged him to go farther."[70] In the budget, presented on 15 February, White reminded the House that the previous year, the second War Appropriation Act had been for $100 million. Now, another was needed in order to authorize $250 million. With imperial funding shut down, financing would have to be found in Canada. Future prosperity, he rationalized, would allow Canada to place the costs of the war – debt accrued from interest payments on bonds and domestic loans – in the hands of posterity "as a legacy and reminder of the waste of war." The economic argument here, which was questioned in the press in 1915 by experts such as Brand, would be further challenged at home by finance critic Alexander Kenneth Maclean and by Oscar Douglas Skelton in 1918.[71] His 1915 article on federal finance had already brought the decades-old debate over income taxation into a wartime context.

On matters of war taxation, the government "followed, rather than led," historian Shirley Tillotson observes.[72] In a disputation that went back at least to Liberal arguments in the 1870s, White expressed his belief that "heavy individual taxation" would discourage immigration and penalize success. But in the government's first, cautious foray into the field of direct taxation – a partly politically inspired innovation that reflected the war-profits tax introduced in Britain in September 1915 and that could not have been contemplated in the slow economy of 1914–15 – business profits would be taxed retroactively. The tax would go on to produce 80 percent of direct-tax revenue during the war. The *Globe* thought the move "revolutionary."[73] Designed more to meet criticism and to show the government's displeasure with profiteering and less to generate revenue, the tax was to be calculated by a new bureaucracy from self-assessments submitted by businesses. Business contributions did not end with this tax. "To provide a market for the securities of Canada issued in consequence of the war," insurance companies would be obligated to maintain fixed levels of investment in Canadian securities, which could include war bonds and debenture stock. In debate over the Life Insurance Companies Investment Act, White countered Liberal revulsion over such "compulsion" with the easy retort of wartime necessity. In addition, to facilitate saving and investment by the public between war loans, short-term debenture stock would be authorized in sums of $100 at 5 percent for "war purposes." The issue would be strategically launched in early October as part of the finance department's program of small investment.

Wrangling over the budget lasted into April 1916. At one point, White floated the view that in wartime "the minister finds himself in the position of simply doing the best he can." In a fierce defence of spending, he extolled the merits of domestic war loans, an option that he had left open in the budget. Maclean agreed with domestic borrowing, but calling a spade a spade, he concluded that the 1915 loan, "while widely subscribed, was not in the real sense a popular loan," a view that had many adherents.[74] White's input ranged from the intricacies of taxation, to his expansive thoughts on policy, to market-shaped views of the domestic and New York loans, to the necessity for public debt. Bank holdings of war bonds, he noted with satisfaction on 16 March, had been reduced "because there has been a good demand for the loan, and it has gradually been absorbed."[75] That month, the Canadian Bankers' Association had agreed to remove the minimum price on the sale of bonds. In Parliament, White, who was also the government's House leader, ignored opposition calls for financial reorganization, including a "national bank of re-discount"[76] (an incipient central bank). According to finance journalist and White admirer Wellington John Jeffers, the minister long believed his department functioned as a "central bank" during the war.[77] Nor does he appear to have been swayed by the arguments and alternatives voiced in business circles on the profits tax.

Sticking to known avenues, including borrowing, White articulated a policy on war finance based on three guiding principles:[78] borrow well in advance, even at high interest; avoid short-date loans wherever possible; and curb expenditures. In March 1916, he claimed in the Commons that he had never believed in a short war, although one, two, or three more years would be catastrophic, culturally and economically. In practical terms, he stated in his February budget that "the Government is financed until the beginning of next summer."[79] In short, he was thinking ahead four months, with an eye on future maturities and debt payments and conforming, as he later explained, to the maxim "that nations pay for wars as they go along."[80] With the budget tabled, the government passed statutes authorizing its main financial measures: the Public Service Loan Act (the New York loan), the War Appropriation Act, and the Business Profits War Tax Act. Subsequent orders-in-council authorized specific funding. In March, part of the $75 million loan, to be negotiated in New York through the Bank of Montreal, was to cover one-year government notes coming due on 1 August. In July and August, temporary loans were made from the banks. A £22.3 million imperial advance was secured in August for conversion into a bond issue in dollars for use as collateral on the imperial account in New York.[81] September would see another Dominion War Loan, this one for $100 million, to be followed the next month by dominion stock of $50 million and in December by a $50 million loan through the discount of treasury bills. In addition, there were more imperial advances for munitions, aircraft, ships, and rails, as well as for the recurring conversion of loans. Throughout 1916, the New York money market was being heavily tapped by Britain and France, with Canada in the mix both as an issuer of bonds to the British Treasury (against Canada's indebtedness), which were sent to New York, and as a holder of gold reserves on which a portion of Allied purchases were predicated.[82]

