

AGRICULTURE
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The Journal of Commerce

Vol. XLI., No. 8

MONTREAL, TUESDAY, FEBRUARY 22, 1916

Price Ten Cents

The Journal of Commerce

Devoted to
CANADIAN INDUSTRY, COMMERCE
AND FINANCE.

Published every Tuesday Morning by
The Journal of Commerce Publishing Company,
Limited.

35-45 St. Alexander Street, Montreal.

Telephone: Main 2662.

HON. W. S. FIELDING,
President and Editor-in-Chief.

Subscription price, \$3.00 a year.
Single copies, 10 cents.
Advertising rates on application.

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Special Articles

Germany's Failing Food Supplies.

By W. W. Swanson.

Composition of Bread from Different Kinds of
Flour.

By R. Harcourt.

Ropiness in Bread and Flour.

By Otto J. Freed.

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The Budget

FINANCE Ministers in all parts of the Empire have to undertake the uncomfortable duty of providing very large amounts of money for the war service, and in some quarters they are obliged to find new sources of revenue. The payment of taxes is not at any time the most agreeable part of our lives. The prospect of facing additional taxation is not a pleasing one. But in Canada, at least, the Minister's task is somewhat lightened by the chastened condition of public opinion. The enormous cost of the war is obliging all of us to think in millions. There is a gratifying disposition to be not too critical and not too rigid in adherence to particular ideas as to forms of taxation. The war must be carried on; Canada must do her part loyally and promptly; and almost any method that may be deemed necessary by those in authority to raise the money required can be proposed with the certainty that it will be fairly and not too critically considered.

Ordinarily a Finance Minister in Canada relies chiefly on Customs and Excise tariffs as the readiest means of providing revenue. Sir Thomas White, it appears, has come to the conclusion that these tariffs are now working to about their full capacity as revenue producers, and that therefore new forms of taxation are necessary; and he has chosen a business tax as the most suitable form. To a certain extent this is a tax on wealth, for much of the wealth of the country is invested in business enterprises. It is upon wealth that new taxes must chiefly fall. Many, however, will find a field for criticism in the fact that it is wealth in its most active and productive form that is to be taxed, while inactive wealth escapes. Business activity, as represented by the capital employed in industry, is to be taxed, but the wealth that is in the form of mortgages and bonds remains free. In the smaller classes of business, which are exempt from the operation of the new taxes, an exception is made respecting the makers of munitions, that is to say, that class of business, whether large or small, must contribute, while in other lines the smaller concerns are exempt from the new burdens. It is to be regretted that the Minister did not carry this discrimination into the larger operations, so that those not engaged in the production of munitions might either be wholly exempt or be taxed at a lower rate than the others. That the very large profits made by those engaged in the making of war supplies should be called upon to contribute substantially was fully expected. That class of business can well stand the tax. It is not so certain that business of a more general character can do so.

The retroactive character of the proposal is a good ground for objection, except per-

haps in the case of the munition makers. These had very large profits during the past years—larger, probably, than they will have in the current year—and the retroactive provision doubtless was designed to reach them. But the general application of the tax to business from the beginning of the war, Aug. 4, 1914, is likely to be the cause of considerable trouble, affecting, as it does, parties interested in transactions which were long ago settled and closed.

The Minister has endeavored to define what is "capital" for the purposes of his scheme, but the definition, as it stands, will not work out equitably. The holder of a watered stock, which has now become profitable, will escape the tax, because his dividend is less than seven per cent on the par value of the shares, but on the price he paid—if there was originally any price—his dividend is fifteen or twenty per cent on the real capital invested. While this lucky fellow escapes, the holder of shares of a more substantial character, purchased at a high premium, is taxed, because his dividend on the par value is eight or ten per cent, though in reality it is only four or five per cent on his investment. This is one of the most vulnerable parts of the Minister's plan.

These and other features of the scheme will no doubt, be fully considered, while the resolutions are passing their several stages, and there may be amendments which will meet some of the objections that are raised. There will necessarily be criticisms of the details of the measure. But the need of the increased taxation will be frankly recognized, and there will be a general disposition to accept the additional burden cheerfully as an unavoidable consequence of a war in which Canada must play its part bravely.

The Divorce Debate

MR. Northup is to be congratulated on the earnest, though unsuccessful, efforts that he has made in two sessions of Parliament to arouse the House of Commons to a sense of the need for some better method of dealing with divorce cases than that which now prevails as respects the central and prairie Provinces. It is to be regretted that a larger number of members was not found to participate in the division. In a House of over two hundred members the small number of 39 were permitted to defeat Mr. Northup's motion declaring the present method of unsatisfactory and some improved system desirable. The vote stood 24 to 39.

It is no injustice to the members who formed the majority to say that nearly all the substantial arguments in the debate were in favour of the motion, while against it was a sen-