to the weather conditions; nevertheless it is apparent that, on the average, a very great increase in the agricultural output is taking place.

CAPITAL USED FOR FOUNDATION PURPOSES.

In considering the credit of Canada, investors should not fail to take into account the important fact that the large amounts of capital recently borrowed in this country have been for what may be termed foundation purposes, and that the amount of capital required in future in proportion to production will not be nearly as great as hitherto. For instance, a main line of railway is a relatively expensive piece of machinery, while a branch line is comparatively inexpensive. Canada will soon have provided herself with all the main lines of railway she will need for a number of years to come, and the additional sum of capital needed for the construction of branch lines will be relatively small in proportion to the increased production they render possible. If Canada succeeds, as we believe she will do, in meeting all the obligations she has incurred in constructing the foundations, her ability to meet her obligations in subsequent years, when the burden of interest in proportion to production and income will be much smaller, will not be in question.

MUNICIPAL BORROWINGS.

It has recently been pointed out that the weakest spot in the financial situation of Canada lies in the borrowings by small municipalities. Doubtless these borrowings will ultimately prove of great advantage, but it would certainly have been wiser for the small municipalities to have waited, and, as it were, muddled along without any heavy burden of interest until they were in a position to borrow without embarrassment. But even the municipalities which may have borrowed larger sums than their rateable value in a period of depression may warrant, may succeed in getting through without serious difficulty. In gauging the strength of these smaller municipalities, it should not be forgotten that the Canadian Government is alive to the necessity of assisting and protecting the credit of the country wherever it may seem to need assistance. Its action in guaranteeing the First Mortgage bonds of the Grand Trunk Pacific and Canadian Northern railways rendered valuable assistance to these two companies in raising the great sums of capital required for their construction. Moreover, its recent action in giving fresh help to the Grand Trunk Pacific and the Canadian Northern railways in completing the construction of their systems is further evidence of wisdom and of benevolence. The Canadian Government has recently arranged for a loan of $15,000,000 of cash at 4 per cent. for 10 years to the Grand Trunk Pacific Railway to enable the Company to complete its lines and to provide equipment. It has also agreed to grant an extra subsidy of $10,920,000 to the Canadian Northern to enable it to complete its transcontinental railway from Ottawa to Port Arthur, and of $3,120,000 in connection with a line of 260 miles from Edmonton to the British Columbia boundary, as well as a normal subsidy of $1,600,000 in connection with a line of 250 miles from Toronto to Ottawa.

GOVERNMENT AND MUNICIPALITIES.

In recent years the Canadian Government has derived a great revenue from its Customs duties, and is consequently in a position not only to assist the railways to complete their transcontinental lines, but to take any other action essential for the credit of Canada. Should it be found that some of the smaller municipalities have borrowed rather more money than they can well take care of under existing circumstances, it is not improbable that the Canadian Government will assist them by some means or other, directly or indirectly, to balance their accounts until their populations and their incomes permit them to take care of their obligations without unduly burdening their citizens.

It is obvious that the effect upon Canadian credit of any inability on the part of muncipalities to meet their obligations would be out of all proportion to the amount of money involved, and inasmuch as the Canadian Government has shown so much wisdom in managing the finances of the country and bringing about a great development at small cost to the people of Canada, we have no doubt that it will, if absolutely necessary, be prepared to grant assistance to the municipalities.

SUGGESTED LOCAL LOANS FUND.

Doubtless the Government will not do this without taking precautions against any subsequent over-borrowing, and will exercise a certain measure of supervision over the finances of all Canadian municipalities in future. This would be in line with the policy of this country in placing a limit on the borrowing powers of municipalities and in rendering assistance to the smaller municipalities by lending them money at a low rate of interest by issuing local loans stock with a Government guarantee. By exercising general supervision over the borrowings of municipalities, and by creating what may be termed a Local Loans Fund for the assistance of the smaller municipalities, the Government of Canada would undoubtedly remove an unexpected source of danger, while enabling the municipalities to borrow on much easier conditions than they can raise money at present. The municipalities are, of course, directly responsible to the State authorities, but, if necessity demands, some arrangement can doubtless be made to employ jointly the credit both of the Dominion and of the Provincial Governments for the purpose of assisting the smaller towns.

C.P.R. BONDS.

Some misapprehension recently arose as to the offer of the Canadian Pacific Railway to redeem in cash £7,191,000 of five per cent. bonds which do not mature until July, 1915. It was anticipated that holders of these bonds to the extent of only about £1,500,000 would accept repayment in cash at once, whereas the applicants for cash reached about £4,200,000. This caused a scarcely anticipated demand upon the Company's bankers—the Bank of Montreal—for about £2,500,000 of extra money. The bonds will, of course, be paid off out of the £21,000,000 of new capital issued by the Canadian Pacific Railway at the beginning of January, and upon which the remaining two instalments of 20 per cent. each are payable in August and October. An offer has now been made to redeem the balance of the bonds—£3,000,000—on January 1 next.

IMPORTANCE OF BANKING SYSTEM.

Canada is indeed fortunate in possessing among its many banks an institution as strong as that of the Bank of Montreal, which, while supplying a large part