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THE GENERAL FINANCIAL SITUATION.

(Continued from Front Page.)

perhaps had the result of causing many observers to overlook previously existing conditions which yet remain in force. Professor Mavor aptly points out that Canada's obligations to Great Britain before the war were very large, and that after the war they will still be very large. There has been no doubt in the last four-years a certain amount of repayment of debt, but what has taken place in this connection has probably made no very sensible effect upon the annual volume of interest obligations which Canada has to meet abroad. The credits which have been given to the British Government, large as they are, are offset by the expenditures incurred by that Government on Canada's account, in the maintenance of Canada's armies in the field. The stimulation of an export trade, and the use of every available legitimate means for lessening the burden of our interest obligations abroad, by the wise use of capital in production, will therefore take an important place in after-the-war problems demanding solution.

While under present circumstances the additional burden of permanent taxation will have to be carried as a result of the war naturally looms large in the minds of Canadians, the proportionately favoured fraction of Canada in this connection is readily seen when comparison is made with the new taxation scales in force in Great Britain and the United States. Taking the 1918 Canadian standard of taxation, which is somewhat higher than the 1917 tax now being collected, on a \$2,500 income a \$10 tax is imposed. In the United States, the tax on a corresponding income is \$30, and the British tax, \$210. On a \$10,000 income the respective taxes are: Canadian \$392, American \$845, and British \$2,250. The \$100,000 income is called upon in Canada to pay \$17,607; in the United States, \$39,095, and in Great Britain, \$47,187. On larger incomes the taxes of the three countries approximate more closely. The figures quoted show that even allowing for the less liquid nature of wealth in Canada compared with the United States and Great Britain, the fact that the income tax is likely at least to last the lifetime of most business men of the present day, need not prove a serious handicap to the future accumulation of capital, and the display of business enterprise, under conditions making for a wealth-production largely increased over that in the past.

AMERICAN BANKERS' OPINIONS ON GERMANY'S FINANCIAL POSITION.

Bankers are inclined to think that too much is being made of the report that Germany is facing a financial collapse. Not that they do not think that Germany's finances are in an unsound condition, but they doubt whether conditions are different to what they have been for some time past. It is probably true that the Ninth German War Loan is a failure, as far as public support goes. But this does not mean financial collapse and that she would sue for peace on that ground solely. If Germany could continue the war on the battlefield successfully her financiers would find a way out of the present difficulty so that the army could obtain the necessary supplies. But it is other things besides finances that are worrying Germany now.

Isolated, and contained within itself, Germany has been for the most part, her war financing has been largely a matter of bookkeeping. This book-keeping process could go on indefinitely between the German people as creditors and the German Government as debtor. It is for this reason that there is little expectation of any spectacular collapse of German finances just now.

It is when the war is over that Germany's finances will meet their debacle; when it is found that the country has mortgaged the greater part of its national wealth. Having lost all trade connections with the outside world the solution of her financial problems will be absolutely hopeless, bankers say.

Of course, the isolation of the German people has this advantage, in that her debt is owed among themselves. The settlement is entirely their own internal problem. Much of the debt will be owned by the rich, the corporations and the profiteers. To impose such taxes that will fall on all the people in order to pay not only the interest on the debt which now approaches 150,000,000,000 marks, but the ultimate redemption of the debt itself, is inconceivable.

The Government that will supersede the present one in Germany, if it does not actually resort to repudiation, will have to impose such a levy on capital, represented now largely by Government bonds, as will virtually amount to confiscation. In other words, this will result in the money classes in Germany having paid for the cost of the war, and lost their money in the venture.

Thus, repudiation or confiscation of wealth, would really be the best thing, after all, for the German people when they begin life over again after the war.

What is of more concern to the outside world is how Germany is to be made to pay indemnities for the damage done in this war. Germany does not have enough gold in the country to begin to pay for these damages. Practically all the gold in the country, about \$700,000,000, lies in the Reichsbank. If the Allies impose a big indemnity on Germany, spread over a number of years, this will fall upon the people through a taxation which they cannot avoid and which will be in itself severe enough to preclude the burden of an internal debt.