

means New York banks that are designated reserve agents, where it counts as part of their own reserve. The result is that country banks need hold but six per cent. of cash reserve against deposits, the rest being credit balances in reserve city banks, where they count against their own twenty-five per cent. reserve, half of which is on deposit in central reserve cities, chiefly New York, and is included in the bank reserves there. The system is compared to a balloon which is safe when all conditions are favourable, but will give way under the pressure of a storm. Our contemporary raises a warning against credit becoming inflated through the operations of these small, unsubstantial, American banks, which are freely spoken of as a danger to the financial interests of the country. What a contrast to the branch banks of Canada, each one of which has the strength of the whole institution.

THE BUDGET SPEECH.

BOUNTIFUL REVENUE; LARGE SURPLUS; HEAVY EXPENDITURE NEXT YEAR ON GRAND TRUNK PACIFIC; A TARIFF COMMISSION OF ENQUIRY.

The Budget speech was delivered, debated, and its proposals passed by the House of Commons on 6th inst., all during one day, in fewer hours, indeed, than the usual number of days devoted to the Budget. This expedition shows what might be done, were all questions discussed on their merits and not made the occasion for speeches partaking of "stump" characteristics.

The Budget was more financial than fiscal, as Budgets' should be, for the annual variations in the tariff which have become so prominent a feature in each yearly statement of the Finance Minister for many years, are disturbing to trade, as they indicate a degree of indecision and uncertainty as to the fiscal policy of the country which do not encourage the investment of capital in mercantile enterprises.

The following shows the leading financial items of the Budget, the figures for 1903-4, 1904-5, being compared with those anticipated for 1905-6:—

	1903-4	1904-5	1905-6
	\$	\$	\$
Revenue	70,669,816	71,250,000	72,250,000
Expenditure	55,612,832	62,250,000	71,889,898
Capital act.	11,249,711	12,500,000	16,689,472

The Hon. Mr. Fielding, naturally takes great pride in the surplus record of his administration. He said:

"Now, with regard to the surplus, I also intimated in the review of eight years' operations, that our surplus for the eight years would probably amount to \$57,880,091.92. When the accounts were closed the actual surplus was found to be \$56,437,076.04. The average surplus, as estimated by me in the review to which I refer, was \$7,235,011,-

49; the actual average surplus was \$7,054,634.50, which is a very gratifying statement.

In regard to the expenditures on Capital account, he affirmed the statement to be unsound, which demanded that no distinction should be made between ordinary expenditures and those charged to capital account, and that no surplus existed unless the year's revenue was sufficient to provide for all the expenditures. In a country like Canada, with great works to provide for, it would not be reasonable to suppose that every year we could provide, out of our ordinary revenue, enough money to meet all the demands upon the Federal treasury. The man who rents a house pays his rental from time to time. He knows that he must provide for it in that way. But, if he buys the house he does not have to provide in the same way; it is a special disbursement; and he opens a capital account.

There are great public works—a construction of canals, the subsidizing of railways, the erection of public buildings in the federal capital, for we do not charge outside buildings to capital account and all these classes of large expenditures, of special character, are and have always been charged to capital account.

Although the public debt had increased since 1897, the net interest charges thereon had been decreased. In 1897 the net cost of the public debt was \$9,202,650, whereas in 1903-4 it was \$8,892,280. When the public accounts are made up to 30th June last, the net debt of Canada will be \$1,250,000 more than a year ago.

The large capital expenditure anticipated in 1905-6 was necessitated by the construction of the transcontinental railway, for which, said Mr. Fielding, "from this time forward we must expect to see in our annual appropriations very considerable sums chargeable to capital account, which must be appropriated for the construction of that road. For example, we have in the estimates, votes amounting to \$16,500,000, and a little more, which I place as the probable total of the votes on capital account for this current year. We have already in our main and supplementary estimates asked for \$3,682,212, on account of the transcontinental railway, and we must anticipate that from this time forward, from year to year, we will be called upon to provide large sums for this service, and I am inclined to think that the larger the sums we are asked for, that is to say, if they are expended, the better the House and the country will be pleased, because the general desire on the part of honourable members on this side, and I hope of honourable members on the other side, although they did not quite agree with us as to the scheme, is that we should prosecute the work with all possible speed, complete the new road and see what good it is going to bring to our country."