

The Chronicle

Banking, Insurance and Finance

Established 1881.

Published Every Friday

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OFFICE:406-408 Lake of the Woods Building,
10 St. John Street, Montreal.

Annual Subscription \$3.00 Single Copy, 10 cents.

MONTREAL, FRIDAY, MARCH 12th, 1920

THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

those responsible for it will certainly stand in need of all the business shrewdness and acumen they can muster to get the institution on its feet. The promoters may very well make a note of the fact that the only Western banking institution, which has survived infancy in recent years, and apparently got fairly on its feet, is one which has made absolutely no pretence of doing anything else than going about the business of banking in its own special field in a business-like and methodical manner.

While Wall Street has had a succession of thrills this week, as a result of the decision of the Supreme Court of the United States, that stock dividends are not amenable to Income Tax, the local Stock Markets have continued comparatively quiet. By all accounts money continues exceedingly tight, and while this condition remains it is futile to look for any steadily rising market. With the banks keeping the lid tightly clamped on call loans, any relief in the money market will have to come through supplies from private sources, and of supplies from this direction there is at present no indication.

The Supreme Court decision in the matter of stock dividends is of some interest to Canada, apart from its Stock Market aspect, by reason of the fact that the Canadian Income Tax authorities have followed the practice of the United States revenue authorities in this connection hitherto, and assessed Stock dividends to income tax in the hands of the shareholders when the shareholder was liable to the super tax. Whether in the light of the United States decision, this practice will now be revised, or whether sooner or later, the question will be fought out in the Canadian courts, remains to be seen. The United States decision, it is stated, is likely to be followed by the declaration of a very large number of stock dividends, by prominent corporations, which declarations have been held up, pending the Court's decision. Under the new circumstances this method of rewarding shareholders by corporations in a position to do so, is

likely to become a very popular one, and doubtless it would achieve a similar popularity in Canada were Income Tax practice here changed to conform with the new United States ruling. It is stated that following this ruling in the United States, many millions of dollars will have to be refunded to tax payers by the internal revenue authorities.

As the time of the Budget statement of the Minister of Finance makes a nearer approach, the business community appear to be making up its mind to the probability that the Business Profits War Tax will be continued for another year. The weak point of the remonstrances which have been made to Ottawa regarding this tax, is that they do not include any feasible suggestions whereby the revenue from the Tax, which amounts to between \$35,000,000 and \$40,000,000 annually, can be replaced. Part of it might possibly be made up by additions to the 1919 rates of Income Tax; but the additions would have to be exceedingly onerous to produce any effect at all, and the fact appears to be that in drawing up his Budget for the coming fiscal year, the Minister of Finance will find the greatest difficulty in making both ends meet, and will not be able to afford dispensing with any possible source of revenue.

A business man dealing in textile, with whom we were discussing business conditions this week, volunteered the information that his travellers had now been a month on the road, and in that month had booked as much business as in four months last year. The particular line dealt in, in this case, is very high grade materials which are selling at prices that five years ago would have been frankly incredible. Moreover, practically no repeat orders can be given at prices formerly quoted. How long is this enormous buying power going to keep up? The business man was wondering.

TRAFFIC RETURNS

Canadian Pacific Railway

Year to date	1918	1919	1920	Increase
Jan. 31	\$10,570,000	\$12,797,000	\$13,609,000	\$ 872,000
Week ending	1918	1919	1920	Increase
Feb. 7	2,066,000	2,379,000	3,288,000	709,000
Feb. 14	2,306,000	2,883,000	3,547,000	664,000
Feb. 21	2,435,000	2,729,000	2,501,000	172,000
		2,501,000	3,472,000	881,000

Grand Trunk Railway

Year to date	1918	1919	1920	Increase
Jan. 31	\$ 4,068,982	\$ 4,402,229	\$ 5,051,034	\$ 651,805
Week ending	1918	1919	1920	Increase
Feb. 7	675,115	905,449	1,178,184	272,735
Feb. 14	752,861	947,889	1,220,506	272,620
Feb. 21	980,013	974,220	928,698	Dec. 45,527

Canadian National Railways

Year to date	1918	1919	1920	Increase
Jan. 31	\$ 8,512,764	\$ 8,787,517	\$ 7,597,582	\$ 480,945
Week ending	1918	1919	1920	Increase
Feb. 7	1,508,157	1,545,473	1,545,473	42,856
Feb. 14	1,611,721	1,678,047	1,678,047	61,826
Feb. 21	1,872,151	1,592,908	1,592,908	Dec. 16,244
		1,578,551	1,744,681	166,000