

as a fiscal expedient on the European continent. France, indeed, in its municipal taxation, has for many years calculated tax-paying ability on the basis of "conspicuous expenditure." The householder that could afford to make a conspicuous display of wealth, under this theory, could also afford to pay a relatively heavier tax than those living more carefully. The subject is too big to discuss in all its

details at the present time; but sufficient has been said to indicate that the tax would involve little or no hardship; would be broad in its base, since it would cover so many expenditures; and that it would, above all, induce saving and divert demand from luxuries to necessities. And in checking extravagance, not the least valuable effects of such a tax would soon be apparent.

INTEREST PAYMENTS ON VICTORY LOAN

Amount of Interest to be Paid June 1st Next Approximately \$15,000,000—Fact That Bonds are Largely Held in Canada Facilitates Payment of Interest

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In connection with the Victory Loan there is but one more payment to be made. It is expected that this transaction will be handled without difficulty, as have been the preceding payments. Owing to the large amounts of subscriptions paid in full on January 2nd, the sums to be provided on the succeeding instalment dates were considerably cut down; but on the other hand there were a number of large subscribers who turned in old bonds for conversion and who have been meeting their payments, as they came due, out of proceeds of the converted bonds. These parties, in numerous instances, will require to find cash to meet the May instalments, and possibly there may be a more active demand for loans on that account. Thus in the course of another few weeks the financial markets will have finished the great task of providing the national government with \$400,000,000 of new money for war purposes. Then a month later, on June 1st, occurs the first distribution of interest to the holders of the bonds. This interest distribution will be the most important transaction of this kind which Canada has so far experienced.

Conversion of Holdings.

As there are no details yet available regarding the amount of old bonds converted, it is not possible to give the amount of the pending distribution. However, there were outstanding \$350,000,000 of bonds belonging to the first, second and third war loans; and it appears probable that from \$150,000,000 to \$200,000,000 of these outstanding bonds were turned in. The article on life insurance companies' investments in the war loans recently published by *The Monetary Times*, indicated that in not a few cases the large companies converted all or nearly all of their holdings; and it is understood that the industrial companies, brokers, bond dealers, municipalities, trust companies, and large individual holders generally followed the same policy. The inducement to convert was stronger than on any of the preceding occasions. Net return on the Victory bonds, as offered to subscribers, was higher than on the earlier loans, and in case of the Victory bonds the nominal rate, as printed on the coupons, is 5½ per cent., as against 5 per cent. specified in the first, second and third loans. If it be assumed that \$200,000,000 of old bonds were converted, that would make a total Victory loan issue of \$600,000,000 with annual interest charge of \$33,000,000; and if the conversions be taken as \$150,000,000, the yearly interest would be \$30,250,000. So it will be seen that even with the lower of the two estimates re conversion, the amount of interest payable on June 1st, will be approximately \$15,000,000. No other single interest or dividend payment made by the Dominion government or any Canadian corporation approaches this amount. The nearest approach to it is seen in the Canadian Pacific common stock dividend which calls for \$26,000,000 in four quarterly payments of \$6,500,000 each. In case of Canadian Pacific Railway's distribution the greater part must be remitted to other countries.

Canadian Pacific Railway Securities.

Prior to the war something like two-thirds of the Canadian Pacific's common stock rested in Europe, mostly in the British Isles. Thus it was necessary to remit, roundly, \$17,000,000 yearly to the European holders, this outgo being in addition to a large proportion of the preferred stock dividends which amounted to a little over \$3,000,000 per year,

and the charges on the consolidated debenture stock, amounting to \$7,000,000 per year. Early in the war the British government shipped a considerable part of the British holdings of these Canadian Pacific Railway securities to New York, to serve as collateral to British loans there, and it may conceivably be the case that the arrangements made with the American bankers provided for remittance of the interest and dividends on these securities to New York instead of to London. If any such arrangement was made, it would not likely have a sensational effect on our exchange relations with the United States—since any large purchases here of sterling exchange by the Canadian Pacific Railway for dividend and interest payments due in Europe would probably be covered by the banks in the New York sterling market.

Owing to the fact that the Dominion government's interest payment on the Victory bonds is payable mostly to Canadian investors, the effort of financing the transaction is lessened. There will, of course, be some coupons collected by American holders, and these will involve a certain demand for New York funds; but as the Victory bonds are payable in Canada only, and not optionally in New York, as in the case of the third war loan, the American holders will apparently have to stand the loss in exchange, which will be no small item, if the premium on New York funds still rules well above 1 per cent. when the coupons mature.

Interest on War Debt.

While the payment of interest on the war debt is considerably facilitated by reason of its being held so largely at home, there are some other considerations which deserve to be noticed. In order to enable themselves to finance the successive domestic war loans, and to make large direct advances to the Dominion and British governments for war purposes, the banks have been obliged to adopt a repressive attitude towards the industrial and mercantile customers who ordinarily have the call upon the greater part of the normal increase of bank funds. Customers who have always made good and profitable use of such credits as the banks accorded them, have been held down to small lines and many worthy customers have not been able to secure the credits needed for carrying on their businesses to best advantage. The banks make more profits through furnishing credits to their regular customers, and their position is sounder when their funds are not so largely advanced to one big borrower, even though that borrower be the government; but there has been no choice—duty imperatively called them to the aid of the government, and the business interests of the country were necessarily pushed aside. This indicates one way in which our industry and trade would benefit if it were possible or practicable to obtain a part at least of our national war credits in the United States. We could well afford to send the annual interest abroad if by so doing there was a considerable increase in the volume of funds available here for credits to our merchants, manufacturers, farmers, and others actively engaged in productive work.

NEW PLATE MILL CONTRACT ADVANTAGEOUS

The plate mill contract with the government will benefit the Dominion Steel Corporation as well as the national industry of shipbuilding. It will ensure plates at reasonable cost, since the contract price of \$4.15 per hundred pounds for the first six months is less than one-third the price actually paid for plates imported from the United States during the last few days. This is the opinion in Montreal. The mill will be completed just within eighteen months at a cost of under five millions, and the capacity will be 100,000 tons annually, or double the government's minimum order.

Mr. C. F. Sise, chairman of the Bell Telephone Company of Canada, died on April 9th.