

# The Chronicle

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### THE GENERAL FINANCIAL SITUATION

The financial community in the East has been considerably relieved over the better news from the West regarding the crops. With reference to Southern Alberta and Southern Saskatchewan in particular, the reports were that crop damage was serious; and that Manitoba, too, according to the prevailing impression, would have a very light yield. Latest news from Western centres is that recent rains have benefitted the grain materially and that the yield will be considerably better than was expected a short time ago. Alberta, apparently, will have a lighter yield than in 1917 and the condition there as at July 31, being estimated by the Government bureau as only 69 per cent of the ten-year average. However, it is to be remembered that Alberta in 1917 was exceptionally fortunate, many of the farmers in the Southern part of the province being favored with phenomenal yields per acre. Saskatchewan's condition is set down as 75 p.c. of the 10-year average, and Manitoba's, as 85 p.c. All told, the three prairie provinces are credited with a wheat crop of 216,488,000 bushels and the production of the rest of Canada is expected to bring the total up to 232,000,000. This will be practically equal to the Dominion's wheat production in 1917. As prices are practically on the same level, the money value of the crop will probably show no falling off.

This it will be seen that the financial burden involved in moving the 1918 crops will be approximately as heavy as in 1917. In some early districts cutting commences during the latter part of August, but harvesting does not become general until the first half of September. So, in the course of another fortnight the banks will be called upon to supply currency for making the payments to the farmers. Throughout last year, and up to the present time of this year, the banks have supplied the extra demand for currency through issues of their own excess notes covered by deposits of "legals" in the Central Gold Reserves. This process has enabled them to put to practical use the large amounts of Dominion notes received from the Finance Minister as proceeds of rediscounts of British Treasury bills. During the coming fall it would not be surprising if the bankers had recourse more generally to the taxed issues of notes. Subject to 5 p.c. tax they are authorized to issue something like \$33,000,000 of excess notes, and as yet they have not used more than \$3,000,000 or \$4,000,000 of such issues. In view of the fact

that the Dominion note circulation is now at a very high level, having been considerably expanded during the second quarter of the year, the banks may conceivably elect to put out the taxed notes to the extent of \$20,000,000 or \$25,000,000 in October and November when the crop movement reaches important dimensions.

Up to the time of writing this article no announcement has been forthcoming regarding a special grain credit to enable the British Government to purchase Canada's wheat crop. It will be remembered that a special credit of \$100,000,000 was provided last year by the banks for this purpose. Sir Thomas White explained, in a recent interview, that but for this credit the Canadian farmers would have had no cash market for their wheat. Presumably the necessary financial arrangements for moving this year's crops are approaching completion. Some observers are wondering whether the arrangements made by the Finance Minister in Washington some time ago included one for a British credit in New York to take care of British purchases of Canadian wheat. If, instead of requiring our banks to provide a large credit such as \$100,000,000 to cover part of the purchases of British agents here, it were arranged that the whole operation of buying grain in North America by the Allies were financed by means of a mammoth credit in New York, then the Canadian banks would be relieved of a very heavy burden. They could, then, in that case obtain funds in New York promptly as the grain exporters shipped out the produce. Instead of carrying a part of the export sales in the form of dead loans in Canada, as a considerable part of the munition sales are carried, the bankers would have the funds immediately at their disposal with New York correspondents. This would not only ease our home money markets, but also help to relieve the tension in exchange.

The recent rise in price of Canada's Victory bonds has caused certain influential American papers to renew their agitation for the adoption of a similar plan of stabilization to apply to the prospective Liberty Loan. With the price to purchasers of Victory bonds fixed at 100, and with sellers of the bonds receiving 99 net, it has become possible for subscribers to realize a profit of a fraction over the net cost.

Our American friends are considerably impressed by this successful measure of stabilization

(Continued on Page 881)