

# The Chronicle

## Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY



Vol. XXXIX. No. 12.

MONTREAL, MARCH 21, 1919

Single Copy 10c  
Annual Subscription \$3.00

### THE GENERAL FINANCIAL SITUATION.

With the approach of the end of the Dominion's fiscal year, the business community is becoming increasingly absorbed in the matter of future taxation, and a certain proportion of the hesitancy now being shown in business circles is due undoubtedly to the uncertainties in this direction. The problems before the Minister of Finance are not simple ones. Something like 400 millions of dollars in expenditures have to be budgeted for, and while a certain proportion of these, such as new public works, undertaken for the purpose of tiding over the demobilisation period, can be legitimately met by borrowing, expenditures which are strictly revenue expenditures are large enough to make the problem of meeting them, a by no means elementary one. The industrial and mercantile community is concerned mainly over two aspects of the problem—as to what will happen to the tariff, and whether the Business Profits War Tax, which expired at the end of 1918, is to be revived, for another year or two. As regards the latter, it may be pointed out that this tax, which has been a very substantial producer of revenue during the war years, would not likely be so effective during 1919, for the simple reason that many lines of war business which were large contributors to the tax in 1916, 1917, and 1918, have now practically stopped operation. On the other hand, the necessity for revenue would appear to be such that if this measure is not revived, there will have to be a revision upward of the Income Tax upon corporations. What will happen to the Income Tax itself is, of course, unknown, except the clear fact that it is a permanent impost, which will probably be the subject of annual legislation year by year according to the necessities of the situation.

It is to be noted that in Great Britain, the existing Excess Profits Tax, which amounts to 80 per cent. of the pre-war standard of profits, is held to be a check to industrial enterprise, and the idea is being put forward to copy the American and Canadian systems of a graduated scale of taxation on profits over a certain percentage on capital. An alternative proposal is to reduce the present rate of taxation to 60 per cent. The fact that a scale something like the Canadian scale of taxation on companies with over \$50,000 capital in 1917 and 1918, is being proposed in Great Brit-

ain as a substantial relief from the present standard of taxation indicates graphically how great are the taxation burdens with which Great Britain is faced, proportionately, with those facing Canada. In regard to present tendencies in Great Britain in the matter of dealing with national financial problems, it is noted that there are ideas abroad for deferring a definite taxation programme until the year after peace, and the cessation of borrowing. As concerns the future, two schools of thought are in evidence. One section of the financial community is urging an early but gradual deflation of the currency, a steady curbing of Government borrowing and dearer money. This section centres its attention on Great Britain's external liabilities and the protection of the gold reserves, when the innumerable restrictions incident to the war are withdrawn. The other school advocates the removal of restrictions everywhere including the abandonment of control over the American exchange rate and continued "easy money" until manufacturers get under way again, and exports are greatly increased. As between the two schools, the British Government has apparently yet come to no decision.

The cabled opinion that the action of the Government in regard to the Grand Trunk Pacific receivership is regarded in London "almost as amounting to confiscation" is not regarded very seriously here. So far as the British bondholders are concerned, they have exactly the same security as they had before—and the security of the Dominion Government is still good enough for most people. The business community is certainly not enthusiastic in the question of Government railway ownership, but at the same time, there is undoubtedly a very well defined opinion that a good many of the troubles of the G. T. P. are due to the fact that the parent company has a board of directors in London who are eminently respectable and of high financial standing, but are not distinguished by railroading ability or knowledge of Canadian conditions. There is, in fact, a sort of fatalistic acquiescence among the business community that it is only a matter of time before the parent system, as well as its Pacific subsidiary, fall into the Government's hands.

The fears which have been expressed in some

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