

# The Chronicle

## Banking, Insurance and Finance

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### THE GENERAL FINANCIAL SITUATION

(Continued from Front page) \*

trade of that kind. This circumstance is of more serious import, probably, to the United States than to Canada, since in the Dominion, speaking generally, manufacturers have all they can do, to meet the home demand.

But in the United States, industrial plants have been developed to such an extent, as to make a large export trade an absolute necessity, if those plants are to be run at capacity. Otherwise it seems likely enough that there will develop in the States a period of relative industrial depression.

It is this possibility which has caused New York bankers to bewail the Senate's foolishness, and the consequent hanging up of possible arrangements for credits, which would tend to relieve the situation. So far as Canada is concerned, the extension of further Government credits for the purchase by the British Government in Canada, of wheat and other raw materials, would no doubt tend to ease matters, but even in this connection, the situation is extremely complicated, and is doubtless necessitating much anxious thought at Ottawa.

As to the future, it is useless to expect any rapid improvement—through the wave of a magicians wand as it were—in a situation which is so utterly abnormal. For several years now we have been buying for cash, and selling on credit; in addition, we are a debtor country, having to meet very large payments abroad to those who have lent us funds for development.

At present we cannot pay in gold, for the excess of our imports over our exports for cash. Were Great Britain and the Allies to repay us the \$420,000,000 they owe us, the premium on New York funds, would very quickly disappear. We shall be paid in due time, but not yet, and in the meantime, we have to get along with the palliatives suggested above. How far they will be effective depends entirely upon ourselves, upon skill in making financial arrangements industry in developing trade, and willingness (though frankly, we doubt if this exists in any substantial measure) to do without imported luxuries.

It is to be hoped there will be no haste to proceed with the ambitious international scheme, for the

opening up of a thirty-foot ship channel to the head of the lakes, and the concurrent power development of three million horse power. Even allowing for the lapse of time which must necessarily take place before such a scheme could be completed, it seems to us quite probable, that the time is not yet ripe for such a development. Necessarily such a scheme must receive the most careful and prolonged consideration. There are a multitude of delicate international questions to be adjusted in connection with it, the engineering problems which it presents are enormous, and there are concurrent problems which in themselves are of first rate importance. There is, for instance, the problem of use of the vast power to be developed by this scheme. It is suggested that it could not be absorbed in industry, and that railway electrification on an enormous scale would be involved. That, of itself, is a very large order. The prospect of a release from the tyranny of American bituminous coal is certainly attractive, but is the prospect practical. A round figure estimate of the cost of the scheme is \$300,000,000.

If a preliminary estimate places it at that figure, we should say it would be safe to place the eventual cost at \$600,000,000, and possibly more. After our experience with National Transcontinental, there is ordinarily a wholesome scepticism about engineers preliminary estimates of costs in this country. But assuming that the scheme is a practicable one, and of that there seems to be no doubt, although it has been said, its engineering problems are enormous, is Canada justified, financially, in launching out upon such an immense scheme at the present time, involving so vast an expenditure, although all of it would not accrue to the Dominion. There can only be one answer to this question.

At present the conditions of the Dominions' exchequer is such that schemes involving such vast expenditures should not be embarked upon. The scheme may be given every possible consideration, and no doubt a certain amount of preliminary work upon it may be done. But financial circumstances must be distinctly more favourable than at present before the commitments involved in such an enormous undertaking can be entered upon with safety.

Canadians who are disposed to grumble as they receive their income tax assessments may bless their stars that they were not born Germans. A new German income tax begins at 1,000 marks (\$250) and the assessment for the first 1000 marks above that is 10 per cent, with an increase of one per cent for every 1,000 marks up to 15,000 (\$3,750). The man who had a pre-war income of 100,000 marks is expected now to turn over half that income to the State. Imagine the howl there would be in Canada if everybody with \$25,000 a year was called on for a trifle of \$12,500. Well, we might have had to do it, and without too much grumbling too, if things had gone otherwise in France and Flanders.