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THE GENERAL FINANCIAL SITUATION.

The reason why in the case of the Dominion Government's newly-arranged financing in New York, the bonds are made liable to the Income Tax if held by those ordinarily resident in Canada, is easily understandable. Canadian subscriptions to the new Loan are not wanted, since they would serve merely to increase by so much the present strain upon New York exchange, and it is desired also to conserve all Canadian resources available for investment in Dominion Government bonds in anticipation of the domestic loan to be issued in the Fall. The new loan in New York is for an amount of $75,000,000, partly in two-year 5½% notes, which will be issued at 99¼ and partly in ten-year 5½% bonds to be issued at 97. The extent to which either class of security will be issued depends upon the character of the applications. The loan, as previously stated, is for the purpose of meeting at maturity on August 1st, $75,000,000 two-year notes issued in 1917, the outstanding balance of an issue of $100,000,000 then made, the other $25,000,000 having been already retired.

The report of the Committee on the High Cost of Living is a much milder document than, judging from the newspaper reports of the Committee's proceedings, it was to have been expected would be produced. The Committee comes to the perfectly intelligent, if painfully obvious conclusion, that no material reduction in the cost of commodities in regard to which enquiry was made, can be expected, except by increasing the volume at a lower cost of production or by lowering the cost of distribution. They also express the opinion that in the main, having in mind the service, which the consuming public demand, that the margin between the actual cost of production and what the consumer pays for commodities is reasonably narrow. It is pleasant to find the Committee recognizing the legitimacy of large profits made only as the result of an immense turnover and a high degree of efficiency, as in the case of the packing and milling companies. The practical intent of the Committee's proceedings is the creation of the new Court of Commerce, described in this column last week, the legislation creating which, and that controlling combines, has been put through by the Government. Of what practical value this new legislation will become, remains to be seen.

Asked about Canada's prospective share in the German indemnity, Sir Thomas White stated in the House of Commons the other day that while a claim had been put in, he was doubtful as to what the dividend would be. The Minister of Finance evidently does not base any very great expectations of relief of the national finances from this source, and the rank and file of taxpayers will be well advised, if in this connection they follow Sir Thomas White's example. While proportionately the financial burden imposed upon the Dominion as a result of the war is a heavy one, there are obviously other countries in much worse case than ourselves which have a strong prior claim upon the German indemnity. It is, perhaps, not yet fully appreciated that the insistence upon this indemnity means that the Allies must trade with that country, the vows of millions of super-heated patriots never to touch anything German again, notwithstanding. Germany can only pay the indemnity by selling her goods abroad, by developing her industrial resources and economic life. There is no other way. The simple fact is that Germany's creditors have got to help her get on her feet again in order that she may meet her obligations to them. The fact may be unpalatable, but there's no getting around it.

A feature of the bond market in recent weeks has been the numerous industrial bond issues, in part by established concerns seeking to enlarge their operations and resources, in part by new ventures. The purchase of these issues, of which more are reported to be under way, suggests that the criticism frequently heard that present taxation arrangements are killing enterprise has very little in it, but that on the contrary, Canadian business men are going steadily forward with plans for new developments of all kinds. That there should be ample scope for some at least of these developments is evidenced by the statement made this week by Mr. Lloyd Harris, chairman of the Canadian Trade Commission, regarding the market for Canadian goods in Europe, provided that suitable arrangements are made for credit. At the same time, there is a good deal to be said for the argument that care should now be taken to expend capital and effort only in the development of those Canadian industries, which can really supply goods to the home and foreign markets better than they can be supplied elsewhere. The

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