

The Chronicle

Banking, Insurance and Finance

Established 1881.

Published Every Friday

F. WILSON-SMITH, Proprietor and Managing Editor

OFFICE:

406-408 Lake of the Woods Building,

10 St. John Street, Montreal.

Annual Subscription \$3.00

Single Copy, 20 cents.

MONTREAL, FRIDAY, DECEMBER 3rd, 1920

(Continued from front Page)

procedure, and from that economic point of view, it has a certain function of usefulness. But it may easily become a dangerous weapon, and there are circumstances when it is rightly forbidden, as it has been forbidden, we believe, for several years up till recently on the London Stock Exchange. Whether the circumstances of the last four weeks have justified such a prohibition locally, of course, a matter for argument, but in this matter and that of Atlantic Sugar, there appears some ground for the opinion that the Stock Exchange authorities might have shown themselves more aware of their responsibilities in the protection of the public's interests.

The announcement that plans are being formulated by the Western Grain Growers' Organizations for the formation of a wheat pool to handle the marketing of next season's crops is interesting, even only as marking the abandonment by the farmers of the untenable position they occupied some weeks ago of asking the Government to take the risk of guaranteeing them a fixed price for their product. They are now willing to take their own risks, which is at least one step in the right direction. That the proposal, if carried through, will embrace a very fair proportion of the Canadian crop seems probable in view of the strength of the farmers' organizations in the western provinces. What success the plan will meet with is, of course, purely speculative like any other business venture. If the managers of the pool realise that the Canadian West is not the only wheat producing country of the world and that European buyers are now in a position to buy where they please and in the cheapest market, the farmers may be able to obtain through the pool somewhat better prices for their product than they would be able to obtain by selling individually. If, on the other hand, they proceed to act on the theory which have given utterance to lately, that they can hold out for any fancy figure they wish without regard to world conditions, then they are likely to receive

a rude shock at no very distant date. How the financing of the pool is to be arranged does not yet appear, nor is it clear that this proposal of a "farmers' trust" will prevent the farmers participating in it from continuing vigorous denunciation of all combines of whatever kind, which do not happen to have their origin on the not very logical prairie provinces.

There are some small minded men in high positions in Canada. Here is a Minister of the Crown in British Columbia advocating the establishment of a provincial bank on the ground that British Columbia money needs to be kept at home and should not be sent to Montreal, Toronto, and New York. Somebody should ask this Solon where British Columbia would be now if Montreal, Toronto and New York, and more especially London had always followed the practice of keeping their money at home. Even as things are, it is extremely doubtful whether any British Columbia money comes east, except in payment on commodities and interest on borrowings. So far as current savings by way of bank deposits are concerned, their equivalent and possibly more than their equivalent is doubtless loaned locally within the boundaries of the province.

The freeing of the market for Victory Bonds came quite unexpectedly as the impression was generally prevalent among the financial community that nothing was likely to be done in this connection until the New Year at least. Whether there were urgent reasons for the decisions to free the market in the prospect of large stocks of bonds being dumped upon the controlling committee, or whether it was merely a case of "taking our medicine now" does not appear. That decontrol should have been followed by a rapid decline in the quoted values of the bonds was only to be expected, since it was clear that the controlled prices had a certain amount of artificiality about them. Some degree of recovery after the lowest levels reached in the first few days after the cessation of control may, we think, be expected; but unless a very marked improvement takes place at an early date in the financial situation generally, it seems probable enough that these bonds are likely to remain at low levels for several months. A possible result of this decontrol, which has not been generally anticipated is that borrowing provinces and municipalities may find their loans more expensive although the heavy premium on New York funds here, enables borrowings which can be effected in the states, to be arranged on terms which are fairly favourable in cases where the borrower is prepared to take a chance on the recovery of Canadian exchange to some extent within a reasonable time.