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THE GENERAL FINANCIAL SITUATION.

Among the business community in general, satisfaction has been expressed this week at the desire of the Government to "go slow" in the matter of further gratuities to returned men. While there is no change in the general desire that returned men should be accorded the most generous treatment possible—a matter in which Canada's present record is unequalled by that of any other of the lately belligerent countries—there is a very widespread feeling that considerable caution should be exercised in granting further rewards of a monetary character, and that in the granting of any such rewards, the greatest care should be taken that they do not conflict, or run counter to, the national interest. It is a matter on which it is quite easy to be misunderstood, but at the same time, there needs to be quite frankly expressed the opinions which are widely held by business men, and which need emphasis at the present time.

It is a very elementary fact, though, like other elementary facts, one apt to be overlooked, that additional gratuities or any kind of financial rewards to returned men, can only come from one source—taxation. Pensions and the payment of interest upon war debts are the two chief items ensuring relatively high taxation in Canada—very high in comparison with that preceding 1914—for many years to come. It is possible, and even probable, that the point has not yet been reached in Canada at which taxation can be safely imposed without inflicting a real hardship upon large portions of the community. But, however that may be, it is at least quite clear that the present condition of the national finances is such that no expenditure which is avoidable should be entered upon. The 1919 scale of Federal income taxation is as high as that in the United States—a country which feels a burden of this kind to a considerably lesser extent than Canada, owing to its proportionately much larger liquid wealth—and there is still in force a severe war tax upon business profits. It should never be forgotten that high taxation means a high cost of commodities—it is, in fact, an important ingredient in high prices, since taxation enters into the cost of the production and

distribution of goods, not merely once, but at every stage of their production and distribution.

The point of view of the national finances is, however, only one side of this question, and nobody, except the most blindly selfish, grudges taxation that may be necessary to pay the most generous allowances within reason to returned men. But there is another side to this question, much in the minds of business men. The noisy demand for a \$2,000 gratuity in cash, made by a small but vociferous section of those returned, is, of course, preposterous, and not to be thought of. The question then further arises, is any further cash gratuity wise, either in the interests of the men themselves, or in the national interests as a whole? We hope we shall not be misunderstood, either by returned men or by others, when we say that in our opinion such a cash gratuity would not be wise.

The reason why in our opinion a further cash gratuity would be unwise is, to put the matter quite frankly, that such a gratuity would merely put a premium upon idleness, and in the world's present condition, idleness is the unforgivable sin. The probabilities are, in fact, it is a certainty, that there would be only this effect in the case of a minority of returned men. The great majority of returned men are, we believe, perfectly satisfied with the financial treatment given them by the Government, and are only too glad to resume their former civil occupations, and contribute their quota towards the production of essential commodities, and the performance of necessary services. But the fact remains that at the present time, Canada cannot afford to make idleness possible or desirable for even a small number of folk. One has only to look at Great Britain to see the evil results that accrue from an unwise government policy which puts a premium on idleness. The basic trouble in Great Britain at the present time is that a very fair proportion of the population simply refuses to work. The writer received only this week a letter from a Canadian business man at present in England describing how, at a little village in Kent, far removed from the industrial centres, the village

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