# The Chronicle

## Banking, Insurance and Finance

Established 1881. Published Every Friday.

F. Wilson-Smith, *Proprietor.* Arthur H. Rowland, *Editor.*

*Office:*

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

Annual Subscription, $3.00. Single Copy, 10 cents.

**MONTREAL, FRIDAY, APRIL 27, 1917**


## THE NEW BUDGET.

Sir Thomas White's terse, business-like statement in introducing his new Budget, should be attentively read by every citizen who desires to inform himself of the Dominion's financial position at the present time, and the possibilities which will have to be faced in the immediate future. Summarising the various points in order, it appears that the Dominion's income during the last fiscal year aggregated $232,000,000, a growth of approximately $60,000,000 over the preceding fiscal year and of $100,000,000 over the fiscal year ending in March, 1915. The details of this income were given on the front page of our last week's issue. But it may be noted here that the Business Profits War Tax, which was inaugurated last year, produced an amount of $12,500,000. As the Minister a year ago, anticipated a yield of only $25,000,000 from this tax in the three years of its currecny, it is evident that his estimate will be largely exceeded. This tax appears to have reached a Finance Minister's ideal of productiveness combined with low cost of collection. Expenditure on revenue account for the fiscal year reached $146,000,000, $25,000,000 of this being due to increased interest and pension charges following upon the war. Expenditures on capital account, apart from war expenditures, totalled $27,000,000, making with revenue expenditures an aggregate of $173,000,000, leaving approximately $60,000,000 of taxation available for war purposes.

* * *

Our total war expenditure to date is approximately $600,000,000, and in consequence the Dominion's debt has been increased from $336,000,000, at which it stood on the outbreak of war, to $900,000,000, including estimated and unadjusted liabilities to Great Britain for the maintenance of our troops in Europe, and withheld pay. With the war continuing throughout the whole of the new fiscal year—a by no means unlikely contingency—the Minister anticipates a rise in the Dominion's debt to $1,300,000,000. To make the necessary enlargements in revenue, consequent upon this increase of debt, the Minister proposes the gradation of the Business Profits Tax, inaugurated last year, so that, instead of a 25 per cent. flat rate, profits in excess of 15 per cent will pay a 50 per cent tax and in excess of 20 per cent., a 75 per cent. tax. There is not likely to be any serious quarrel over these proposals. Public opinion is certainly strongly in favor, increasingly so, of heavy taxation where war business has resulted in large profits. But Sir Thomas White is not quite accurate in his dictum that "if a business is making, in war time, profits above the normal, they must be due to the abnormal conditions created by the war." This year may possibly (unfortunately, not probably) be a light one as regards fire losses in Canada, and in consequence, the fire insurance companies may subsequently report, for this period, underwriting profits above the normal. But those increased underwriting profits would have nothing whatever to do with conditions created by the war. The Finance Minister makes no estimate regarding the amount which may be expected from this new taxation, but in view of the results obtained from the existing tax, is naturally optimistic. This is the sole proposal for increased taxation contained in the present Budget. Sir Thomas intimated that with another year's war, new sources of revenue will undoubtedly have to be sought. As regards the policy to be adopted in seeking these, "it should always be kept in mind that Canada has been in the past, and will likely be for many years in the future, a country inviting immigration and capital to develop its resources and contribute to its prosperity. Especially should we, in considering taxation measures for the period following the war, keep in view the desirability of the flow of the settlers and capital to Canada not being retarded through fear on their part of heavy federal taxation."

* * *

A new War Loan is to come out in the early fall. The proceeds of the recent third loan will enable the Dominion Government to finance both themselves and the expenditures of the Imperial Treasury in Canada until June, when an issue of notes or treasury bills will be made. Sir Thomas briefly noticed the enormous figures of our international trade during the last fiscal year, which, excluding coin and bullion, reached $2,043,000,000, compared with $1,309,000,000 in the preceding fiscal year and nearly double the volume of the largest trade in the history of Canada before the war. "It must, however, be steadily kept in mind," the Minister concluded, "that the higher prices obtainable under war conditions for our national products and the output of our munitions are chifly responsible for this extraordinary favorable condition of our external trade and that with the cessation of the war, dislocation of industry, and modification of prices are bound to ensue. The only safeguard against these conditions is saving on the part of all who are now engaged at good wages, and are in a position to save, and the careful husbanding of their resources by firms and companies engaged in business. The sources of danger to business in war time are speculation in commodities and stock exploitation on the exchanges. With these avoided and national savings greatly increased, we may look forward with confidence to whatever may occur in the reconstruction period after the war."

---

The Actuarial Bureau of the National Board of Fire Underwriters has compiled from an analysis of nearly 500,000 fires a graphic comparison of fire causes in the United States during 1915. The presentation states that of the fires throughout the United States during 1915 21.4 per cent. were from strictly preventable causes, 37.9 per cent. were from partly preventable causes, wh le 40.7 per cent. were from unknown causes, probably largely preventable.