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THE GENERAL FINANCIAL SITUATION

The governmental enquiry into the tariff by a committee of three cabinet ministers, which is to begin next month, is the most important step of the kind that has been taken in Canada for many years. Of necessity, as is pointed out by the Minister of Finance, consideration of the tariff, and tariff revision, involve a consideration of the revenue necessities of the country and of other methods of taxation. Practically, therefore, the present enquiry will involve the establishment of absolute facts in connection with each Canadian productive activity as well as a thorough review of the Government's financial position and requirements. That the time is ripe for such an enquiry into the operation of the tariff, and the necessity of revision, is a fact which does not need argument. Had there been no whisper of political agitation on the subject, the course which is now being pursued would still be both justified and advisable. In a country at Canada's stage of national existence and growth, conditions change very rapidly, and the tariff which may have thoroughly fitted the needs of the country ten years ago, is not of necessity exactly what is required at the present time. As time goes on and the conditions of the country change, anomalies are bound to creep in; they are inevitable where conditions are not static. And a very considerable interval of time has now elapsed since the last far-reaching revision of the tariff.

If the present enquiry is to produce any satisfactory results, it is, of course, essential that it should be extremely practical in character. What is wanted in evidence are facts—hard facts of the present condition of industry in the country, and the conclusion drawn from those facts, and the recommendations made by the Commission upon which the Government will act must necessarily also be extremely practical, if they are to be useful.

It is true that correct practice depends upon correct theory, but it is equally true that the putting into effect of theories is limited by pre-existing conditions. No one, with any practical knowledge of affairs, supposes that it would be possible, even if on some grounds, it might be con-

sidered desirable to put into force in Canada, today, theories of absolute free trade. The extent to which the national finances depend upon customs revenue for their support is sufficient evidence of that simple fact. The present enquiry will not be concerned with theories, but with things as they are, and with the effect of changes in the tariff, not only upon those engaged in the industries concerned, both capital and labor, but also upon the national finances. In some directions, reductions in the tariff may be found desirable; in others, they may be found good reasons for the increase of existing duties. The comprehensive study of the situation which is now to be undertaken, will show the expediency of these things.

The importance to the country of the tariff from the point of view of revenue, is incidentally shown in the Government returns for the month of July. These returns show, that in spite of income from the new sources of taxation tapped in the last Budget, customs collection continue to retain their relative proportionate importance. That this should be so in the present instance is, of course, partly a result of the recent immense increase in our imports, to which reference was made in this column recently. That this increase, a very regrettable phenomena from one point of view, inasmuch as it betokens nothing else than a continuance of extravagant buying by many Canadians, is not without its compensations, is shown by the revenue returns. The extravagant spenders are at least contributing something to the national revenue. The revenue for the four months of the fiscal year, to the end of July, rose from \$99,621,970, the 1919 figure, to the very considerable sum of \$145,049,588. This is a gain of approximately, \$45,000,000, or not far short of 50 per cent., a very satisfactory and striking increase from the point of view of a Minister of Finance, concerned not merely with making ends meet, but also with reducing debt. The gain noted is primarily a result of the new sales and luxury taxes brought into force by the last Budget, although, as noted above, a considerable increase in customs collections is also an important factor. The new taxes were frankly experimental, and there was