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THE GENERAL FINANCIAL SITUATION

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of revenue are fixed. Gross railway earnings for the month were $17,366,849 against $15,023,088 in November last year, an increase of $2,343,761. The whole of this increase, however, and very nearly $600,000 more, was entirely absorbed by the rise in working expenses, so that net earnings for the month are $548,663 less than in November of 1918. The figures for eleven months tel lthe same story. Gross earnings at $159,903,476 are over $18,000,000 larger than in the corresponding month of 1918, but net earnings are actually lower —$31,250,860 compared with $31,691,375. In other words, the C.P.R. has performed additional services in comparison with 1918, which had a value of over $18,000,000, from which additional sources it has not derived a penny of additional profit. In November working expenses actually reached the high ratio of 84 per cent. of earnings. What this means in comparison with former conditions will be reclosed from the fact that in 1910, when eleven months' gross earnings were only $92,000,000, net earnings were over $33,000,000 or two millions in excess of 1919 net on gross earnings, fully 75 per cent. larger. What relief, if any, from this condition of affairs will be secured at an early date seems extremely problematical. The railway affairs of the Dominion from the point of view of operating expense, are inextricably bound up with those of the United States. The problem of the future of the railways there remains unsettled, and until the railways are relieved of the incubus of the McAdoo Schedule, and can pay their labour what it is wont—and not what they are compelled to pay whether the services rendered are worth the remuneration given or not—it is hopeless to expect any kind of improvement.

While within the last fortnight, several of the pulp and paper stocks have been attracting much newspaper attention through meteoric rises, it is notable that the stocks in which the greatest skyrocketing has occurred are those with a very small floating supply of stock and narrow market. Consequently, the general run of Stock Market followers have not greatly benefitted by the development. The public has been dazzled by the announcement of various grandiose schemes of recapitalization, and its appetite whetted by the promise of more to come. Allowing, however, for the remarkable strides which have been made by this Canadian industry, and the undoubtedly brilliant prospects which it has for several years to come, it may be doubted whether those startling policies of recapitalization are entirely sound. They savour to some extent of the waving of the magic wand, and that, while dazzling for the moment, does not often produce lasting results when bad business is in question. There is no doubt that the pulp and paper industry's present position is largely a result of war conditions, and sooner or later it must come back to a position of normality. That may not be for some time yet, but production is bound to increase to a point where it will be more in line with demand, foreign competition may again become active, and profits be accordingly reduced to a considerably narrower margin than at present. The proof of the wisdom of the present policy of recapitalization lies with the future. All that can be said is that in some cases a prosperous future appears to be in process of being discounted very generously.

The final report of the British Committee on Currency and Exchanges contains some points of interest to Canada. The findings of the committee seem to be summed up in this paragraph: "Increased production, cessation of Government borrowings, and decreased expenditure, both by the Government and by each individual member of the nation, are the first essentials to recovery. These must be associated with the pre-war methods of controlling the currency and credit system of the country for the purpose of re-establishing at an early date a free market for gold in London." It is interesting to note, that while the present weakness in sterling exchange is undoubtedly due in part to trade conditions, the committee places an important measure of responsibility upon the expansion of credit in the United Kingdom, and the practice of granting long term credits to enable foreign nations to purchase in the British market, is given as one of the causes contributing to the existing expansion. There is no doubt that, so far as Canada is concerned, while the policy of extending credits to foreign countries for the purchase of our commodities has been justified it has led to a certain amount of expansion here, and the sooner it can be discontinued, and the volume of our exports sold for cash increased, the better for the general economic health of the Dominion in the contraction of expansion and the restriction of prices to a reasonable level of values.