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### THE GENERAL FINANCIAL SITUATION.

The details of the Dominion Government's financial obligations in the current fiscal year given by Sir Thomas White in his exhaustive Budget Speech last week, indicate that the Government's new loan, the date of issue of which has been apparently provisionally fixed for the month of September, will be quite a substantial affair. Seemingly, the proposed additions to the Income Tax are estimated to no more than compensate for the loss of revenue through the tentative amendment of the Tariff. In such case, the borrowings of the Government are likely to reach a round figure of \$350,000,000 to meet the expenses of demobilization and other special expenditures arising out of the war, which it is the Governmental policy to pay for out of borrowings rather than out of taxation. The fact that so substantial a sum will require to be raised increases the probability, in our opinion, that the Loan will, like its predecessors, be tax-free, though probably, in view of the rise in the bond market since the armistice, becoming a lower rate of interest than the two loans of 1917 and 1918. The fact is that, greatly as has Canada's investment capacity been developed during the war years, it is frankly impossible yet to float an enormous issue of this size in the domestic market, without making it attractive to those who are able to subscribe in large amounts. Small and medium-sized subscriptions, however necessary, useful and desirable they may be, will never put an issue of this kind "over the top". It is possible also that owing to the changes in trade activity, the high cost of living and other causes, it may not be possible to obtain next September so large a volume of small subscriptions to the Loan as in 1917 and 1918. While the intentions of the Minister of Finance in this connection will naturally not be disclosed for some time, these are, in our view, sound reasons for thinking that the conclusion may be eventually come to, to make the next Loan tax-free. It is of interest to note in this connection that a good deal of the activity recently in Victory Bonds on the local Stock Exchange, has been the result of the sale by small or comparatively small holders who have been anxious to take a fling in a borrowing stock market. The bonds, of course, are being readily enough absorbed by those who have more perspicacity than the sellers. This kind of thing is naturally to be expected under present-day circumstances, but it

constitutes, nevertheless a poor commentary on the intelligence of human nature in financial matters.

In regard to the Income Tax, the proposed new gradation will make a pretty stiff tax on those with large incomes. It is to be noted, however, that the new gradation is no higher than the 1919 scale of income taxation in the United States, which is a grading-down, instead of a grading-up from the 1918 scale. It is quite certain that for many a long year to come this Income Tax will constitute a main source of the Dominion's revenue to meet the interest obligations of the Government, which now amount to over \$100,000,000 annually, in comparison with \$12,000,000 in 1914, and pensions, which will amount to some \$40,000,000 annually. Probably the only real surprise in the Budget to the business community at large was the announcement of the continuation for another year of the Business Profits War Tax at the same level as in 1918. It had been generally expected by the business community that if this tax were continued at all, and there were considerable hopes in some quarters that it would not be continued, that it would be on a reduced scale, as in the case of the British Excess Profits Duty. However, the size of the bills to be met apparently forbade this development, though it is scarcely to be expected that for the 1919 period this tax will be so substantial a revenue producer as in 1917 and in 1918, owing to the fact that necessarily a number of the concerns which were large contributors in those periods are now out of business. The business community may derive some comfort from one quotation from Sir Thomas White's speech: "Our business profits taxation, unless repealed as soon as war conditions terminate, must have an adverse influence upon the investment of money in business enterprise in Canada. At present there is a widespread tendency throughout the world to severely tax profits. Within bounds, such a policy is not open to criticism, but carried beyond a reasonable point it can only defeat its purpose with consequences detrimental to labour, capital and the community as a whole."

While in the early part of this week, the wild activity in the New York Stock Market continued unabated, it is noteworthy that conservative ob-

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