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FINANCIAL

ONE of the questions often asked by unfinancial people is—How long can any one of the great nations at war keep up the financial strain of the cost of war? Since the pre-war ideas of so many economists have been shaken out of their boots by experience, a great many people have tried their hand at solving this problem. One of the latest and most lucid critics on this question is Signor Alessio, quoted by the American Review of Reviews.

Three methods of war financing are cited by the Signor: raising of paper money, war loans, increased taxation. The first is villainous, he says; the safe way is a toss-up between the other two depending on the conditions in any particular country. As Canada is about to float the biggest war loan yet the views of Signor Alessio are important. If the money for the loans, he says, is derived from the savings of those who earn high wages, as well as from the bank credits of industrial enterprises whose profits have been greatly increased, and, as must normally result, the amounts realized by the state are soon expended and find their way back to the favoured class of wage-earners and industrial enterprises, then the process could go on almost indefinitely.

It is easy enough to insist on the apparent inequity of a financial policy based on loans, but this is the only one capable of attaining a definite and satisfactory result. In the present state of public opinion, however much greater may appear to be the sacrifice made by the combatant at the front, when compared with the highly recompensed aid given by the lender of funds to the national treasury, it is nevertheless impossible to secure the large sums of money imperatively needed for war expenses by having recourse solely to intensive taxation. Investors must be attracted by the prospect of eventual restitution, and by the reward of a rate of interest higher than the current one.

In pursuing a different policy, one founded in the idea of forcing unwilling contributions, the desired effects

would not be attained, either in the industrial or in the financial field. If, for example, a very large share of industrial profits was taken by taxation, the development of the industries would be checked, and the efforts of the workers, threatened with a curtailment of wages, would be relaxed. The writer is ready to admit that in richer countries than Italy an intensive taxation can be more easily and willingly borne.

How does Germany keep this thing up when the mark is steadily declin-



When one feels rather in favour of floating a War Loan of one's own.

ing abroad? The value of the mark on foreign exchanges long ago ceased to have any significance; or at any rate passed out of count when the United States went to war. Germany would have kept up the mark value in Wall St. if she could. Now that Wall St. is at war, Germany is clean thrown back upon herself. The value of her coin is of no consequence. She has practically confiscated the entire resources of the country for war purposes and carries on no outside trade. As the value of the mark on foreign exchanges depended on her credit abroad, when the credit is gone the mark value is negligible. That Germany can carry on with no credit is only because she is laying hands on everything the country has. If you are going to have a state of confiscation it makes very little difference what value anybody attaches to any particular coin. If Germany had all the world's gold she would be very little better off for winning the war. What she needs is what no money of hers can go abroad to buy except in small neutral countries.

When Doctors Differ

A FEW weeks ago we published an article by M. L. Hayward setting forth certain facts as to law and finance. A subsequent letter of a Toronto broker criticized this article

in a personal letter to Mr. Hayward, as follows:

Editor, Canadian Courier:

I am in receipt of yours of 14th instant, enclosing a letter addressed to me in your care, which said letter is in the words and figures following, that is to say:—

Dear Sir:

Being interested in the "Canadian Courier" I regret to see that you have abused its columns to disseminate the rotten law laid down by the Supreme Court in the case of Ames vs. Connée. If you are sufficiently interested I would be glad to explain to you how the Supreme Court was uniquely overruled by MacMahon J. in Clarke vs. Baillie. Also how a Divisional Court avoided the same rotten decision in the case of Hutchison vs. Jaffray.

Yours faithfully,

(Sgd.) G. B.

P. S.—The Supreme Court decision was in effect that no speculator in stocks could lose. If profit came he got it, if loss, the broker got it.

The letter was sent on to Mr. Hayward, who has sent his reply, saying:

This letter refers to a brief paragraph in the issue of the "Courier" published on the 4th of August, which gave the facts and the decision of the Supreme Court of Canada in the case of Connée vs. The Security Holding Company.

I am glad to note that Mr. B. does not charge me with mistaking the facts or the law laid down in the case, nor does he allege that my brief article was inaccurate in any way. What he does charge is that the law as laid down by the Supreme Court of Canada in the Connée case, was, to quote his classical phrase, "rotten law," and that I had "abused" the columns of the "Courier" by writing up this "rotten law" for publication therein.

If Mr. B. had claimed that my interpretation of the law as laid down by the Court was wrong, I would endeavour to justify myself, but when he claims that the law as laid down by the Court and as given by me is "rotten," I have nothing to say. I, in company with the rest of the legal

profession in the Dominion of Canada, have always regarded the decisions of the Supreme Court of Canada with a great deal of respect, if not with veneration.

As the Court exercises appellate jurisdiction throughout Canada, and its decisions are binding on all Canadian Courts, any case decided by the Supreme Court is regarded as the "last word" on the point, and definitely settles the law in the minds of the legal profession, at least. When the Toronto broker declares that the Supreme Court is wrong, there is nothing further to be said. The highest authority has spoken; let all others go back and be seated.

As to the case of Clarke vs. Baillie, to which Mr. B. refers, I have already written up that case, and you, Mr. Editor, have the MS. in your hands. If Mr. B. will be patient, and you decide to brave his wrath by publishing it, he will be able to read the article in the columns of the "Courier."

I would certainly be delighted for Mr. B. to tell me how the Supreme Court of Canada was over-ruled by MacMahon J. in the Clarke case, or how a Divisional Court of the Province of Ontario could "avoid" a decision of the highest Court in Canada. While Mr. B. is about it he might also explain how the Mayor of Toronto could over-rule the Governor-General, or the method by which the Selectmen of a Massachusetts Village could "avoid" the official decree of the President of the United States.

I was also very much interested in Mr. B.'s postscript, stating that the effect of the decision in the Connée case was that no speculator in stocks could lose. The headnote of the case as recorded in the Supreme Court of Canada Reports shows that the case decided nothing of the sort.

M. L. HAYWARD.

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