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THE GENERAL FINANCIAL SITUATION.

A paradox of the present situation is that while a good many folk with moderate incomes and heavy responsibilities are finding it more difficult to make ends meet than ever before, as a result of the high prices of every staple commodity, concurrently the luxury trades are enjoying an unprecedented boom. Such trade lines as jewellery, automobiles, musical instruments (including in that designation the ubiquitous gramophone) and tobacco shows no signs of recession from war-time activity. Any observant person, going about the streets of Montreal this last week or two, cannot fail to have been struck with the large number of new automobiles around—and not Fords either. A Montreal business man, returning from a holiday in California this week, reports the Californian hotels (which are not inexpensive places) as packed by Canadians, from Saskatchewan and the other wheat-growing provinces, as well as from the supposedly more wealthy East. These isolated facts are merely significant of what is everywhere evident, that at the present time the luxuries of life are being more extensively indulged in than ever before.

The explanation of the paradox is, of course, found in "war profits." Someone has calculated, though with what degree of accuracy we are unaware, that the war has created 17,000 new millionaires in the United States. Proportionately, it has done the same for Canada, and the profits are now being "blown in," alike by the little factory girl who served her country by pulling down \$40 a week making munitions, by the farmer to whom before 1914, dollar wheat was a dream to be fondly cherished but never realized, and by the wealthy manufacturer and business man. Proportionately, we are inclined to think, the major part of present day spending on other than necessities is being done by the less-wealthy classes of war "profiteers." It is hardly surprising that they are following the well-known rule that the first time folk make "easy money," it goes just as easily. The second time, if they have such luck and any commonsense, they know better. However gratifying all this spending may be to those who are benefiting from it, the fact has to be realized that in the long run, it is injuring the country by prolonging inflation, keeping up prices of staple commodities, and making the general burden of war taxation harder to be borne. It is by the way of

accumulation, and not by that of spending, that the general and sustained prosperity of the whole community lies.

A good deal more interest than usual has been displayed by the business community in this year's British Budget, announced during the last few days, owing to the proposals for an Imperial preference. These proposals, judging by the somewhat scrappy information which is at present available, are not particularly extensive, and, while effective to a certain extent, are perhaps most interesting as indicating a definite new departure in British fiscal policy. However, it seems that in some degree Canadian products may benefit, at least in certain lines. The proposals, if carried through, seem likely to give a stimulus to the movement which has been on foot for some years past, for the opening up of branch factories in Canada by large American industrial concerns. The products of these factories, being made in Canada will be at a considerable advantage in the British market over similar goods made in the United States, and wide-awake American manufacturers can be depended upon to use their best opportunities in this direction. The establishment of such factories, with their consequent importation of capital from abroad, and employment for local workers, Canadian transportation systems and the financial machinery of the country, as well as their tax-paying capacity, will react favourably on Canadian industrial development. It is not generally known, we believe, that during the last two or three years, there has been a good deal of looking-over of the ground in Canada by American manufacturers, concerned with the possibilities of post-bellum trade. Another tendency, much in evidence in the last two years, is for Canadian branches of American concerns to be organized into separate companies in order to avoid double taxation on the same profits in both Canada and the United States.

Some observers are inclined to see in Mr. Chamberlain's treatment of the British Excess Profits Duty a possible precedent for Sir Thomas White in his problem of dealing with the Business Profits War Tax. Mr. Chamberlain has cut the British duty from 80 to 40 per cent. So far as the Canadian tax is concerned, it is generally recognized that if the legislation were renewed for one or two years, it could not be expected to produce

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