

The Chronicle

Banking, Insurance and Finance

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THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

export also, as much as possible, to whoever else will pay cash for their purchases. There is no short and easy out of the present state of affairs, and the sooner all of us make up our mind to that fact, and act upon it, the better.

There is reason to believe that the present condition of New York exchange in Canada is having a considerable effect upon the volume of Canadian bank deposits. A vast number of American corporations and firms doing business in Canada through an agency or branch are normally accustomed to transfer their Canadian funds home frequently, leaving only in Canada an amount sufficient to meet current expenses. Under present conditions, of course, this can only be done at a heavy loss, and there is plenty of evidence available that these corporations and firms are allowing balances to accumulate in Canada, pending a more favorable condition of exchange. With exchange continuing unfavorable for any prolonged period, these balances may be expected to reach important proportions.

The information which comes from Ottawa that the Minister of Finance, now engaged on the preparation of his new Budget, is rigorously paring departmental estimates, is easily credible. Sir Henry Drayton has no easy task before him in making the needs of the national finances for the current fiscal year meet as far as possible. Doubtless, the knottiest part of the problem will be the formulation of new methods of taxation and the adjustment of existing taxes. Sir Henry intimated some time ago that possibly the maximum of Federal taxation in Canada had not yet been reached, and no easy letting down of present imposts should be expected by tax-payers. The weakest point in regard to the representations which are being made by Board of Trade and others in regard to the revival of the Business Profits War tax is that no alternative forms of taxation are suggested. Yet it is obvious that if this Tax is not revised, alternative forms of taxation will have to be found. A heavier rate of Income Tax upon corporations might be imposed, but it would have to be exceedingly heavy to com-

pensate substantially for the very large revenue now raised annually through the Business Profits War Tax. The 1919 scale of personal Income Tax is already as high as that of the United States, yet the Budget estimate of receipts from Income Tax during the current fiscal year is only \$20,000,000 whereas the successful flotation of the last Victory Loan added very nearly \$40,000,000 annually to the Dominion permanent interest charges. Obviously, the present is no time for the abrogation of established forms of taxation in response to the demands of mere theorists. But we are inclined to think that without waiting for the results of the labours of the Tariff Commission, something might be done in the imposition of higher duties upon imported luxuries. Even this matter, however, needs handling with extreme care, since to impose an additional tariff upon, for instance, French products of the luxury class would inflict considerably injury upon our ally. Whatever plans the Minister of Finance may formulate, it should be borne in mind that heavy taxation is an important auxiliary in the process of getting out of the present financial chaos, and that all the nations concerned in the war are now paying heavily for the past timidity of their governments in this respect.

Our old familiar friend, the Farmer's Bank, has again made its appearance. In a discussion in the Saskatchewan legislature, the Attorney General of the province advocated an amendment to the British North America Act to enable the provinces to incorporate banks, a course of action which does not appear to have any particular hall-mark of financial wisdom about it. Another speaker proposed the establishment of small banks, with the provincial government, subscribing 50 or 60 per cent. of the capital. This suggests that the Saskatchewan Farmers, who in recent years have been making more money than they ever dreamed of five years ago, at the expense of the community at large, are acquiring the habit of relying upon governments instead of their own efforts.

TRAFFIC RETURNS

Canadian Pacific Railway				
Year to date	1917	1918	1919	Increase
Dec. 31	\$148,937,300	\$154,024,500	\$173,249,000	\$19,224,500
Week ending	1918	1819	1920	Increase
Jan. 7	\$ 2,343,000	\$ 2,856,000	\$ 3,171,000	\$ 315,000
Jan. 14	2,368,000	2,891,000	3,331,000	463,000
Jan. 21	2,024,000	2,939,000	2,897,000	Dec. 31, 1919
Grand Trunk Railway				
Year to date	1917	1918	1919	Increase
Dec. 31	\$ 58,057,913	\$ 59,397,803	\$ 67,591,388	\$ 7,894,135
Week ending	1918	1819	1920	Increase
Jan. 7	\$ 1,976,000	\$ 1,003,000	\$ 1,329,318	\$ 326,318
Jan. 14	674,791	1,029,578	1,228,846	199,268
Jan. 21	798,805	940,925	1,056,381	115,456
Canadian National Railways				
Year to date	1917	1918	1919	Increase
Dec. 31	\$ 81,000,000	\$ 81,000,000	\$ 91,526,871	\$ 10,427,187
Week ending	1918	1919	1920	Increase
Jan. 7	\$ 900,157	\$ 1,294,000	\$ 1,642,208	\$ 348,160
Jan. 14	1,056,607	1,390,433	1,864,220	443,787
Jan. 21	677,800	1,541,392	1,799,643	581,251