Readjustment of Industry to Price Changes

Slackening of Industry and Increasing Failures While Not Large, Is Indicative of Transition—Useless to Resist Receding Price Tide.

Mr Francis H. Sisson, vice-president of the Guaranty Trust Company, New York, in a recent address in that city said in part of the present readjustment:

"We are entering the second stage of our post-war transition period. The momentum of economic forces generated and accelerated by the war is rapidly expending itself, as is evidenced by the lessening of industrial activities in many lines. Inflation has been arrested; the era of extravagant expenditure is ending; devastated Europe is again beginning to produce, as is attested by the rising tide of imports. And we are facing a period of unsettled conditions, even more critical in some respects than that through which we have just passed.

"There seems to be every indication that the peak of high prices in commodities generally has been passed, and that the process of readjustment to lower and more normal levels is under way. This, of course, will affect all business, and must be reckoned with in any business plan. There has been a steady decline in commodity prices as a whole from February of this year, when they reached their peak, to this date. In some lines these declines are more pronounced than others. In manufactured products this is true as yet in only a slight degree, but it is certain to be reflected there also.

"And, as was to be expected in a period of declining commodity prices and slackening activity in a number of industrial lines, both the number of commercial failures and liabilities involved are increasing. In July, for instance, the defaults in mercantile and industrial lines numbered 581, with liabilities of nearly 22 million dollars, as compared with only 452 failures and liabilities of 5½ million dollars in July, 1919. The defaults for August numbered 673, with liabilities amounting to more than 28 million dollars, and sharply exceeded those for August of last year, while the liabilities, due to an unusual number of large reverses, are well above the average for August. The large failures last month exceeded those for any August since 1896, and the liabilities involved by these defaults are the heaviest reported for the period since 1914.

"While these failures have not reached alarming proportions at all, they indicate that certain more or less painful readjustments are taking place in trade and industry. They should point their moral, namely, that in a declining market it is the part of wisdom to be short on commodities and long on credit. It has been observed that the highest degree of skill is required to carry business enterprises safely through periods of falling prices, even when the fall is of moderate proportions.

"This is not the time to borrow in order to carry large stocks of goods or to stimulate the production of non-essential commodities. But commercial loans are not being denied to any industry that is endeavoring to increase the production of essential goods.

"While the Federal Reserve Board has consistently declined to rule upon the question as to what are essential and non-essential commodities, the banks have proceeded on the basis, broadly speaking, that an essential commodity is a product for which there is an urgent demand and which is indispensable to the welfare of the community. And the banks have encouraged the greater production of necessaries.

"It should be remembered that the banks prosper most when industry generally is most prosperous. A severe business depression would be as injurious to the banks as to industry. And the attitude of the banks in the present credit situation is wholly in the interest of the economic welfare of the country.

"But manufacturers and dealers who are endeavoring to sustain prices by artificial means are merely emulating King Canute—only they are forbidding the tide to recede, and they should remember that tide and time wait for no man. They are trying to do that which bureaucratic governmental agencies sought vainly to accomplish during the war by executive decree and legislative enactment — the suspension of the operation of economic laws. It is as foolhardy as defying the law of gravitation.

"Summing up the whole commercial situation, we must either climb down or fall down from the peak reached by war demand and war inflation, and the journey downward is already under way. Some of us will be more rapid than others and some will experience greater suffering than others, but down we must all go until a new and more solid level is reached. The business man who blinds himself to the facts and refuses to face the issue will simply be postponing his own day of reckoning and will deceive himself to his own disadvantage."

MR. BOGERT AND DOMINION BANK PARTY ON TOUR

A prominent and influential group of bankers and Eastern Canadian business men, headed by Mr. C. A. Bogert, general manager of the Dominion Bank and president of the Canadian Bankers Association, visited British Columbia during the last two weeks on a tour of inspection of Western Canada and British Columbia. The party in addition to Mr. Bogert was composed of Sir Augustus Nanton, vice-president of the Dominion Bank, director of the Canadian Pacific Railway, Ogilvie Flour Milling Company and senior partner of the financial firm of Osler, Hammond & Nanton, as well as a director of many large financial and industrial companies, and in addition chairman of the Canadian Advisory Board of the Hudson's Bay Company. In the party also were Mr. A. W. Austin, vice-president of the bank and son of the late James Austin, founder of the bank. Mr. Austin is the head of the Consumers' Gas Company, of Toronto; Mr. R. S. McLaughlin, director of the Dominion Bank and vice-president of the General Motors, Limited, and head of the McLaughlin Motor Car Company of Canada, at Oshawa; Mr. R. J. Christie, head of Christie, Brown & Company, Toronto, biscuit manufacturers; Mr. W. W. Neer, iron manufacturer, and Mr. F. L. Patton, assistant general manager of the Dominion Bank, with headquarters at Winnipeg.

Mr. Eric W. Hamber, head of the British Columbia Mills Timber & Trading Company, and Vancouver director of the bank, met the party at Calgary and journeyed with them to the Coast. The whole party were greatly interested in the development which they saw in Western Canada, and were particularly pleased with the increasing business and healthy conditions which they saw in British Columbia. In addition to observing and inspecting conditions, they took a few days off for golf and motoring on Vancouver Island, which they particularly enjoyed.

Mr. Bogert when asked as to the situation, was very optimistic and yet not unmindful of the great strain and severe problems which Canadian business and industry must experience before sailing into absolutely smooth waters again.

The Canadian crop is exceptional. Between 240 and 250 million bushels of wheat will be harvested, the great bulk of which grading high and yielding good prices. The oat crop also is exceptional, and it is anticipated the yield will exceed 350,000,000 bushels. Including barley and flax the grain crops of the Prairie Provinces will exceed $1,000,000,000 in value. This, while an event of great financial importance, and presaging continued business activity, must nevertheless bring a severe strain upon the banking facilities of Canada and cause considerable strain on our credit resources. We do not look for trouble and yet all of the credit resources of the country must be conserved during the heavy period of crop movement. Mr. Bogert, as presi-