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THE GENERAL FINANCIAL SITUATION

The evidence of definite re-action in prices accumulates. It is seen alike in Canada, in the United States and Great Britain. The Department of Labour at Ottawa, published last week figures showing that the index number of wholesale prices which in May last stood at the record level of 356.6, had in August declined to 330.2. The fall in August from the July level was more pronounced than the decline of the preceding months. Similarly in the United States, the Department of Labour's index number of wholesale prices shows a decline for August of $4\frac{1}{2}$ per cent. In Great Britain, there is a movement likewise, in spite of the threats of severe industrial disturbance.

Accompanying this re-action in prices, there is also in certain lines a definite re-action in trade. The silk and leather industries in Montreal and throughout Canada are admittedly at a low ebb; the women's wear trade, which has been extremely flourishing these last few years, has struck a period of hard times. Other industries are not perhaps in the somewhat shaky condition of these three, but with various exceptions, the outlook is not so cheerful as it was a few months ago. Trade buyers are becoming wary; there is a feeling of uncertainty in the air. Extravagant consumers are becoming less extravagant in their purchases—possibly less from inclination than from sheer necessity; the period of easy expansion is over and we are getting down to the less inspiring, but much more useful task of plodding along and paying as we go. Taken as a whole, of course, trade conditions in Canada are not even moderately unfavorable. They are certainly bad in some lines, they continue exceptionally good in others. But it is not too much to say that the impression received from daily intercourse with business men in many lines, is one of uncertainty regarding the future.

What is not yet clear is how far this re-action in trade and prices will continue; or how far we are on the road to a new normal level, how rapidly we shall get there; what will happen on the way. In the illuminating address which he gave at

Toronto the other day, Sir Edmund Walker took the ground that the change in conditions which has lately taken place is mainly a psychological one, that the purchasing power of the public at large has not been seriously impaired, and that if we can reach a new and rational level of prices, we can begin a new era of prosperity on a sounder basis than we have had since the war began, though necessarily such may be a high basis of prices. If this view be sound, and the distinguished position occupied by the author of it, certainly entitles it to respect, there is little to be really afraid of in the outlook for the immediate future. To some people in trade, re-adjustment will necessarily be a painful process; but a grave injury to the whole economic future will not be done. While necessarily the individual consumer would like to see prices coming down fast, it is very unlikely that they will do so, and it is certainly not desirable, since it would only result in widespread financial disaster. The best interests of Canada will be conserved by a gradual scaling down of prices, through the observance, by the individual, of what now seems an old-fashioned adage, but is in fact the key to the situation, the adage to "produce and save."

One of the leading New York financial journals published an extraordinary editorial the other day, which propounded the theory that Canada's existing heavy adverse trade balance was a matter for congratulation, in that it indicated a period of accumulation prior to new industrial expansion. What the object of the propounding of this comfortable theory may be we do not know, but the incident furnishes a curious instance of the way in which a purely doctrinaire argument will ignore cold facts. The cold facts in the present case, which can be easily ascertained by study of the trade returns, are that many of the imports which go to swell Canada's present adverse trade balance are not of a character, which can be accumulated for a period of industrial expansion—textiles, for instance, and the whole gamut of articles which come under the heading of luxurious extravagance. The August trade figures merely continue the story of