Expanding Revenue Facilitates Our War Financing

Dominion Revenue for First Three Months of Fiscal Year Shows Large Increase, with Prospects of Continuing at High Figure

By H. M. P. ECKARDT.

With the publication of the June figures, the situation as regards Dominion revenue for the first quarter of the new fiscal year reveals itself clearly. All told the revenue for the three months, under the five headings used by the Finance Department in connection with the income on account of Consolidated Fund, amounts to $50,772,903. If the collections for the remaining three quarters average the same, the aggregate receipts for the fiscal year ending March, 1917, would be roundly $200,000,000 — some $30,000,000 over the estimate. However, there are great uncertainties, and any month might see sudden changes in conditions. It is well known that a considerable part of the increase of revenue arises directly and indirectly out of the war activities; and decisively favorable developments in the military operations on either of the two principal fronts in Europe, might cause a sharp decline in the customs revenue collected by the Dominion on imports from the United States. A decrease of revenue arising from such a happening would occasion nothing but thankfulness here, as it would indicate the near approach of the final victory over Prussian militarism. Also the decrease of our national revenue would be much more than offset by the prospective reduction of the extraordinary expenditures on war.

In considering the revenue for the June quarter as an indication of the results of the whole year, it is necessary to remember several special points. In the first place a part of the revenue actually received in April, the opening month of the new fiscal year, is always taken into the accounts of the preceding year, that ending on March 31st, as it pertains or belongs to such preceding year. This naturally makes April a short or poor month — its figures being as a rule somewhat below the average monthly showing. This circumstance, taken by itself, would point to a larger aggregate than $200,000,000 for the full year when the opening quarter produced $50,000,000. Another consideration is that the second and third quarters of the fiscal year are usually the heavy seasons for collecting the national revenue; and if there is no break in the extraordinary period of prosperity the results achieved in the June quarter might be surpassed in the two ensuing periods. The months of August, September, October and November in particular are good revenue producers. On the other hand January, February and March often see a considerable falling off.

Revenue From Business Profits Tax.

This year a further complication exists in the Business Profits Tax which is payable in November. Probably the Finance Minister will find it advisable to raise a new heading for this among the items of revenue as appearing in the Canada Gazette. Of course the receipts could be included with the miscellaneous items; but in view of the general interest taken by the business community in the working of this tax, it will be more satisfactory all round if the amount of the collections thereunder appears as a separate item in the Finance Department's statement. Latterly there have been scarcely any estimates of the amount to be collected as excess profits. When introducing the measure, in his budget speech, Sir Thomas White intimated off-handedly that possibly $25,000,000 might be received in this form; but since he made that rough estimate the taxation measure has been amended in more or less important respects, and it has become more generally recognized that the application of the tax is a very complicated process. By means of one of the amendments, corporations are allowed to count accumulated profits as capital on which the earnings up to 7 per cent are exempt. This affected the banks in particular, as those institutions have accumulated profits, in the form of rests or reserve funds, equal to capital. The effect in their case was to reduce their contribution under the tax by something like $1,500,000.

So, until the experience of the first year of this special tax is available it will not be possible to estimate the annual results with any degree of exactness. If it be presumed that the yield in 1916 will be $20,000,000, and that the general revenue holds at the present rate throughout the year, there would be an indicated total of around $220,000,000 for the fiscal year. But, as suggested above, a sudden change in conditions may bring about heavy declines in revenue and thus play havoc with these expectations.

Railway Earnings and Customs Revenue.

We may, nevertheless, find pleasure in the fact that the fiscal year has opened auspiciously — the good results obtained in the first quarter will have their effect on the final showing even if subsequent quarters prove to be somewhat disappointing. There are indications that the July revenue, for 1916, will make an extremely satisfactory showing. In a general way the railway earnings and the customs revenue move more or less harmoniously. They may not be exactly in accordance, and there may be disagreement as regards the results of particular months, but generally speaking when railway earnings are running at high record levels, the foreign trade of the country will be large, the customs revenue buoyant. Canadian railway earnings up to the end of the second week of July (the last statement available at time of writing) were still showing phenomenal increases—Canadian Pacific, week ending July 14th, increase $1,103,000, or over 66 per cent; Canadian Northern, increase $425,000, or 94 per cent. These figures and the figures of revenue collections at Montreal and Toronto to date, indicate that there will be at least four months of heavy Government revenue in the current fiscal year.

June Revenue and Expenditure.

