

doing the best we can under the circumstances, and it is our intention not to apply for a greater number of exemptions from military service, than we feel to be absolutely necessary.

PRESIDENT'S ADDRESS.

In moving the adoption of the Directors' Report, Sir Herbert S. Holt, President, said:—

Last year I drew your attention to the large increase in the assets of the bank during the year 1916, namely, \$55,000,000, which constituted an unprecedented record. This year I am pleased to say the increase is \$82,000,000. It should be explained, however, that \$20,000,000 of this was due to the acquisition of the Quebec Bank, and a further portion is of a temporary character.

The experience of the past year has fully demonstrated the correctness of the value which was placed on the assets of the Quebec Bank.

The year brought no cessation of the remarkable prosperity enjoyed by Canada since the beginning of the war. While munition orders fell off perceptibly, manufacturing activity was largely directed to shipbuilding. The demand for foodstuffs and war commodities continued to the extent of the country's ability to finance payments for same. Labor is now scarce and, in some cases, inefficient, and wages steadily ascending.

Following the action of the United States Government, the Canadian Government fixed the price of the 1917 wheat crop at \$2.21 per bushel for No. 1 Northern at Fort William. This was the equivalent of the price fixed in the United States. At this price Great Britain purchased 150,000,000 bushels of wheat and also 20,000,000 of oats, approximating \$350,000,000, and to assist in paying for same, \$100,000,000 was borrowed for two years from the Canadian banks. The estimated wheat remaining in the country of 50,000,000 to 60,000,000 bushels will be required for domestic milling and seeding purposes. The sale of this large amount of cereals at phenomenal prices means riches to the farmers and a very substantial increase in bank deposits.

Last year I submitted a statement showing the prices of many commodities at the close of 1916. Much higher prices were recorded during the past year, but some of these relapsed with the United States Government's introduction of their fixed price policy. As Canada imports largely from the United States, we are directly affected by this policy, which should be more favorably received by trading interests, because of its tendency to stabilize the markets and reduce the cost of doing business, were it not for the embargo placed on the exportation of all raw materials without a license except for the production of munitions and war supplies. Widespread injury will result in this country if the prohibition be strictly enforced, especially in regard to coal. While we cannot complain, as we have similarly prohibited exports, it is hoped our Government will be able to arrange to secure outside such commodities for our general requirements as are inadequately produced in this country.

The Canadian Government have so far fixed the price of wheat and newsprint only. In fixing maximum prices, consideration must be given to the necessity of stimulating production.

With a view to the successful prosecution of the war, the Government of the United States are making another important departure in taking steps to bring about a gradual curtailment in the production of articles regarded as non-essential, and diverting the activities of factories, wherever possible, to the manufacture of war commodities. This may appear to be a drastic proceeding, but heavy sacrifices are necessary in order to win the war. The manufacture and importation of non-essential products into this country should be prohibited by the Government. So long as the war lasts, essential products will be in continued demand by the Allied Governments. We know that the end of the war does not seem to be near, and manufacturers should take advantage of this opportunity to speed up their plants to full capacity.

The recent Order-in-Council prohibiting the sale of new issues without a permit from the Minister of Finance, is a wise measure. The Government should go further and prohibit the investment of Canadian money in foreign countries, as it is highly important that the resources of the country should be conserved to produce the maximum of war time efficiency.

TAXATION PROBLEMS.

The income tax imposed last year, which becomes effective on the first of June this year, is a fair and proper tax under the circumstances, and it should not be objected

to in its application. It will reach everyone who can afford to contribute. The business profits tax, however, is unduly onerous and repressive. It has had the effect of antagonizing capital and restricting production.

While we believe the Government's assumption of the powers mentioned is essential to the prosecution of the war and are in duty bound to give our full support, the extent to which the domestic life and liberties of the people are thus affected is a serious matter. Dictatorial powers once assumed are usually reluctantly relinquished, and if we could not trust the Government to annul them when the present purpose has been served, great evil would result.

We were greatly shocked at the recent frightful disaster in Halifax, and sympathize deeply with those who are afflicted by the loss of life, and with the maimed and suffering. This bank will never waver in its attachment to the city of Halifax, where it was founded in 1869, and in which city the Head Office was located for thirty-one years. About one-third of our shareholders reside in Nova Scotia, and the foundation of the bank's success was laid by my eminent predecessor, the late T. E. Kenny, and his associates in the direction of its affairs.

The entry of the United States into the war was the most momentous event of the past year. Her adhesion to the cause of the Allies spells ultimate victory, although some time will elapse before she can be prepared to strike with full force.

The war drags on, and the general feeling is that it will be considerably prolonged, but our stern task must be pursued to a successful end at whatever cost. We may depend upon it that still greater sacrifices will be necessary and that very heavy taxation must be entailed.

THE VICE-PRESIDENT.

In seconding the motion for the adoption of the Directors' Report, Mr. E. L. Pease, Vice-President and Managing Director, said:—

The excellent Statement which we have the pleasure of submitting to-day reflects the prosperity of the country, which has been in evidence since the war began. The subjoined Statement* shows that this has become even more marked during the past year.

While it is our opportunity and privilege to profit by this prosperity, it cannot but detract from our satisfaction to realize that it is due to the abnormal circumstance of the war, and that we are prospering at the expense of the Mother Country, which is the chief purchaser of our products. To the extent that our Government is assessing excess profits and assisting in the prosecution of the war, we are affording relief to Great Britain, but we should aim to prevent the making of large profits out of the war and to protect her from profiteering.

It is unfortunate that our prosperity lacks uniformity, as evidenced by a severe decline in the prices of securities, which has resulted in the establishment of minimum values on the Stock Exchanges, while the prices of commodities are the highest ever experienced. This anomalous situation is due to the absorption of liquid capital by the Government in order to carry on the war. As the standard industrials are very

	1916.	1917.	Increase.
*Value of Field Crops (December 31)	\$ 886,495,000	\$1,089,687,000	\$ 203,192,000
Bank Clearings (December 31)	10,557,188,000	12,552,822,000	1,995,634,000
Note Circulation (November 30)	148,198,000	196,136,000	47,938,000
Chartered Banks—Deposits (November 30)	1,521,349,000	1,813,643,000	292,294,000
Chartered Banks—Current Loans (November 30)	927,399,000	1,010,028,000	82,629,000
Exports—Merchandise (November 30) 12 months	1,073,506,000	1,575,233,000	501,727,000
Imports—Merchandise (November 30) 12 months	744,292,000	1,011,400,000	267,108,000
Customs Receipts	136,159,000	168,266,000	32,107,000