By the spring of 1916, with the munition funding crisis building and uncertain that the success of the first domestic war loan could be duplicated, White had accepted the necessity for more New York money. The one-year notes from the 1915 loan there had to be refunded. Publicly, he called it "one of the most useful loans that had ever been placed by the Government of Canada,"[83] an estimate, he felt, that situated Canada well for the New York loan of March 1916. It was quickly taken up, although he had to agree to take no more New York issues until after 31 March 1917. Critics felt that White had priced part of the issue too low, a misstep that he attributed to the fickleness of the New York market. Normally, he paid close attention to pricing and interest calculation, although Flavelle, a vigilant analyst, saw risk in the minister's focus on just getting the money. He suspected that White sometimes, "while desirous of being of service to us, wants to preserve the strength of the banks for his own loan." Moreover, he told Brand, "His policy is to keep liquid, electing to take money when he can secure it, and treating as inconsequential the interest he will have to pay on unused balance."[84]

Administratively, both the war-profits tax and the domestic loan had repercussions for the Department of Finance, where the needed staffing continued to grow. Business profits required time-consuming ascertainments of capital and earnings, as well as assessments. By early May 1916, to begin determining profits and working from commercial agency publications, it had begun listing firms likely to be assessed. Tax officers fanned out across Canada. The retroactive feature – any accounting period ending after 31 December 1914 – meant additional work. The tax generated mixed reaction in the financial press, but the majority of businesses were supportive. Conversely, the financial contribution of this and other direct taxes would meet only a small portion of

Canada's war expenditures. By 31 March 1917, war-tax revenue had increased sevenfold over the course of a year to $14,242,654.33. (Not until 1920 would the public accounts begin to break down the sources of such revenue.)

Major components in this structure were the crisis over railway finance and ownership and the unrelenting need to sequentially fund munition production. To address the railways issue, in July the government appointed a royal commission that included Sir Henry Lumley Drayton of the federal Board of Railway Commissioners.[85] For munitions, imperial advances to Canada required ongoing, behind-the-scenes adjustments of accounts and conversions, partly to redirect funding to Britain's account in New York. On 1 September, Canada converted £22,324,295 11s. of its debt into two Canadian bond issues of three and a-half percent and four and a-half percent, together worth $107,612,029.53. These arrangements, which would also fund Canada's indebtedness created by imperial advances reaching back into 1915, were detailed in an order-in-council of 28 August 1916:

> In view of the necessity in which the Imperial Government finds itself of obtaining dollar securities as collateral for bankers' loans in the United States of America, the Minister of Finance has effected an arrangement under which the above temporary indebtedness will be funded and the Canadian Government give to the Imperial Government bonds of the Dominion of Canada bearing the same rates of interest and having the same maturities as the three and a-half percent and four and a-half percent war loans against which the advances are earmarked.[86]

The bonds in turn were sent to Britain's agents in New York. After July, focus had shifted to the next domestic loan.

