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THE GENERAL FINANCIAL SITUATION

The New Year has scarcely got firmly into its stride before the general public have had some unpleasant reminders that economic troubles cannot be done away with by merely throwing over the calendar. Sharp rises in the prices of several staple commodities have been announced, and judging by the trend of events in regard to raw materials, the maximum has not yet been reached. This appears to be particularly the case in the matter of textiles. One of the leading textile manufacturers this week withdrew all prices, owing to a rise in the laid-down costs of cotton, since the withdrawal lists were issued, less than three months ago, of nearly 20 per cent. Retail prices of cotton and other textile goods seem high enough at present, but the full effect of these rises in raw materials will not be seen so far as retail prices are concerned until at least the fall. In this connection it is to be remembered that a number of the European countries have been practically without cotton goods for five years, while on this side of the Atlantic and in the stronger of the lately belligerent countries, the demand is increased, owing to the vast growth in purchasing power among large classes of the population brought about by war conditions. The opinion that prices of staple commodities are likely to decline at an early date can apparently only be held where a partial or short-sighted view is taken, and the full circumstances resulting in present high and rising prices not borne in mind.

Again, a good many folks are being reminded these days that in Canada, taxation resulting from the war was on a comparatively mild scale during the actual progress of hostilities, and is now making larger demands upon the taxpayers' pockets. The 1918 income tax bills, which are now in full swing of distribution, reach a very much wider circle than the 1917 assessments, and those who paid for the earlier period, and enjoyed the same income in 1918, are finding a considerable difference in the amount of their assessments for the two years, owing to the difference in the scale of taxation. A year from now, the difference is likely to be even more heavily felt, the 1919 scale of taxation being much higher than that of 1918.

A curious example of absolute failure to grasp realities in this connection is seen in a widely disseminated newspaper statement, sent out from Ottawa, to the effect that little hope of relief from war taxation can be expected. To even talk of relief from war taxation is, at present, simply ludicrous, considering the immense obligations which have been incurred. Such talk merely evidences an absolute incapacity to face and appraise the realities of the situation. Two or three months ago, Sir Henry Drayton himself gave a pretty strong hint that instead of their being any relief from war taxation in the next Budget, that some additional taxation would be necessary, at least temporarily. This sounds much more innately probable than any talk of relief from taxation.

So far as the business community is concerned, its chief interest in the matter of taxation when the proposals of the next Budget come to be taken in hand, will be probably in the dispositions to be made regarding the business profits war tax, which expired under last year legislation at 31st Dec. While strenuous objections to this tax is felt in many quarters, hopes that it may be entirely abrogated will probably not run very high after the bitter disappointment received in this connection last spring. This particular tax while admittedly a heavy one, has been a wonderful revenue producer, some one hundred million dollars having so far been collected under its provisions. Dispositions regarding the future of this tax will possibly be the result of the need for revenue, rather than of any theorizing, regarding its advantages or disadvantages. It is noted that the full tide of amalgamation and fusion of financial interests in British industry and finance continues unabated. Almost every week sees a new announcement of an important arrangement in this connection.

Scarcely any branch of British trade or financial activity is untouched by this movement. The banks led the way, great manufacturing industries of all kinds are busy with fusions, while, as our readers are well aware, the British insurance companies have lately been extremely active in this

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