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THE GENERAL FINANCIAL SITUATION

Within the last few days several interesting announcements have been made indicating that the Dominion Government and enterprising business men are alike taking active steps for the maintenance of Canadian trade and industrial activity under the new conditions. Sir Thomas White has announced the completion of arrangements with the British Government for new credits amounting to \$200,000,000. About \$50,000,000 of this is to be devoted to winding up the affairs of the Imperial Munitions Board, while the balance will be used in the purchase of foodstuffs. The expenditure of this large amount in Canada on British account, made possible through the success of the recent Victory Loan, will aid substantially through its gradual circulation among the whole community, in maintaining a high level of purchasing power generally.

That this is but the first step in very ambitious plans for the aid of Canadian industry during the next year or two, and perhaps longer, is suggested in the address delivered by the Finance Minister this week in starting off the War Savings Stamp campaign. The next point to be impressed upon Canadians generally is that whereas in the last two or three years it has been necessary to save and subscribe to War Loans in order to support our armies in the field, now it is necessary to save in order that credits may be given abroad, and the wheels of industry kept going. It is to be expected that in due course, within the next twelve months, there will be another great National Loan for this purpose, and to clean up our war financing. Meantime, the War Savings Stamp movement furnishes an easy way by which everybody can lend a hand in maintaining prosperity while at the same time, as in the case of the Victory Loan, securing for themselves a very good investment.

Canadian subscriptions to the French Government's Loan of Liberation, now being offered here will have the same effect. The proceeds of Canadian subscriptions, and a good deal more no doubt, will be spent in Canada in the purchase of Canadian products required for the enormous task of reconstruction in France. It is something new to have the securities of a leading European Government offered in Canada, but by this time Canadian financiers and investors scarcely lift an eyebrow at innovations which four years ago would have been thought incredible and the probabilities in fact are that this French loan is but the first of a series of offerings of this kind, which will be made in Canada within the next year or two.

As regards individual enterprise in connection with the development of export trade, it is known

that a considerable number of prominent Canadian corporations are actively engaged on arrangements for representation in the leading European cities, and some attention is also being paid to the South American and Siberian fields. A company, backed by prominent Montrealers, is arranging to cover not only the latter field, but practically the whole of the Far East, and in this connection it is very probably only a matter of time before Canadian banking facilities are developed in these fields in order to make their occupation by Canadian business ventures more efficient and permanent.

In the investment field, one effect of the developments of the last few weeks has been to bring into prominence the long-term bond. For some time past, far-sighted investment authorities have been urging the claims of long-term bonds to consideration, and it is now plainly evident that institutional and other investors who have been purchasing these during the war period, stand to benefit very materially, not only through assurance of a high yield over a long period of years, but also as a result of gradual appreciation in market values. In this connection, the life insurance companies and other large investors, stand undoubtedly in a favourable position. They are not only large holders of the longer-term war loans, but they have also purchased freely during the last year or two the various issues of provincial and municipal securities which have been made on very attractive terms. In the long run the companies will undoubtedly secure very handsome results from these purchases, and their policy-holders will benefit accordingly. While the outlook upon the future is complex enough, there is at least good reason for expecting that the values of good class bonds will continue on the upward grade for a long time to come.

Within the next few weeks, business men will be beginning to concern themselves with the prospects of taxation legislation in connection with the next Budget. The Business Profits War Tax was renewed last session for a period of twelve months only, and expires at the end of the current year, as in the case of individual companies at the end of the fiscal period approximating to the current year. In what form this taxation will be continued, if it is continued at all, remains to be seen. In the case of the Income Tax Act also, practical experience of its operation, as well as the necessities of national finance, will probably call for some amendment. The only certainty about taxation at present is that it will continue, whatever share of an indemnity payable by Germany, Canada may eventually be allotted, and while Canadians are not perhaps yet thoroughly accustomed to this form of direct taxation, it will probably be found, as time goes on, that Canadian business will manage to get on pretty well in spite of it.