



The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIX. No. 41

MONTREAL, OCTOBER 24, 1919

Single Copy 10c
Annual Subscription \$3.00

THE GENERAL FINANCIAL SITUATION.

While this journal is not concerned with politics, the result of the Ontario elections this week invites comment from the point of view of possible future effects of the Ontario happenings upon Canada's industrial development. Without in any way wishing to draw conclusions from insufficient premises, we are inclined to the opinion that the success of the Ontario farmers this week indicates a development of political forces that may be of very great importance to Canada in the future. Hitherto organisation among the farmers for economic and political purposes has been mainly confined to the grain-growers of the West, the strength of whose movements, whatever may be thought of their programme, can hardly be denied. The eastern farmers have lagged somewhat far behind their western brethren in this connection, but obviously have lately been making up for lost time, with very gratifying results from their point of view. A combination of the eastern and western farmers' forces, with a view to entering the Federal field, is almost inevitable, and the probabilities seem to point to the fact that sooner or later, there will be a definite farmers' group at Ottawa. What influence such a group will exercise remains to be seen. But it is obvious enough, from the past records both of the Western grain-growers and of the Ontario farmers, that they will in Federal politics constitute an influence in favour of a low tariff, and the raising of an increasing proportion of the country's revenue by means of direct taxation. What results will follow the promulgation of their views, the economic student can speculate for himself.

Conversations with some of those prominent in the local financial world at the beginning of this week revealed a distinct feeling of apprehension regarding the wild trading on the local stock exchanges around the week-end. By all accounts, various measures have now been put into force which are calculated to put a damper on the activities of the crowd of "pikers," who have been jumping in and out of stocks lately, measures which will induce a more orderly movement with at least some relation to common-sense. The curious fact about the present bull movement is that

it has left almost wholly neglected various standard stocks, which formerly were leading speculative favorites, and it would not be surprising, once the Victory Loan is out of the way, if public attention were turned to these, as well as to other sound dividend-paying securities which are altogether out of line in comparison with the stocks which have figured most largely in the recent frenzied speculation. That activity on the Stock Exchanges is likely to quiet down while the new Loan is in actual process of flotation as a result of the withdrawal of funds, seems probable enough. On the other hand, it is to be remembered that the proceeds of the Victory Loan will at once again go into circulation, and be distributed throughout the country, and later on the Stock Exchanges may be expected to resume their normal habit of discounting considerably in advance, favourable developments resulting from this fresh impetus to Canadian trade given by the successful flotation of the Loan.

At the same time, it may be noted that the Canadian exchanges are still subject to the sympathetic influences of developments in the New York markets, and conservative observers there are concerned as to the possible development of a real "money squeeze" at no distant date. One trustworthy writer says: "If it is to follow the rule and precedent of prudent central banking, it would appear to be at least a possibility that the Federal Reserve to-day, like the Bank of England and the Bank of Germany in the past decade, will be forced to take active measures against the absorption or retention of the existing body of credit in the inflation of Stock Exchange prices. The possible fact that the Reserve Bank's liabilities have been expanded more by legitimate commercial borrowings than by speculative dividends, is not at all to the purpose. That would simply mean that the illegitimate demands on general credit may be crowded out for the benefit of the legitimate."

It is an undoubted fact that speculation on the local stock exchanges during the last few months has been greatly stimulated by the plentitude of funds available for the purpose. Large amounts

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