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THE GENERAL FINANCIAL SITUATION.

With the opening of the New Year, attention is being directed to the possibilities of taxing legislation in the forthcoming Budget of the Minister of Finance. With the close of the war, and the gradual restriction of the expenditures of the Government for warlike purposes—though special expenditures in connection with military purposes, must necessarily continue at a high level for many months yet—there is naturally an expectation among the business community that the severity which has been found necessary in war-time taxation will be somewhat relaxed. Particularly there is a hope that the Business Profits War Tax, which a year ago was only renewed for a period of twelve months, and is admittedly a war-time measure, the terms of which were justified by the need of revenues, will be dropped altogether or at the least, the scale of taxation under it, modified considerably. Looking at the facts of national finance, as they stand at the present time, it seems that the latter expectation is more likely to be realized than the former. The dropping of the Business Profits War Tax, were such a step taken, would doubtless be accompanied by such a revision of the Income Tax upon corporations as would compensate considerably for the giving-up of what has proved to be an extremely powerful and effective means of taxation. What, however, appears the more probable course at the present writing is that the Business Profits War Tax is not likely to be dropped altogether this year, but that the scale of taxation under it will be reduced, possibly to the level of that ruling in the 1915 and 1916 accounting periods. A temporary renewal of this tax on such lines would give the Minister of Finance, not only a substantial source of revenue, but also place him in position to modify by further legislation, or lack of it, the taxation burden in accordance with the requirements of the country and the financial needs of the Government.

In this connection, the relative vastness of the Government's needs under present conditions has to be borne in mind, and is perhaps not as widely appreciated as it should be. Professor Skelton puts the case graphically the other day when he pointed out that in the current fiscal year, the Dominion Government is faced with the task of raising for the civil budget, for direct war expenditure and for loans to the British Government a sum of over \$980,000,000, which means that in a single year we must raise a sum greater than the

total expenditure of the Dominion, on current or Consolidated Fund account, during the whole generation from 1867 to 1900. In the next financial year, which begins on April 1st, our needs of course are not likely to be so great, but it appears certain that large credits will have to be given in connection with purchases by foreign governments of materials for reconstruction purposes, and while the major part of these credits will no doubt be raised by means of great national loans, Government finance will be in a healthier condition than otherwise in the longer future, if those national loans are not drawn upon too freely for other purposes than this, and taxation be looked to, to a considerable extent, to meet the decreasing special expenditures in connection with the loan, as they continue.

The business community, even outside the trades and industries directly affected, has been considerably interested this week in the announcement that arrangements have been made for the purchase in Canada by the Timber Controller of Great Britain of one billion square feet of lumber, the value of which is approximately \$40,000,000. This is the first important arrangement announced which has been brought about by the Canadian Trade Commission now in London, and is a significant indication that results are really being accomplished by that body. The lumber to be purchased will be of all grades, and will be bought under the direction of the Timber Controller through British brokerage houses and Canadian timber agents in London, who will deal direct with the Canadian lumber producers. The Canadian lumber industry is one which suffered considerably during the war as a result of the closing of the British markets through the prohibition of imports, and the present announcement will be therefore doubly welcome to the trade, not only for itself, but as evidence that the British market is again open to Canadian lumber producers. The necessary credits for this transaction have been arranged at Ottawa, and it is to be expected that the present announcement will form the first of a series as reconstruction plans in Europe get under way.

While New York exchange continues unfavourable to Canada, some authorities are now expressing hopeful opinions that the worst has been passed, and that a steady, if gradual righting of the exchange rate, will henceforth be seen. In this connection, stress is laid upon a revival of

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