

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXVI. No. 39.

MONTREAL, NOVEMBER 17, 1916.

Single Copy 10c.
Annual Subscription \$5.00

WAR FINANCING.

The anticipation of the Minister of Finance in introducing his last Budget, that the whole of the last appropriation of \$250 millions for war expenditure would be eaten up by March, 1917, appears in a fair way to realisation. For the seven months of the fiscal year to the end of October, Canada's war expenditure is reported as \$127,487,147. These figures are admittedly incomplete, and with monthly expenditures necessarily steadily mounting upwards, it is apparent that one of the first duties of Parliament when it meets next year, will be to authorise a further appropriation for the purpose of continuing Canada's share in the struggle. At the present time, Canada is spending roughly about \$25 millions a month on the war, and the total of our war expenditures is reaching exceedingly large figures. From the beginning of the war in August, 1914, until the end of October, 1916, our war expenditures totalled \$354,435,378.54. The expenditures during the seven months of the current fiscal year ending with October are within \$40 millions of the expenditures for the whole of the fiscal year 1915-16. By the end of next March, the total of our war expenditures will be approaching \$500 millions, with the prospect that another year of war beyond that time will increase it to \$750 or \$800 millions. It is to be remembered that our war expenditures will not entirely cease with the end of the war itself. The transport home of the Canadian troops now in Europe and their demobilisation will be an expensive business, and war expenditure on a large scale will be going on for some considerable time after the actual conclusion of peace.

It is matter for satisfaction that to some extent these enormous expenditures are being met out of current taxation. Posterity will receive the maximum of benefit from the war, and there is no sound reason why posterity should not pay the bulk of its cost. But that taxation should increase in proportion as public expenditures of borrowed money increase is also sound doctrine. The moderate special taxation imposed since the outbreak of war is now beginning to produce notable results. At the

close of the last fiscal year, there was a fair surplus available to set off against war expenditures and appearances suggest that next March, there should be a considerably larger amount available for war purposes. Revenue for the seven months to the end of October amounted to \$121,747,808 compared with \$87,683,848 in the corresponding period of last year, and expenditure during the same period was \$57,561,117 compared with \$56,347,604. The small increase in expenses betokens a considerable pruning in ordinary expenditure, since the increase in interest payments would probably far more than account for the apparent increase in expenditure. Without taking into account capital expenditures on public works, which are provided for by loans, there is a surplus in the Dominion revenues for the seven months of \$64 millions. The figures given do not include any receipts from the Business Profits Tax, payments on which were not due until this month. With these swelling the income totals and other sources of revenue continuing buoyant, it appears not over-optimistic to anticipate a surplus on the Dominion's revenue account for the full fiscal year of a hundred millions or so.

* * *

But with war expenditures going on at the rate of three hundred millions a year, it is clear that there will have to be further heavy war loans raised by the Dominion Government. Additionally, funds have to be made available for the supply of further munitions credits to the British Government if a continuance of munitions orders with their consequent trade activity is to be ensured. Thus the task that lies before the Minister of Finance during the coming year is no light one, and the whole-hearted co-operation of every class of the community will be necessary in order that it may be successfully achieved. "The thoughtful patriot," wisely remarks the Canadian Bank of Commerce, "will save every cent to lend to his country. Those with the habit of spending freely are apt to look with aversion upon those with a disposition to save, but for the time being those who do save are the ones who forge the 'silver bullets' that are now more than ever necessary."