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TORONTO, FRIDAY, APRIL 8, 1898.

THE SITUATION.

In his Budget speech, the Minister of Finance, at Ottawa, sounded a note of warning against the supposition that the tariff is settled for ten or even five years; permanency, he said need not be expected till the tariff gets down to moderate duties. The changes now made are few in number and moderate in amount. When on the 1st of July, the preference rate of duty will be a deduction of 25 per cent. from the general tariff, preference will be confined to Great Britain, the British West Indies, unless other British colonies or possessions should qualify themselves to receive the benefit by reciprocity of tariff; their tariffs would, in that case, require to be not higher, on the whole, than our preference tariff. The West India tariffs are not protective, even when they are high. We do not, in the meantime, claim from them an exact or measured reciprocity. What we expect to receive from the West Indies are sugar and fruits; and it is hoped that we may increase our exports of fish, flour and lumber, cheese, hams and butter. With the view of assisting them rather than ourselves, we return to the polariscope test in sugar. The interest on Government Savings Banks deposits, reduced last year from $3\frac{1}{2}$ to 3 per cent. is now to be reduced to $2\frac{1}{2}$ per cent. This is done avowedly in the interest of borrowers, and in the belief that the effect will be to reduce the general rates to them. This implies that the banks will be willing to reduce their rates on deposits and also on loans; both will be necessary for the realization of this expectation. Mr. Fielding estimates the revenue of the year at \$89,800,000, and the expenditure, including the expense of opening the Yukon district, at \$88,750,000. This anticipated surplus would balance last year's deficit.

Between the United States and Spain, the Cuban question may, at any moment, lead to war. The Pope has interested himself in favor of peace, and several of the great European powers are ready to do all they can in the same direction. President McKinley has been doing his best to hold in check the impetuous forces of Congress, which would have preferred more precipitate action, which would have led at once to war. In official utterances, rather muffled than outspoken, little has been said of the

explosion of the "Maine," while the disposition in the press to charge the responsibility of the explosion upon Spain has gained ground steadily, from day to day. Great preparations are being made for war; and here the great resources of the United States give her an immense advantage over Spain. Much can be done by money, but not everything. A great navy of the first-class cannot be extemporized; and if war were to break out now, the maritime forces of Spain would be superior to those of the United States. This condition of things would make war costly, in money, ships and men; but the end would leave Spain a wreck, while the great resources of the Republic would be strained, the debt increased, and the pension list reinvigorated.

Intervention by the United States in the affairs of Cuba, it seems, is not desired by the insurgents, who are doing the active work in the field; and the desire that the United States should not interfere is stated on what claims to be unimpeachable authority, to have been communicated to President McKinley. The ground taken by the insurgents is, that Cuba can conquer and maintain her own independence. No question of the United States acquiring the Island has arisen, and the protest of the insurgents may mean that they do not wish any to arise; that they wish Cuba to become and remain a separate independent State.

In the case of war breaking out between the United States and Spain, some war taxes will have to be put on. Beer and whiskey are both marked out for additional rates. The whiskey tax, which stands now at \$1.10 per gallon, would bear a considerable addition, without throwing the trade into the hands of the smuggler or sensibly lessening consumption. Our own experience on this point points both ways; but at least it shows that, if a much higher duty encourages smuggling and illicit distillation, a higher revenue, on the whole, is obtained than a tax as low as that now on American whiskey would yield. The tax on beer, now \$1 a barrel, it is said, might be doubled, bringing an increased revenue of something like \$40,000,000 a year. Still a naval war could not be sustained on such increase as would be possible on the duties on beer and whiskey. The income tax of the war of the rebellion has now been made unavailable by a decision of the Supreme Court. In this way the source of the most prolific war taxes has been dried up.

All hope of saving China from partition having vanished, the question of maintaining the balance of power, in the East, becomes one of pressing interest. For this purpose, Great Britain finds it necessary to obtain concessions. In this she has succeeded. For the commerce of the world she has obtained three new treaty ports, Funing, Tye-Chau and Chin-Wang. Having regard to the balance of power in the East, she has also, with the consent of Japan, obtained a lease of Wei-Hai-Wei, a better maritime port than Port Arthur, which Russia has evidently obtained for other than commercial purposes, the position being strong and on the maritime approach to Peking. The concession is in the form of a lease, containing the same terms as those on which Russia gets Port Arthur. For commercial purposes the British acquisition is infinitely superior to Port Arthur. Through the exertion of Great Britain, access to the inland waters of China has been obtained for the ships of all nations. Germany, on her part, has given assurance that the territory acquired by her, in China, will be open to the com-