In August an issue was offered in New York of $25,000,000 of 5 per cent. notes maturing August 1st, 1916, and of $20,000,000 of 5 per cent. notes maturing August 1st, 1917, or a total issue of $45,000,000. These notes were sold at the price of par and 99½ respectively, less a commission of ¾ of 1 per cent., and are convertible into 5 per cent. bonds of the Dominion of Canada, maturing August 1st, 1935. The purpose of this loan was to provide for expenditure upon public undertakings under contract and other capital outlays throughout the Dominion.

In November there was offered to the Canadian public a domestic loan of $50,000,000 of 5 per cent. 10-year bonds, the issue price being 97½, payable in instalments extending over the period from November, 1915, to May 1st, 1916. This issue was most enthusiastically received by the people of Canada, with the result that it was more than doubly subscribed. In view of this response and the earnest desire on the part of private investors and financial and other institutions who had subscribed for large amounts to participate in the loan, the authorized amount was doubled and an allotment made of $100,000,000 of these securities. It chanced that at the time of this issue the imperial government, owing to adverse sterling exchange conditions, which had for some time prevailed, were at a serious disadvantage in making payment for munition and other orders placed in Canada. To assist in overcoming the difficulty and to facilitate further purchases in Canada, the government placed the sum of $50,000,000 from the proceeds of the domestic war loan to the credit of the imperial treasury. This credit is now being availed of for the purpose mentioned.

**Not Competing for Sterling Exchange.**

The arrangements made by the government for advances by the imperial treasury towards Canada's war expenditure were explained in the last budget speech. The total amount of such advances to date has been £27,000,000. Since the beginning of the period of serious decline in sterling exchange from June onwards, the government has been able to finance all war expenditures in Canada without assistance from the imperial treasury. Had Canada been obliged, during the period in question, to bring funds for this purpose from London to Canada, the country should not only have made a heavy loss on the transactions, but would have been in direct competition with the imperial treasury in selling sterling exchange for the purpose of meeting their obligations maturing due upon orders for munitions and supplies placed on this side of the Atlantic. By reason of improving revenues and borrowings in the United States and Canada, it has not been necessary for this country to negotiate any sterling bills since June of last year.

## FINANCES OF A CLOSING FISCAL YEAR

### Finance Minister White Estimates Surplus of $45,000,000

Sir T. White, in introducing his budget, first discussed the position during the current fiscal year. He said: The budget of February last by a comprehensive scheme of general and special taxation aimed to increase the revenues of the Dominion for the present fiscal year to an aggregate of $150,000,000. The expectations then formed have been realized beyond most sanguine hopes and for the present fiscal year ending on March 31st next, anticipate a total revenue of at least $170,000,000, that is to say $20,000,000 in excess of the estimate. From the date of the introduction of the budget the sharp monthly declines which had been experienced in customs duties were at once arrested and the revenues until August restored to the basis of the corresponding months of the year preceding the outbreak of the war. Since August a marked and continually progressive increase has characterized the monthly revenues as compared with those of the corresponding period of the previous year, when the profound derangement of finance and commerce resulting from the war was exercising so serious an effect upon imports and general business.

From the beginning of the present fiscal year up to February 10th the total revenue of the Dominion from all sources has amounted to $145,000,000, an increase of $31,000,000 over the same period of the preceding year. Of this revenue the sum of $82,000,000 has been derived from duties of customs, $19,000,000 from excise, $14,000,000 from post office receipts and about $3,000,000 from the special taxes other than postal levied under the special war revenue act of last year. Of the amount of customs duties mentioned the sum of $19,000,000 was derived from the increased duties levied under the customs war revenue act.

The policy of the government that new works would not be undertaken until the financial outlook became clearer, was given in the last budget speech. This policy has been rigidly followed. Only works actually under contract have been proceeded with and civil expenditure has been kept within close bounds. As a result outlays for the year for purposes other than those of the war have been much less than the estimate of the budget. Up to the present expenditure on ordinary account has been in round figures $93,500,000, a decrease of over $13,000,000 as compared with the same period of the previous year. On capital account, expenditures, principally upon such works as the National Transcontinental Railway, the Quebec bridge, Halifax terminals, improvements to the St. Lawrence Ship Channel, the Welland Ship Canal and the Hudson Bay Railway—have amounted to $30,500,000, a decrease of $7,000,000 over the corresponding period of the previous year.

Taking into account increased revenue on one hand and decreased ordinary and capital expenditure on the other, it will be seen that, apart from the cost of the war, there has been an improvement in the financial position of the Dominion for the period since April last of no less a sum than $51,000,000. The improvement for the entire fiscal year will probably reach $57,000,000.

**Two Hundred and Fifty Millions Wanted.**

During the last session, parliament passed a war appropriation act for $100,000,000. This was the second act of the kind, the first having been passed at the special session following upon the outbreak of the war and providing for an amount of $50,000,000. The prime minister will introduce at this session a further measure providing for an additional sum of at least $250,000,000. The number of troops having grown by successive steps to 50,000, to 100,000, to 250,000, with a present authorized establishment of 500,000, the war expenditure has correspondingly increased and has now reached large figures. From the outbreak of war to the end of January, 1916, it has amounted to $158,000,000.

The general position of Canada's finances has been, that while revenues have been substantially increasing and ordinary and capital expenditures materially declining, war expenditure has been mounting rapidly. The problem has, therefore, been one of raising money to fill the gap between revenue and total outlay.

As closely as can be estimated, the financial outcome of the present fiscal year will be as follows:—

| | |
|---|---|
| Revenue from all sources | $170,000,000 |
| Ordinary expenditure | 125,000,000 |
| Surplus | $ 45,000,000 |

As the proceeds of the United States loan, which was specially made to meet capital expenditure, have been more than sufficient for the purpose (the expected expenditure under this heading being $40,000,000), it has been possible for the government to devote its entire surplus estimated at $45,000,000, as stated, in payment of the principal of war expenditure. In ordinary expenditure is embraced the entire interest charge upon the public debt, which includes war borrowings. Ordinary expenditure also includes pensions.

Briefly, the result of the present year's transactions as to revenue and expenditure may be summarized as follows: Canada borrowed in the United States the amount required for capital expenditures. Revenues will exceed ordinary expenditure by $45,000,000. This $45,000,000 will be devoted to the payment of war expenditure. By the end of the year the net national debt will stand at about $580,000,000, an increase of $131,000,000 during the year.

## LIFE COMPANIES MUST BUY GOVERNMENT SECURITIES

To assist in Canada's war financing, Sir Thomas White has suggested in the budget, legislative measures whereby life insurance companies and associations carrying on business in Canada under Dominion license will be obliged to invest and keep invested a certain portion of their assets, during this and next year, in the currency bonds or debenture stock of the Dominion. Companies whose domicile is outside of Canada, but which are licensed to transact business in Canada are required to make the deposits which