

# The Chronicle

## Banking, Insurance and Finance

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### THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

hand again. The forward movement came almost from two factors in the situation—very large bank reserves and very easy money, and as a result of the drastic liquidation, together with such abundance of money on the European markets that they loaned to *American borrowers* whatever was asked for. One of the circumstances may be repeated in the sequel to the recent readjustment, but the other can hardly recur.

Possibly the most qualifying fact about the new Budget is its indication that the era of heavy borrowing, as a result of the war has come to an end, and that henceforth, Canada is to pay its own way. Borrowing is a simple way of getting out of financial difficulties, and it is usually popular with the unthinking, since it has the effect of creating prosperity for the time being. But in national as in individual finance, the paying of ones own way is the only guarantee of eventual financial soundness, laborious as the process may be. What ever differences of opinion there may be in regard to the incidence and results of specific taxation proposals, it will, we think, be generally agreed that Sir Henry Drayton has met the problems with which he was faced, with considerable courage. In drawing up the national balance sheet, he has excluded all doubtful assets, and in his proposals for new revenue, he has ranged much further a field than any of his predecessors. The sentiment of the business community generally is met by the considerable modification of the Business Profits War Tax, making that import much lighter than in three years preceding 1920. Slight additions are made to the Income Tax on incomes over \$5,000, but the full details regarding what is proposed in this connection will apparently not be available until the separate amending bill has been brought down. A set of far reaching "luxury taxes is introduced, which may have an important effect upon particular trades. The man in the street will probably object that with prices at their

present height, neither \$50 suits nor \$10 shoes can be described as "luxuries," but in regard to many other items which come into the schedules of the new taxation, there will we imagine, be general approval of a step which may have the effect of curtailing extravagance in expenditures by profiteers and the newly-rich. A one per cent tax on turnover of manufacturers and wholesalers is an innovation in fiscal practice, urged on the Government, we believe, by some who wished a tax of this kind to supplant the Business Profits War Tax, but now adopted in such form that it is paid by the consumer. The excess taxes on liquor, playing cards and motor cars are revised stiffly upwards, and some minor new stamp taxes introduced. On the other hand, the tax on moving picture films is removed, and what is of more general importance the 7½ per cent. war customs duties tax are abolished. These concessions, including the revision of the Business Profits War Tax, involve taxation estimated at \$30,000,000 annually, the net return in additional revenue being thus reduced to an estimated figure of \$70,000,000.

For a few days there is bound to be a certain amount of confusion in business circles until the working of the new taxes has become systematised and is thoroughly understood by the public. New taxation, particularly direct taxation, can never be popular. But under present circumstances, stiff taxation is a valuable ally in the process of readjustment, and we are inclined to think that on the whole, the present Budget marks an important forward step in the process of the adjustment of the national finances from the strained position in which they were necessarily placed as a result of the war, to a normal and healthy position.

### TRAFFIC RETURNS

Canadian Pacific Railway				
Year to date	1918	1919	1920	Increase
April 30..	\$45,161,000	\$48,570,000	\$57,972,000	\$9,402,000
Week ending	1918	1919	1920	Increase
May 7 ..	\$3,033,000	\$2,856,000	\$3,520,000	\$664,000
May 14 ..	3,109,000	2,959,000	3,576,000	617,000
Grand Trunk Railway				
Year to date	1918	1919	1920	Increase
April 30..	\$19,002,937	\$19,361,387	\$20,949,325	\$1,587,938
Week ending	1918	1919	1920	Increase
May 7 ..	\$1,434,727	\$1,130,352	\$1,256,047	\$125,695
Canadian National Railways				
Year to date	1918	1919	1920	Increase
April 30..	\$27,159,550	\$29,492,425	\$23,332,875	
Week ending	1918	1919	1920	Increase
May 7 ..	\$1,664,679	\$1,896,301	\$231,028	
May 14 ..	1,848,530	2,070,563	235,227	