Taking the month of June by itself, the revenue almost sufficed to cover the expenditure on account of consolidated fund — the running expenses in other words — together with the special expenditure on war and capital account. Thus the war expenses were $12,439,187, and expenditure on public works, etc., $1,374,751 — the two amounting to $13,813,939, which along with $5,251,330 expenditure on consolidated fund, makes an aggregate of $19,065,269. The revenue for the month was $17,600,149, or roundly $1,500,000 less than required to cover the outlay. For the whole three months the total revenue was more than sufficient to cover the running expenses plus the outlay on war and for capital purposes. The surplus is about $13,700,000; but this does not show the situation very clearly, as the expenditures on account of consolidated fund for the quarter ending June amount to only $10,528,045 or roundly $3,500,000 per month — whereas for the whole year they will average something like $10,000,000 per month. July is always a heavy month for expenditures, as the half-yearly payments to the provinces on account of subsidies and the half yearly interest on a considerable part of the Dominion debt are payable. These special payments in July, and again in January, serve to swell the figures of the current expenses and there is no doubt they will cause a considerable deficit which will require to be covered by the use of borrowed money.

Interest Rate on Government and Municipal Loans.

There is some speculation as to whether the institution of the 6 per cent Bank of England rate, the rise in the interest rates payable on British Government treasury bills, and the hardening tendency of the money market at American centres, will adversely affect the market here for our new war loan. Ordinarily, developments of this nature in the great outside markets react more or less immediately on our money situation. If the Canadian banks are able to move the 1916 crops as expected without difficult or undue strain, probably it will not be necessary to revise the terms under which it is believed the new war loan will be offered to the public. One would suppose, however, that the prospective Dominion loan would pretty well absorb the available supplies of ready cash; and it would not be surprising if in the closing months of 1916 high-class municipal and provincial bonds were on offer at slightly lower prices than those at present prevailing. So far as the last couple of years are concerned it has been indicated that September, October, November and December are good months in which to buy municipal debentures. In January and February prices have shown a tendency to rise; and with the easy money conditions in the summer months, the rise may be further continuously in evidence.

United States Firms on Black List

"Official Gazette" of the British Government has Published the following Names of United States Business Houses Accused Under the Trading With the Enemy Act

The "Official Gazette" has published the following names of American individuals and firms placed on the blacklist under the Trading With the Enemy Act:

Philip Bauer Co., 68 Broad Street, New York.

Beer, Sondheimer and Co., New York.

Simon R. Blumenthal, of Zimmermann and Forshay, New York.

Herman Botzow, of O. C. Kanzow and Co., New York.

Brasch and Rothenstein, 32 Broadway, New York.

Maurice Bunge, of MacLaren and Gentles, New York.

Alf. Burun, of Brasch and Rothenstein, New York.

Goldschmidt Chemical Company, 60 Wall street, New York.

Goldschmidt Detinning Company, 60 Wall street, New York.

Goldschmidt Thermit Company, 90 West street, New York.

Gravenhorst and Co., 96 Wall Street, New York.

Carl Grubnau and Son, 144 Arch street, Philadelphia; 74 Wall street, New York and Boston.

Oscar L. Gutelman, of Knauth, Nachod and Kuhne, New York.

Charles Hardy, 50 Church street, New York.

Hasenclever and Co., 24 State street, New York.

Bernhardt, Hasenclever and Schne, 21 State street, New York.

Maryan H. Hauser, of Zimmerman and Forshay, New York.

Alfredo Hirsch, of MacLaren and Gentles, New York.

Franz H. Hirschland, of Goldschmidt Thermit Co., New York.

Robert W. Howe, of Brasch and Rothenstein.

William E. Hamburg, 25 Beaver street, New York.

International Hide and Skin Company, 59 Frankfort street, New York.

International Import and Export Company, 136 South Fourth Street, Philadelphia.

J. Isaacs, of John Simon and Bros.

Max Jaffe, 15 William street, New York.

J. A. Kahl, 82 Beaver street, New York.

Kanzon and Co., 11 Broadway, New York.

Otto C. Kanzon, of Kanzon and Co., New York.

H. Kempner, Cotton Exchange, Galveston, Texas.

Knauth, Nachod and Kuhne, 15 William street, New York.

Mary I. Knauth, of Knauth, Nachod and Kuhne, New York.

Wilhelm Knauth, of Knauth, Nachod and Kuhne, New York.

Hermann C. Kupper, 52 Murray street, and 536 West 111th street, New York.

MacLaren and Gentles, 222 Produce Exchange, New York.

George W. McNear, 433 California street, San Francisco.

A. Magenheimer, 68 Broad street, New York.

Marx Maier, 200 Fifth avenue, New York.

Merchants Colonial Corporation, 45 William street, New York.

Carl Muller, of Muller, Schall and Co.

Ernest Muller, of Schuchardt and Schutte.

Muller, Schall and Co., 45 William street, New York.

Frederick Muller-Schall, of Muller, Schall and Co., New York.

Maris Nachod, 15 William street, New York.

National Zinc Corporation, New York.

Richard Neuhaus, of the Electro Bleaching Gas

Continued on page 20.