In Toronto, the *Globe* was not alone in its claim in August that "there are few in Canada who do not yearn for some opportunity of helping to smash the enemy."[87] Editorials, social columns, analyses of bank deposits ready, and advertisements by security firms all anticipated the loan's announcement. Sir Frederick Williams-Taylor had urged White to go the domestic route. The pushy president of a major insurance company, Thomas Bassett Macaulay of Sun Life, pressed the minister for a discount on the issue price that White expected, claiming that only "intense patriotism" would compel his company to pass up more profitable mortgage lending. White resisted such requests.[88] In July and August, to shape the loan and its market, he had first contemplated a special income tax on all non-Canadian securities held by Canadians. Apart from probing the viability of an income tax, the measure, which would never materialize, was meant to benefit the exchange situation, force the liquidation of foreign securities, and "preserve the Canadian market for purely Canadian securities."[89] White urged investors to forgo foreign securities, including Anglo-French bonds and the upcoming British War Loan, in order to save for the dominion loan, which was finally announced on 9 September.

To ensure its success, White had called on the banks to commit in advance. On 5 September, the executive of the Canadian Bankers' Association obliged, agreeing to $50 million, "if required," as White would explain in the Commons.[90] However, underwriting would prove to be unnecessary. (Actual subscriptions from the banks, twenty-three in all, would be $52,025,600 before allotment.)[91] The details of the loan, what the *Globe* called "Canada's financial mobilization" and Borden dubbed "White's loan," were made public on 9 September. By then, he was wed to deficit financing and borrowing from the public as the primary thrusts of the government's revenue structure. Bolstered by the eager involvement of the newly formed Bond Dealers' Association of Canada (BDAC), whose interests included direct negotiation with White on advertising, marketing, and commissions,[92] the campaign to raise $100 million ran from 12–23 September. From the perspective of the British Ministry of Munitions, the loan was crucial. (By November, 40 percent of Britain's war expenditure was being spent on supplies from North America.) From the loan, White "offered to assume part of the burden on munition expenditure by an advance of $50,000,000 to be paid in equal instalments in November and December."[93] On 27 September, following more talks with the bankers, White cabled the British chancellor of the Exchequer informing him of the advance.

The issue was for $100 million, with an allotment limited to that amount. Bonds would be sold in denominations of $100, $500, $1,000, and $5,000. The issue price of 97 and a half (meaning 97 and a half cents on the dollar) and rate of 5 percent (with an expected yield of 5.30) were the same as 1915, as was the tax exemption, but some terms changed. Instead of a ten-year maturity, the bonds would be for fifteen years, an attractive feature for long-term investors. Unlike the 1915 bonds, which were payable in silver, principal and interest would be payable in gold coin, a new attraction also meant to shield investors from any devaluation of currency. However, whereas the 1915 loan payment could be paid over six instalments, the option in 1916 was tightened to four, the last being due on 15 December 1916. Fearful of any interference "with possible operations later on"[94] and keenly attuned to the bond market, White declined to include any conversion privilege in the issue (an option that would be allowed in the issues of March 1917, 1918, and 1919).

Once again, Canadians, mostly institutions, responded: 34,526 subscribers (10,000 more than 1915) subscribed a surprising $201,444,800, of which the government, with a preference for those in the lower ranges, allotted $106,706,200,

Dominion War Bond with interest coupons attached, 1916. This bond features vignettes of the Governor General the Duke of Connaught and his wife. | Bank of Canada Museum, NCC 2002.072.004.

at a cost of $3,539,410, including an increase in advertising costs and, noticeably, a doubling in the commissions paid to banks and brokers. The price of the issue and the longer term had been attractive – too attractive, White later reflected.[95] Unlike in 1915, the loan was scrutinized by the financial press and local newspapers eager to publicize regional response. In 1916, as in 1915, the most popular bond denomination by far was the $1,000 bond, not the smaller ones aimed at the small investor. (Today, the $1,000 bond would cost $20,920.)[96] With allotment completed, active trading began. The *Financial Post* had already concluded that it would take time for it to be absorbed, with millions being bought for resale and dealers taking large blocks to meet anticipated demand.[97] As well, financial institutions began melding bonds into their portfolios of assets and operations,[98] with the Manufacturers Life Insurance, for one, advertising its readiness to accept bond interest as payment on insurance policies and banks offering loans to purchase bonds. White would later explain his department's rationale on the loans of 1916 and 1917: "In each case we took only the amount asked for ... This policy kept the market firm and enabled us to obtain better prices for succeeding issues than would have been possible had we accepted all subscriptions and left no residue of buying power on the market."[99]

