

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIX. No. 40

MONTREAL, OCTOBER 17, 1919

Single Copy 10c
Annual Subscription \$3.00

THE GENERAL FINANCIAL SITUATION.

The evidence given before the House of Commons Committee on soldiers' gratuities by Sir Thomas White, Mr. R. W. Breadner and others, while to some extent merely expressing what every well-informed business man knows, should be extremely useful in dissipating the idea—which the events of a time of war have a natural tendency to foster—that the Dominion Government has a bottomless purse capable of meeting every conceivable demand, reasonable or unreasonable, that may be made by any section of the community. Sir Thomas White frankly told the Committee, that while the financial position of the Dominion Government should not be called critical, it is still sufficiently serious, because of five years' war expenditures, to call for most careful consideration. About \$225,000,000 of the forthcoming Loan is required to meet maturing temporary borrowings, and while Sir Thomas thinks that the proceeds of the new Loan may reach \$500,000,000, these will all have been absorbed by the Fall of 1920, and a further loan be then necessary, though possibly for not so large an amount. The bulk of a further loan, in Sir Thomas White's opinion, would have to be raised at home, the United States market being good for not more than \$75,000,000 of new borrowings. Mr. Breadner, who, as Commissioner of Taxation since the establishment of the Business Profits War Tax, has had an unrivalled experience in dealing with Canadian taxation problems, told the Committee that the 1919 scale of Income Taxation, which is, of course, very much higher than that of 1917, would not bring in more than \$25,000,000 to \$30,000,000, and that as Canada is a country with a small population and limited capital, he did not expect any great increase for years. Mr. Breadner emphasized the obvious point that as Canada is a country needing both population and capital it would be folly to have income taxation here higher than in other countries, particularly in the United States.

The whole trend of this expert evidence is to show that not merely is the preposterous demand for a \$2,000 gratuity to every returned man, hope-

lessly impracticable, but also that the slightly more modest request put forward by the G.W.V.A. for gratuities involving an expenditure of some \$200,000,000 is also beyond the country's capacity. The outstanding fact is that Canada has dealt more generously with her returned men than any other belligerent country—and every sensible man is glad of that fact—but that while there may be modifications of the present system of gratuities and pensions necessary here and there, no further large reward can be given. The claim for gratuities is, in fact, reaching an absurdity as instances the demand for gratuities of munition workers who went over from Canada to Great Britain, and earned rates of wages they had never dreamed of in their lives, in perfect safety. There is only one way of dealing with folks of that type, and it is to be hoped that the Committee, which is now en delibere, will take that way, and whatever decisions it may come to, recognize the seriousness of placing the country under further financial obligations on this score.

The announcement that after negotiations lasting nearly two years, an agreement has been reached for the acquisition by the Dominion Government of the Grand Trunk and Grand Trunk Pacific Railway Systems, compensation to the present proprietors to be settled by arbitration, marks a vitally important development in Canadian railway policy. In brief, the terms of the arrangement are that the Government will undertake to pay the interest upon the present issue of \$50,000,000 4 p.c. guaranteed stock, and will undertake to acquire by the issue of new 4 p.c. stock to an amount to be fixed by the board of arbitrators, the four junior stock issues of the Grand Trunk. The present guaranteed stock and the new stock will be redeemable by the Government at any time, after the expiration of 30 years from the completion of the agreement to arbitrate. Thus, the Government, instead of paying a rental under a long lease of the Grand Trunk System, as was originally proposed, will pay interest upon an issue of stock which it can purchase at par in thirty years. The obligations upon the bonded

Continued on page 1057