

payment of substantial dividends with accumulated dividend arrears. The speculators may have hoped, also, that directorates would favor dividends rather than building up substantial reserves for an uncertain future. In some cases, those unwise hopes have been realized. The new war taxation, which will date back to the outbreak of war, introduces an important factor into the reckonings of stockbrokers and their clients, and also into the figuring of directors who expect to be doing business after, as well as during the war. Cumulative preferred stockholders have something new to think about as well.

The budget has, with two exceptions, left the tariff where it stood. An increased duty on apples, to protect the apple-growing industry of Canada and particularly that of British Columbia, and a small duty on oil and refined petroleum, are the only changes. The decision to leave the tariff practically intact is apparently a concession to Western Canada particularly. At the same time, it was probably borne in mind that after the war the tariff schedules of all nations may see some drastic changes in order to benefit countries fighting for world liberty and to operate against its enemies.

If our indebtedness on account of the war ultimately reaches \$500,000,000, at 5 per cent., the annual interest burden will be \$25,000,000. Sir Thomas White expressed the opinion that we are justified "in placing upon posterity the greater portion of the financial burden of this war, waged as it is in the interests of human freedom, and for their benefit in equal, if not in greater degree, than for our own." Sir Thomas does not, however, look at the matter in the way indicated by the American who indignantly asked what posterity had ever done for him. With a country such as Canada, he pointed out, rich in potential resources, certain of future development and great expansion of production and population, but without at present large accumulations of wealth, he contended that a certain amount of substantial borrowing is a proper policy in our particular case. He does not under-rate the magnitude of the liabilities we are assuming or "the gravity of the financial considerations involved in our participation of this great struggle." His reasoning, we think, is sound, for we cannot properly expect to go to the lengths which certain European countries are doing to pay much of the cost of the war as we wage it. Our patriotic actions and sentiments must be limited at least by patriotic commonsense.

By exempting life insurance companies from the new taxation, the Dominion government again recognizes the injustice of taxing thrift. It is good to know that this opinion is firmly held at Ottawa. Other governments may well emulate the example. The measure which will require life insurance companies doing business in Canada to invest in Dominion bonds or debenture stock a certain portion of their assets or, in the case of extra-territorial companies, of the deposits made at Ottawa as security for Canadian policyholders, will not, we think, be regarded as a hardship. The investment gives an attractive yield and those who have no faith in such an investment might as well cease doing business in this country.

Sir Thomas, as much as any other minister in the cabinet, recognizes that reasonable economy, thrift, and the greatest possible production are the combined qualities which will furnish an excellent national balance sheet. To promote saving among the public and to afford a ready means of remunerative investment in Dominion securities, Dominion debenture stock in principal sums of \$100 and its multiples, repayable in five years from date of issue, will be sold by the government from time to time. This is following the example of other countries, adopted since the outbreak of war, so that the people's

small savings may be conserved. In the aggregate these savings are valuable and better employed in assisting to finance national development than in lining the pockets of promoters' "easy money" schemes.

The first impression of the budget is that it is well designed, but that minor changes may be necessary in order to apply its chief measure equitably. Every man, at least once in his lifetime, thinks that he could make a better fist of the finance minister's job than the finance minister at that time is doing. The present budget will rule out a number of those with whom such thought has lodged during February, nineteen-sixteen. The second impression is one of surprise that a country which a few years ago was supposed to be the shabby genteel among nations, after an orgy of wild speculation and heavy borrowing, with a \$300,000,000 adverse trade balance in its vest pocket, should have spruced up, reduced its borrowing, discarded extravagant habits, acquired a favorable trade balance, with some good commonsense, and played a man's part in the Great War. The chartered accountant, in view of the heavy financial burden of war, will probably consider the national balance sheet a good one. After these two pleasing impressions of the budget, there is a serious consideration for the future. This is best put in the finance minister's words in the House on Tuesday. "It is our true policy," he said, "to augment our financial strength by multiplying our productive exertions and by exercising a rigid economy, which reduces to the minimum all expenditures upon luxuries and non-essentials." Therein lies the secret of future prosperity and budgets which will not shock a young country at war.

NEW WAR MEASURES IN BRIEF

New taxes: Twenty-five per cent. of the net profits since the beginning of the war in excess of 7 per cent. of financial, industrial, milling, transportation, public utility and other corporations and munitions firms.

Twenty-five per cent. of the net profits since the beginning of the war in excess of 10 per cent. of individuals, partnerships, and associations with capital of more than \$50,000. No exemption as to capital is made in the case of munitions manufacturers.

Taxation applies on profits since August 4, 1914, and continues until August 3, 1917. Revenue estimated, \$25,000,000 to \$30,000,000.

Tariff changes: An increase from 40 to 90 cents per barrel in the general tariff on apples. A duty of half a cent per gallon on petroleum fuel oil.

Canadian life insurance companies must invest portion of assets in Dominion bonds or stock during this and next year. Life companies domiciled elsewhere, but doing business here shall make their deposits here in similar securities.

CANADA'S LOANS LAST YEAR

They Were Raised in British, United States and Domestic Markets—Assistance from Imperial Treasury

Canada entered upon the fiscal year ending March, 1916, with £3,000,000 of treasury bills maturing in June. There was also a bank indebtedness of \$5,000,000. These treasury bills were retired upon maturity and the bank indebtedness has been paid off. The Dominion government has no outstanding treasury bills in the London market and is not overdrawn with any financial institution. On the contrary, Canada has at the present time large balances to its credit both at home and abroad. In fact the government is financed until the beginning of next summer. This was one of the interesting statements of Sir Thomas White in his budget speech.

The loan transactions for the year have been as follows: In March last year there was made an issue in London of £5,000,000 of 4½ per cent. debenture stock, maturing 1920-25. The issue price was 99½ and the offering was over-subscribed.