Throughout the campaign of 1916, which consumed just part of White's time, his attentions bounced between the threat of railway bankruptcy, tensions within Cabinet, and the formation of the Ministry of Overseas Military Forces, which would lead to new financial arrangements abroad. During and after the campaign, White's department expanded yet again to handle the loan. In October, before leaving on a trip to England, he hosted a meeting on the formation of a special committee of bankers for the systematic promotion of savings and a meeting of the National Service Board of Canada to broadly promote agricultural and industrial production, savings and thrift, and recruitment. Intended to support this thrust were the introduction of war-savings certificates (a new class of government security) and the sale of the debenture stock announced in the February budget. On 24 October, prior to embarking and without a hint of the tortuous path of munition funding, White's address to the Halifax Board of Trade firmly tied this funding to public engagement through the thrift program: "If we can give them the money we can get all the orders we want and more, but we must save."[100]

White had a busy time in England: a visit to the Royal Navy's Grand Fleet, his investiture at Buckingham Palace, a meeting with the newly formed Canadian Army Council, and an interview by the *Times* on Canadian finance and the Imperial Munitions Board. He was accompanied by Flavelle and Lord Thomas George Shaughnessy of the Canadian Pacific Railway, whose securities and advances were part of the schemes that made up White's big picture. At a luncheon in his honour at the House of Commons, Chancellor Reginald McKenna (who feared Britain's financial collapse) heaped praise on his handling of reciprocal finance.[101] Among other conferences, he attended a meeting with High Commissioner Perley, who learned of White's plan to launch an adjunct "savings Campaign" to raise money.

In a letter to Flavelle in November, White saw only two viable methods of public finance: the "dangerous" route of overdependence on the banks, which were accustomed to issuing short-term securities, or what he now saw as the "sound method" of citizen investment, as he had explained in Halifax and seen in two domestic loans.[102] During a side trip to France, he got the vague impression from General Sir Douglas Haig that "all is well on the western front." Less conspicuous than White during the visit to England was Canada's auditor general, the aging John Fraser, who, probably with White's involvement, aimed to address the tangled state of accounting that surrounded Canada's share of the cost to supply its troops. Supply and pay were beyond White's purview, except where they occurred in calculating offsets and balances in dominion-imperial advances. Negotiations, and the sheer difficulty of ascertaining true costs, led to an agreement that fall to lower the troop per diem from 9s. 4d. to 6s., which would be announced in Canada the following February.[103]

On the return trip to New York in December, White regaled Flavelle with his changing views on finance and the Imperial Munitions Board. Although he had been held back from the front lines in France, his visit would lend gravitas to his subsequent speeches on finance. Back in Canada, where Cabinet turmoil had included Borden's sacking of Hughes, White faced talk about the formation of a national "coalition" government and rumours of him becoming prime minister should Borden resign.[104] At the same time, few were as staunch in their support of the government or publicized Canada's financial needs in such relatable terms as White. At his meeting with bankers on 11 December, it was understood that another domestic loan would be needed in 1917. Four days later, the Canadian Bankers' Association, on behalf of twenty banks, agreed to provide munition funds of $50 million over the months of January, February, and March – the banks' third munition loan. In exchange for dominion notes, they accepted as security "tailor-made" one-year treasury bills payable in gold. They could not be sold, but if pledged elsewhere, they first had to be offered to the department.[105] In fiscal 1916–17, the government would utilize treasury bills totalling more than $130 million.

Following his return, White, in addition to mounting the thrift campaign, resumed discussions with a vital new ally, the Bond Dealers' Association of Canada. Jumping at his suggestion that it form a consultative committee on financial matters, the association boldly proposed on 19 December that it should handle the next war loan on an underwriting basis. On 4 January, it laid out features to be put to White: a loan of $150 million, a doubling of the commission rate to half of 1 percent, one quarter of 1 percent for American brokers but only on applications through Canadian brokers, and confirmation of "recognized brokers." Although White was pleased with the December accords, his correspondence from the last weeks of December and into January is tense: mediating between the banks and imperial officials, defending Canada's financial position, and explaining the intervals of three to four months between funding drives. On 28 December, Borden, back from a tour of western Canada, found his changeable minister in "good form."

