

The Chronicle

Banking, Insurance and Finance

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THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

dits. While sterling and the other exchanges have reached even lower level than formerly in the New York market during the last few days, this fact does not appear to be worried about by the leading countries concerned—Great Britain and France. The most influential financial opinion in those countries appears to be in favor of letting exchange work out its own salvation without any artificial bolstering. Failure to establish foreign credits would have probably in time an important effect upon production in the United States, since a great many big corporations have counted upon doing a large export business as soon as the establishment of credits should permit the influx of foreign orders.

At the end of October, the net debt of the Dominion stood at a figure within a few hundred thousand dollars of \$1,750,000,000. In July, 1914, before the outbreak of war, it was \$322,000,000. Such figures scarcely encourage the hope of an early alleviation of the Income Tax. While there appears to be a distinct decrease in the expenditures arising as a result of the war, it is to be borne in mind that when these expenditures have been completed, and they are not likely to be completed yet for some time, the question will have to be taken up of providing a sinking fund in order that the national debt may be steadily and systematically liquidated. So far this question has not been taken up, but there is no doubt that no system of national finance can be considered sound, or taxation sufficient, which fails to provide an adequate sinking fund for the national obligations. In his last Budget speech, Sir Thomas White insisted upon the importance of this, and it is to be hoped that plans for the establishment of a sinking fund will be put in hand at as early a date as possible.

In regard to war expenditures, it is interesting to note that from April to the end of October, they have aggregated over \$200,000,000; in the same period last year while the war was actually in progress, they were \$169,600,000. This year's increase is accounted for by the fact that 1919 ex-

penditures include lump sum gratuities and demobilization. The bulk of this expenditure appears to have been completed, seeing that in the month of October, war expenditures were only \$22,300,000, and the probabilities are that henceforward they will steadily decline.

It is a curious fact that the whole of the increase in Canadian imports for the seven months ending with October, amounting to about sixteen millions in comparison with the corresponding seven months of 1918, is in foodstuffs, including much, no doubt, of a character that can be grown, and is grown satisfactorily in Canada. The fact suggests that Canadians are doing themselves particularly well at present in the matter of food, although an explanation of at least part of the increase is possibly to be found in packers' purchases in the United States for curing in Canada and subsequent export. The figures of Canadian trade generally in comparison with last year show the effect of the stoppage of munition production. Exports for the seven months were just over \$113,000,000, against \$131,700,000 in October, 1918, and the falling off is in fact larger than these figures would indicate, owing to the rise in values which has taken place during the twelve months. There was also a falling off in exports of agricultural products and chemical products—the latter undoubtedly a result of the cessation of hostilities, but there were substantial gains of \$12,800,000 in wood products, including paper, and of \$4,000,000 in the export of animal products.

From every point of view, the wonderful success achieved by the Victory Loan is a matter for congratulation. Not only does it ensure good business for a year at least, but it is a remarkably effective advertisement of the financial capacity and resourcefulness of Canadians. The record of our War Loans has now been fittingly completed, and we believe the foundations laid for future government borrowings at home, when necessary, for the peaceful development of the country. How far the success of the present flotation is due to banking accommodation to subscribers, it will only be possible to see when the banking returns covering the present period become available, but there appears to be a well defined opinion in financial circles that the subscriptions represent more real money and less banking credit than might have been anticipated. For many reasons, it is to be hoped that this will be the last appeal for an immense amount of funds which a government will have to make to the Canadian people, but the results achieved certainly suggest that it will be possible to fill the more modest requirements of future years (much more modest, it is to be hoped), to a considerable extent at home instead of by wholly borrowing, as was the case prior to the war, abroad.