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Bring in producing wells in Montana has created quite a stir in oil circles which has lent itself to the hope that the northern movement of oil prospecting and development will continue across the Border into Alberta and Saskatchewan. In line with these developments several companies have been organized in Western Canada for the intensive prospecting for oil, not only in the southern section of these two provinces but in the Mackenzie River basin, and the Province of British Columbia will continue its prospecting in the Peace River block.

The economic importance of finding oil in Western Canada is a little difficult to overstate, and it seems reasonable to presume that since the same geological structure obtains south of the boundary as north of the boundary will produce similar results; if not in degree at least in kind. Before the year is out it is likely that some development of great importance in this connection will occur.

Evidence of world-wide contraction in credit continue to accumulate. The necessities for enforced expansion by governmental direction has ceased with the conclusion of the war and the demobilization of armies. Due to commercial and industrial conditions the Bank of England was recently forced to raise its rate of discount and for the same reason the governors of the Federal Reserve Bank in the United States have been gradually increasing its discount rate for the correction of speculative conditions that, if allowed to persist, would result in disaster. With the gradual raising of loaning rates in open markets—an illustration of which might be cited as that the six months rate for time funds on collateral security is now 8% in New York—and the gradual depreciation of what we have always conceived as gilt edged securities, such as Liberty Bonds, British National Government Bonds, Canada Victory Loans, provincial and municipal securities, are reaching such a stage that it will be difficult to borrow money at these rates and still make money on the proceeds of the loan.

The inevitable consequences of this condition which is making itself felt in the world centres in deflation and contraction, which must have its inevitable consequences in a reduction in commodity rates from the present high level. Financial conditions always presage industrial and commercial conditions, and we have in these evidences of increasing rates with a halt to credit expansion the first sign that the world has for the present reached the peak of its capital accumulations, which is in realty the foundation of credit limitation. It would seem safe to venture that in view of this condition, high prices have reached their peak, for with any material advance in commodity prices the ability of consumers to use commodities would be seriously impaired.

Canada must ultimately feel the effect of these world conditions, and Canadian loaning institutions must fall in line with the trend of economic events or suffer in the consequences that would be entailed by continued expansion. The managers of our credit institutions contemplate with uneasiness the consequences of a rapid drop in commodity prices, and for this reason they will inevitably do their best to impede anything but the gradual decline in values, both for their own protection and for the protection of their customers. It seems in view of conditions that Canadian bank managers will view with greater discrimination applications for loans, except as the actual and imperative needs will demand and that requirements for capital expansion and development of manufacturers and mercantile businesses will be more difficult to obtain.

For the average merchant and factory manager it would seem the part of good business to carry as small stocks on hand as business conditions will permit, and to produce only against existing orders and to keep in general in as liquid a condition as the individual circumstances will permit.

The widespread and almost universal feeling that business reaction will set in at some time in the future has created a feling of caution and conservatism in business circles which is a favorable augury whenever this period of reaction commences. It is a curious commentary on conditions that while practically all business men are in this attitude of conservatism and caution yet they find that each month records an actual increase in business with corresponding increase in profits, this speaking of general experience only. In consequence the average merchant is inclined to doubt his diagnosis of the situation and is inclined to expand on the basis of this experience. But it must be borne in mind that the swing of the pendulum is strong and it takes a long time to stop and to move in the opposite direction. While the situation may be correctly pre-judged as an inevitable reaction, it may take longer to realize than the average merchant may have the patience to wait. It is, however, certain that the merchant, out of the present period of business activity—accumulating capital and reserve out of his business—will have a very much more comfortable position when the period of reaction sets in than he who acts on present conditions as evidences of permanency.

The services of this journal are offered through an inquiry column, which is open to subscribers and the public generally without charge, for detailed information or opinion as to financial or industrial affairs or institutions throughout the Province of British Columbia. Wherever possible the replies to these inquiries will be made through this column. Where inquiries are not of general interest, they will be handled by letter. We think that we can assure our readers that the opinions expressed will be reliable and conservative, and that all statements will be as accurate as possible.