At a crowded assembly sponsored by the Toronto Board of Trade at Massey Hall on 18 December, White, whose repute in Ontario now bordered on celebrity, had again made the case for Canada to bear its own burden. The audience was receptive, but Flavelle found his call for public saving wanting. The minister, he wrote, had missed the chance to tell people how they could "share in war service at home … White is one of the able men who wants to do all the work himself." There was some truth there, but Flavelle concluded that "White seems to centre finally about the right place, but in the process of getting to that point he is a sore tax upon those who have to live with him."[106] Although White was preparing to spend more money than ever in 1917, he remained resistant to the swell of advice on how to make domestic loans into popular loans. His speechifying and incremental steps nonetheless were serving to nudge Canadians toward closer engagement. In the international context, Allied borrowing in the United States was being constrained by America's Federal Reserve Board, a tremor that, in Canada, intensified recognition of the need for more internal borrowing.[107]

The movements for thrift, savings, and greater production had taken hold on the home front early in the war. Governments at various levels began promoting food production to boost output amidst calls for thrift and the integration of Canadians into the war effort,[108] but these campaigns met with indistinct results. As early as December 1914, White had been hammering in the message of greater production. In January 1915, the Department of Agriculture launched a series of lectures, newspaper advertisements, and publications to push that goal. Its booklet *Patriotism and Production "More Than Usual": Agricultural War Book* contained an article by White on thrift as a duty.[109] However, belief in its salvationist value was not shared by all. In 1916, Henry Taylor Ross, an assistant deputy minister in White's department, found thrift campaigns of minimal practical use; brassier methods were needed.[110] Through 1915 and into 1916, agriculturists and rural Liberal politicians derided generalized lectures on improved farming, citing a range of impediments. Still, some rural regions did see greater production, and some households responded to the thrift gospel. Parallel paths of promotion and reservation will be detected in the public's response to finance.

Within the Department of Finance, White faced a flow of letters and editorials calling for small investment, something less than a $100 bond. Additional pressure came from public awareness of Britain's war loan of June 1915. In Canada, the first appeal was made to private saving. In March 1916, the Department of Agriculture issued another "war" booklet, *Production and Thrift: Agricultural War Book,* which, with quotations from White and through other means, linked production, thrift, and national finance. The following month, the Departments of Finance and Agriculture began a joint advertising venture in the newspapers for thrift and production. "Your savings will help Canada to finance the war," read one ad.[111] In October, White, connecting the dots, announced his own committee of bankers to formulate plans for a dominion-wide campaign that would urge savings and thrift as well as to promote the war-savings certificates, designed to attract "those of slender means." (A £1 certificate selling for 15s. 6d. had already been introduced in Britain in June.)[112]

On 7 October, the finance department had begun the sale of debenture stock, not in units of $100 but $500, prohibitive for many. The three-year 5 percent stock could be converted into any future war-loan issue and was designed as a middle-range investment, a complement to the unreleased war-savings certificates. The debenture stock was in part meant, reasoned the *Journal of the Canadian Bankers' Association* (Toronto), to prevent war bonds from rising above a price of par (100).[113] According to one optimistic departmental release, September's war loan, the debenture stock, and the certificates "should bring to the Treasury a steady supply of funds sufficient to meet all war demands without recourse to any future loans outside."[114] The following month, arrangements were completed with the Canadian Bankers' Association for banks and post-office savings branches to create war-savings accounts for deposits made toward the purchase of certificates.

Whatever reservations White may have had, it was publicly acknowledged at the end of 1916 that sustaining reciprocal funding required ever-greater public mobilization. In his grandiloquent speech at Massey Hall in December, White conveyed the sobering conclusion of Sir William Robertson, chief of the Imperial General Staff, that the war was not half over.

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