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THE GENERAL FINANCIAL SITUATION

The recent applications by a number of public utility companies for increased rates, together with the prevalent tightness of money, and consequent high interest and dividend yields from investment securities, bring into prominence the general question of the remuneration received by capital for its services or use. If the purchasing value of a dollar at the present time is only equal to the purchasing value, of 50 or 60 cents ten years ago, then an 8 or 10 per cent dividend rate which has remained unchanged, is in the hands of the shareholders at present only equivalent to from four to six per cent., in so far as it is used to purchase the ordinary necessities and reasonable comforts of life. This proviso should be noted, inasmuch as this argument is frequently put in such a way as to suggest that the cutting in two of the purchasing power of dividends which have remained at stationary levels involves hardship to the wealthy, or necessarily to those whose income is entirely made up of such dividends. Such is, in fact, not the case. To those, whose means are slender, and who are entirely dependent upon dividends or interest for their income, some hardship may ensue, but this class is not a large one in Canada. In the case of the really wealthy, it is simply futile to argue that the decline in the purchasing power of the dollar has been a serious matter. It may have meant in certain cases, an inability to purchase various luxuries, or lack of wherewithal to indulge in ostentatious display. But that it means any real hardship comparable, for instance, to that undergone by those belonging to the large class with moderate salaries, cannot be pretended.

With the necessary proviso, the fact remains that the remuneration of capital has not increased in anything like the same proportion during recent years as the remuneration of so-called "labour." The increase in the return received by capital can broadly be gauged by the advance in the rate of interest afforded by Canadian Government securities. These in 1914 were on a four per cent. basis; at the present time, their level is $5\frac{1}{2}$ to $5\frac{3}{4}$ per cent. But it must be observed that the advantage of this increase is only derived by newly invested capital. Capital already invested secures no advantages; in fact it is at a serious disadvantage owing to the rise in the rate of interest resulting in the shrinkage of the value of the body of capital itself. There is not an institutional or individual investor holding high-grade securities purchased before the war whose capital account has not been seriously depleted as a result of the rise in the rate of interest. The comparative position of capital is therefore very much worse than that of "labour" as a result of the changes of recent years. Whereas the remuneration of "labour" has been increased, in many cases to a point of ridiculous over-payment for services rendered, the increased remuneration secured by newly invested capital is offset by the losses sustained by old invested capital,—more than offset in fact,—while the further fact remains that dividends which have not been increased since 1914, in proportion as the purchasing power of the dollar has decreased, are of so much less value in the hands of the individual shareholder.

It is possible enough that before the war, labour did not receive a sufficient share in the products of its industry. But that is no reason why it should now be over paid or why capital should not receive an increased return commensurate with new conditions. Apart from the holders of high-grade securities, such as Government bonds, who have lost very heavily in volume of capital, the pinch has been most severely felt by holders of public utility and railroad securities, very few of which companies have increased their dividends over the levels ruling in 1914. The increases in rates which have been lately asked for do not contemplate possible increases in dividends, but merely the maintainance of the existing condition of affairs. This is scarcely too much to ask, if capital is to continue to be interested in the development and extension of these properties. The threat which has been made in Ontario in connection with the Bell Telephone Company's application that a competing Government owned system would be set up is, we believe, idle, in view of the existing immense cost of materials and the difficulty of procuring them, while experience with Government owned and run telephone and telegraph system in other countries than Can-