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ULTIMATE FINANCIAL EFFECTS OF THE WAR.

Mr. A. W. Kiddy, the financial editor of the London Morning Post, contributes to the current Journal of the Canadian Bankers' Association, a series of suggestions regarding the ultimate financial effects of the war, which deserve attention. He points out that the end of the war will not synchronise with the end of the sacrifices which the Allies, and perhaps, in particular, the British Empire, will be called upon to make. Whether measured in terms of wealth as it is ordinarily understood, or by potential wealth in man power, the position of the Empire at the end of the war will not be where it was at the beginning of 1914. The proportionate power of the United States is likely to have been so vastly increased, as a result of the happenings of the years of war, that for some years to come, Europe will be financially mortgaged to America. Therefore, the full cost of the war and the full effect of the war upon the future economic position of the Empire has to be felt when the years of peace arrive. To regain and maintain the full financial supremacy which the British Empire has so long enjoyed, Mr. Kiddy suggests that three things are essential. One is the absolute necessity, however distasteful, for great economy and retrenchment in the matter of private expenditure in all parts of the Empire for many years to come. The second is the vital necessity for stimulating production in every part of the Empire. And the third is the necessity for the British Empire acting unitedly in the matter of tariffs in such a manner as shall develop to the fullest possible extent, and in the most rapid manner, the resources of every part of the Empire.

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While Mr. Kiddy's suggestion regarding tariffs is likely to provoke discussion, the others will be generally agreed to *nem. con.* Mr. Kiddy's diagnosis of the after-war situation may be compared with the very broad hint, given by Hon. F. B. Carvell before the Montreal Canadian Club this week, regarding future direct taxation by the Dominion. The longer the war lasts, the more obscure becomes the outlook for the period following it. But it certainly seems likely that, in Canada's case, the adverse financial influences of the war will be most severely felt, immediately after it, rather than during its continuance. Thus far the rise in prices has been offset by great industrial activity, additional war taxation has been by no means severe, and only a minority have encountered real financial hardships. With the prolongation of the war, new taxation is now necessary. Sir Thomas White, in his forthcoming budget, will doubtless increase the Dominion income tax; the Excess Profits Tax will be re-enacted and very possibly also, new and additional stamp and excise duties of one kind and another imposed. When the war comes to an end, the Dominion's debt will likely enough be four times what it was in July, 1914, and the average rate of interest payable upon it, will be considerably higher. Without venturing to prophesy how conditions in Canada immediately after the war will develop, the fact is obvious that a comparatively small population will be responsible for the interest on an immense debt (though fortunately the greater part of it will be held at home), and, whether there is a severe setback to Canadian industry or not when the war ends, taxation will have to be continued at a very high level. Commodity prices also will probably remain high. It is possible then that at that time the financial sacrifices involved by the war will be more widely and severely felt in Canada than at any time during the actual continuance of hostilities, although our lot will be a bed of roses in comparison with that of some of the belligerent countries.

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While high prices of commodities combined with high taxation may, however, continue to bear heavily on our consuming classes for some time subsequent to the war, those same high prices will benefit substantially our producers of food-stuffs, which will apparently continue to be in great demand by Europe at high prices long after the war is over. Moreover, our international financial position will thereby be favorably affected. It is obvious that with high commodity prices, a debtor country will pay the interest charges it owes abroad with a less amount of commodities than when commodity prices are low. Similarly, a creditor country will receive less commodities in payment of the interest due it when commodity prices are high than when they are low. Canada is a debtor country and with high commodity prices after the war, will be able to pay the interest it owes abroad with less quantities of commodities than before. The "Round Table" in a thoughtful article on this matter, recently expressed the opinion that in Canada's case the rise in commodity prices will more than counterbalance any increase in terms of money in the amount of the external debt during the war. While the continued prosperity of the agricultural population will have a favorable influence upon the whole, industrial as well as agricultural activity is necessary to a full measure of prosperity, and the extent to which high commodity prices and high taxation after the war are felt as a burden by many Canadians would seem likely to depend largely on the success of the efforts to develop a fresh industrial activity and production, subsequent to the inevitable dislocation at the war's end.