

certain, will involve further borrowing, a policy which, though a necessity, is highly to be regretted. It will be remembered that, some time ago, we stood almost alone, in calling attention to the very large number of subsidies, involving many millions of dollars, which had been granted to railways and other public works, the need for which is problematical, and which, certainly, the Dominion at large was not called upon to grant, as they belong to a class of local improvements justly falling upon the several provinces or municipalities in which they are situated. In view of a declining revenue from relaxed Customs duties, which was foreseen to some extent, and at least a probability, the extension of so large a number of subsidies was not advisable. We trust this policy will be abandoned until the public finances are in a more favorable condition. While the revenue has been falling at the rate of \$400,000 per month, the expenditure has been increasing at the rate of \$82,000 per month. Should these conditions continue for the balance of the year, the deficit will run up to much over \$5,000,000, probably it will be one of the largest on record since Confederation. The position calls for the earnest attention of the Government, more especially in regard to expenditures, the reduction of which is most urgent. The December returns, just in, are more favorable.

Newfoundland then and now

If Newfoundland is annexed to Canada, it will not be the first time the Island has had very close political connections with this country. What forms now the northeast part of this Dominion was annexed to Newfoundland in 1763; in 1774 the connection was broken; in 1809 it was restored; and in 1825 a final break was made. Prior to Confederation, attempts were made to bring the two colonies together, but the people of the Island treated Canada much as some maiden of an ancient race might treat a suitor who was a *parvenu*. In 1869 the local assembly, by a vote of 19 to 8, rejected the terms proposed for the Island entering into Confederation, the popular feeling was thus expressed: "The people of Newfoundland shrink from the idea of linking their destinies with a Dominion in whose future they see nothing to inspire hope, but much to create apprehension." At that time the population was 146,500, the imports being \$6,900,000, and exports \$6,500,000, a large trade for the number of people. To-day the population is 219,000, but the imports and exports are little larger than 25 years ago. Practically Newfoundland has stood still for nearly 40 years in the volume of its commerce, and its per capita wealth was less prior to the panic than in 1854. Yet the people literally disdained to join Canada because our future was hopeless, if not even alarming! The reason for holding aloof from us cannot be explained on political grounds, but can be easily understood if we consider the commercial conditions of the Island, which are peculiar. The main portion of the business is carried on by British firms, the Island may be said to be exploited for the advantage of foreign merchants who

buy the fish whence the resources of the people are derived, and pay for it by goods they have brought out from England. In general terms, the Island trade is a barter of cod-fish for food and clothing. A native of Newfoundland, who owns fishing smacks, informs us that the people are ground down between the upper and nether millstones of foreign merchants, who, being the only capitalists, are able to dictate terms to the fishermen for both what their produce must be sold for, and what they must give for provisions, clothing, boat tackling, etc. The objection to the Island entering Confederation arose from a fear that these conditions, so profitable to English firms, would be seriously altered to their disadvantage by Newfoundland joining the Dominion, as the tariff such a change would involve would tend to transfer the business of providing the people with food and clothing from England to Canada, and would otherwise interfere with a local system of financing and trading that enriches non-resident merchants, but keeps the Islanders poor. Recent events have roused a strong feeling against those who maintain this system amongst the fishermen, small traders, and workmen; but whether they will have independence enough to openly revolt against their masters, who are their creditors and employers, is somewhat doubtful. Into the French shore question we cannot enter, but it will be essential to Canada taking the Island into union, that the soil of Newfoundland be free from any claims of possession by France, the Dominion must have absolute sovereignty over every inch of its territory. When that is assured we shall rejoice to welcome the Island, as we are convinced the union would be of very material advantage to both peoples.

Taxation of factory plant.

A perplexing problem is presented by the question of taxing the plant of a manufacturer. A protest has been made against this, on the ground that, as a rule, the machinery, patterns, special tools, moulds and other appliances of a mill or factory have practically no market value,—that is, no *selling* value. There is more truth in this than people not familiar with such matters are ready to admit. Let any factory stop work, and buyers be asked to bid for the equipment, it is invariably the case that machinery, etc., which have cost a large amount, are held to be nearly worthless; what has cost a dollar is sold for a cent. The plant of a large concern in England that cost \$500,000 was recently sold for \$100,000, on condition it was put into good condition, and latest improvements made, which ate up \$75,000, so the plant netted only 5 per cent. on its cost! Every industrial enterprise is under this contingency. It seems then not equitable to levy taxation on plant, which is capital, except at a very heavy reduction on its nominal value if at all. The taxation of a manufacturer's capital is likely to make him consider whether he cannot work more economically in another location, and is apt also to deter others from settling in a city where they will be subject to such an impost.