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THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

are likely to decrease materially, with the consequent corollary of a substantial rise in the price-level of existing securities giving a fixed return. Speaking broadly, we should say that the decline in the rate of interest from the high levels brought about as a result of urgent war borrowings, is not likely to be very rapid. In Canada, there has been a slight decrease in the last twelve months, which may be measured by the fact that the present War Loan is being issued on the same terms as the last Loan, but with the interest taxable, while in the case of former loans it was free from taxation. The degree of taxation to which the interest on the present Loan is subject in the hands of the individual holder makes the extent of the lowered rate which the Dominion Government has found it necessary to pay, for its accommodation.

A certain reaction in interest rates, following the lessening of the strain of war expenditures, was to be expected, but for a variety of reasons, it is fair to anticipate that in the immediate future, such reaction will not go much further. The price of capital, like the price of staple commodities, is governed by the inexorable law of supply and demand, and that practically all over the world, capital will be in great demand during the next few years, there is every indication. Certainly, it is likely to be in great demand in Canada. Here, as elsewhere, undertakings of all kinds have been held in suspense during the war, building development has entirely failed to keep pace with the increase in population, and new developments in many lines of business and industry are being planned. That large amounts of capital will be available for these purposes we fully believe, but that the supply will be in excess of the demand for some years to come, seems scarcely likely. Moreover, we do not think it possible that the interest rates upon capital are likely to come down markedly, while the prices of staple commodities and wages remain at a high level. If these remain high, the products of which the investor is a consumer will remain high in price, and in consequence the investor will be forced in self-defence to demand a higher rate of interest upon his money. Those associated with investment houses and stock brokerage firms are thoroughly familiar with the efforts of investors to obtain larger incomes in order to keep pace with the increased cost of living. It may be noted in this connection that lately there has been a flood of new capital issues in the London market, but a perusal of some of the propositions recently issued shows many different terms being offered to the investor, in comparison with those which were familiar enough in London prior to the war.

The question of the future of interest rates is, in fact, bound up with the great question of production. As deflation takes place, and the supply of commodities becomes more plentiful, the present level of prices will recede, but not before. But, by all present signs, deflation will be a very gradual process. And while with production catching up to demand in certain lines, there would naturally be a reduction of demand for new capital in those quarters, the lack of not only bringing the regions devastated by the war again into civilized shape, but of developing hitherto untouched resources and regions which are yet beyond the confines of industrial civilization is so enormous, that it is quite probable that there will be a sustained and even urgent demand for capital for many years to come, and a ruling interest rate in consequence, that is comparatively high.

TRAFFIC RETURNS.

Canadian Pacific Railway

	1917	1918	1919	Increase
Year to date Sept. 30.....	$106,475,000	$108,138,000	$121,176,000	$13,038,000
Week ending	1917	1918	1919	Increase
Oct. 7......	2,842,000	3,458,000	3,965,000	507,000
" 14.....	3,335,000	3,534,000	4,029,000	505,000
" 21.....	3,429,000	3,509,000	4,241,000	732,000
" 31.....	4,989,000	5,023,000	5,878,000	855,000
Nov. 7.....	3,204,000	3,437,000	3,821,000	384,000

Grand Trunk Railway.

	1917	1918	1919	Increase
Year to date Sept. 30.....	$45,544,759	$40,754,680	$48,317,156	$7,562,506
Week ending	1917	1918	1919	Increase
Oct. 7.....	1,014,812	1,460,738	1,611,553	150,815
" 14....	989,667	1,433,788	1,619,110	185,322
" 21....	916,866	1,296,165	1,486,851	190,686
" 31....	1,463,382	2,157,396	2,418,862	261,466

Canadian National Railways.

	1917	1918	1919	Increase
Year to date Sep. 30....	....	$56,492,853	$64,569,137	$8,076,284
Week ending	1917	1918	1919	Increase
Oct. 7.....	....	1,789,180	2,102,281	313,310
" 14....	....	1,745,665	1,974,750	229,085
" 21....	....	1,915,656	2,129,180	213,574
" 31....	....	3,030,017	3,183,584	153,567
Nov. 7....	....	1,717,273	1,948,591	231,318