

GOVERNMENT FINANCE.

"I wonder," said the President of the Indomitable Life, "whether our friends in the United States have not perhaps made a mistake in fixing the interest on the 'Liberty Loan' at as low a rate as $3\frac{1}{2}\%$."

"Why not borrow as cheaply as you can?" I asked.

"True enough, in a way, but I have noticed in the course of a long life that one must 'meet the market.' In other words, it is hard to borrow for any purpose whatever if the interest payable is very much below current market rates. You smile that I should state such a platitude, and it is true, thank goodness, that the United States loan, as our loans have been, will be devoted to purposes so much nobler than usual Government issues, that the sentimental side of the transaction will appeal to many who would look coldly at ordinary Government bonds yielding a low rate of interest."

"In other words, you stand on the old law of 'supply and demand?'"

"Exactly; some things *look plausible*, but other things *are true*. I believe in keeping my feet on the solid ground. It isn't reasonable, to my way of thinking, that our Canadian issues should be so tremendously more advantageous to the investor than the United States bonds will be—and *vice versa*. Oh yes, the United States is a vast country, with only a small National Debt, and the National earnings are enormous. I grant all these factors, but don't forget that the present American loan will be, in all probability, only the first of other

kindred issues—which will be put out at a higher rate of interest, I doubt not. I believe that a 4% rate, which might not be exceeded in future issues, would have been better. There is so much, you know, in an overwhelming and immediate response to a call of this kind. It's natural too, isn't it, that the small investor, who probably depends more than you or I imagine, upon the returns from his investment, should hesitate about accepting a marked diminution in his income. He will be tempted to say 'let the other fellow do it.'"

"After all, it's their business isn't it, and the whole thing is settled anyway."

"I know that, but surely one may criticise a friend in a friendly way. Just now I'm thinking of the United States insurance companies that reserve at $3\frac{1}{2}\%$ interest. They will, we know, answer nobly to any call their Government may make, and at a heavy sacrifice to themselves. Our own companies may well be congratulated on the fact that their own investments in Government securities are not only patriotic but exceedingly remunerative."

J. J. K.

WAR INSURANCE TO BE PERMITTED.

An addition to the definitions contained in the new draft Insurance Act gives explosion insurance an additional meaning of insurance against damage "caused by bombardment, invasion, insurrection, riot, civil war or commotion or military or usurped power."



Penniless Old Men

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