

The Chronicle

Banking, Insurance and Finance

Established 1881.

Published Every Friday

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OFFICE:

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10 St. John Street, Montreal.

Annual Subscription \$3.00 Single Copy, 20 cents.

MONTREAL, FRIDAY, NOVEMBER 26th, 1920

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many weighty considerations on the other side which may be advanced against it. Even without taking into account such revolutionary ideas as those, however, a survey of the present position of taxation in Canada makes clear enough that for the next two or three years the Minister of Finance and his advisers will have ample material for study of policies of taxation and of their incidence in relation to the needs of the revenue, and the general development of the Dominion.

The general business situation remains unchanged. The crops of "sales" in the retail trade has increased enormously in the last fortnight in face of the fact that the period for Christmas seasonal trade has already begun. These "sales" arise from two causes, purchases at a bargain figure of goods from distressed holders which it is sought to turn over rapidly, and a desire to reduce inventories of ordinary stock. From the information we have gathered this week, it appears that while the public is snapping up eagerly any real bargains, they are not disposed to assist merchants in turning into cash high priced stocks, which have been only moderately reduced in price and retailers are not meeting with much success in reducing their holdings. In regard to general trade, as in regard to the stock market in fact, the public has become firmly convinced that the bottom of prices has not yet been seen, and is holding off purchases accordingly. Conversation with bankers in the last few days who are best able to size up the present commercial situation as a whole, do not suggest a great deal of optimism regarding the possibility of early liquidation and a consequent return to easier conditions which would facilitate a revival in trade activity.

It is also clearly evident now that the Western farmers and the whole country must be prepared for a very slow forward movement of last season's crops and then only at prices very considerably reduced below the level of recent years. The British purchasers are simply in the position of other purchasers, buying in the cheapest market

(and Canada is not the cheapest market) and buying only what is absolutely necessary. There has been a revival of criticism in the London newspapers of the measures initiated by the Minister of Finance for the restriction of the movement of securities into Canada, the point again being made that through these restrictions, the purchasing power of customers for our wheat is being limited. There is very little in this criticism. The effect of our taking large quantities of securities now held abroad would be, of course, to raise Sterling exchange in New York and incidentally further increase the premium on New York funds in Montreal. The rise in sterling would decrease the cost of wheat correspondingly to the British purchaser, though that would not be all gain, owing to the contrary movement between New York and Montreal. It is apparent, however, that the inclination to buy Canadian wheat at present is not due to inability to pay for it, but is solely the result of the policy of buying only what is necessary and at prices in other markets, with which possibly Canadian grain could not compete even were its cost to the British purchaser reduced by an improvement in the exchange.

The weak point of the London criticism, however, is that it overlooks entirely present day circumstances of the Canadian credit position which have made these restrictions which, we agree, are theoretically objectionable, desirable in practice. To put the matter quite bluntly, the Canadian credit position is at the moment a highly strained one, though, we believe not dangerously so. But there is every reason why the machinery of Canadian credit should not now be required to take care of the redemption of considerable amounts of foreign debt. If the restrictions are lifted at any very early date, the effect of such action, we believe will be to send the prices of investment securities in Canada to considerably lower levels than they have touched lately. It may be agreed that this is desirable in order to stimulate investment demand, but it is perfectly obvious that an undue depreciation of standard investment securities might have other consequences which are distinctly not desirable.

One result of the movement of grain to the United States, instead of to Europe, has so far had little attention paid to it, but it is a fact of considerable importance. That is the Canadian railways are getting only a very short haul instead of a long haul of the grain. Their traffic receipts are being affected very considerably as a result of this, and a good deal more is likely to be heard in this connection when on the expiry of the temporary increase recently granted, the subject of freight rates again calls attention.