MONEY CONDITIONS CONTINUE STRINGENT

WHATEVER contraction has taken place in the volume of commercial business transacted, the credit situation is still tight, according to latest reports from the United States. In his report on business conditions issued on June 30, the agent of the second federal reserve district, in New York, says:—

"Since the last issue of this report the Federal Reserve Bank of New York announced a further advance in discount rates, effective June 1. The rate on commercial paper was raised from 6 to 7 per cent., with corresponding increases in other rates. The purpose of the advance, it was stated in the announcement, was 'in order that bankers, their customers and the public generally may find in the discount rates of this bank a reflection of existing credit conditions.'

"Credit conditions, which are analysed in this report each month, were fully discussed in the report of April 30. The outstanding facts are that during the twelve months ended February 28, 1920, in spite of a decrease of $256,450,000 in the gold holdings of the country, bank loans, according to the best available estimate, expanded $5,200,000,000, or 24 per cent., and prices expanded 26 per cent. From May, 1919, to May, 1920, this expansion resulted in the following increases in the cost of credit: New security issues, from 6½ and 7 per cent. to 7 and 8 per cent.; commercial paper, from 5½ per cent. to 7½ per cent.; government bond basis, from 4.65 per cent. to 5.45 per cent.; government short certificates, from 4½ per cent. to 5½ per cent."

The outlaw strike of railway switchmen, which has not yet come to an end in some parts of the United States, has paralyzed the movement of goods there. "The recent partial breakdown of our transportation system," says the National City Bank of New York in its letter covering economic conditions in June, "causing in some quarters a refusal to renew credits, has resulted in realizing sales of merchandise. However, there is a tendency to exaggerate their importance in the general business situation. There is no doubt that credit here, as in all of the principal countries of the world, is inflated. But it would be a mistake to assume that we are on the eve of immediate deflation on a large scale. The great need of the time is an increase of production, and in the long run, a large output of necessary goods will be the chief instrument in reducing the relative amount of credit used in the conduct of business. Immediate and drastic steps should be taken to cure our transportation evils, but when it comes to what is called the rationing of credit, it is important that every case be considered on its individual merits, and that the greatest discrimination be exercised in order to facilitate the production of necessary goods."

The high money rates being paid by the United States government are referred to by the Guaranty Trust Co., of New York, in a report on financial and business conditions as at July 2: "If basic economic conditions are against any long fall of prices, it would seem that they are also against any such fall in the rates for money as have been predicted recently in some quarters. It has been asserted that after the July 1 payments money would be cheap and would continue so. Why the United States government should have entered the market within this last month for advances at rates not reached since civil war days, if there were anything to indicate a recession so soon, it is hard to understand. There is much discussion of the possibility of a bank rate rise in London, thus indicating the continuance of money shortage at that centre of the world's markets. Here at home borrowings continue on a high level in spite of all efforts at curtailment of credits, indicating a very strong demand for funds that would become insistent immediately upon any easing of the market. The railroads and equipment companies are merely instances of the many enterprises that must be financed. All in all, the prediction of easy money does not seem well founded."

Developments during the present month indicate no loosening of credit on this continent.

NEW LIFE INSURANCE RECORDS

TEN of the largest life insurance companies doing 75 per cent. of the business written in Canada, placed $188,296,940 of new business on their books during the first five months of 1920, as compared with $145,626,167 during the first five months of last year. This is an increase of about 30 per cent., and indicates that the influences which were at work to swell the volume of business in 1919 are still effective. Of these ten companies, seven are Canadian; these wrote $121,911,738 of new business, compared with $90,372,659 up to the end of May, 1919. The remaining three, which are American companies, wrote $66,385,202, as against $55,253,508 last year.

These ten companies had $1,675,604,920 of business in force in Canada at the end of May. The enormous expansion in life insurance during the past few years is indicated by the fact that on May 31, 1913, seven years ago, their total was $740,057,154. The increase during these seven years has, therefore, been well over 100 per cent.

Toronto city council's difficulty in coming to a decision as to how the street railway system is to be managed when it is acquired next year is ample proof that operation by a city council at least would not be satisfactory.

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Premier Drury of Ontario has been much abused because, like Arthur Clennam at the Circumlocution office, he wanted to know. Though the Ontario Hydro-Electric Commission may lack the red tape of the Circumlocution office, it is not lacking in its dogmatism.

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Few Canadian wholesale houses attempt to do business at home by correspondence only, so why should they expect to do an overseas trade with foreign countries by methods which are found to be unsuccessful at home? This pertinent question is asked by J. W. Ross, Canadian trade commissioner for China.

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"The whole empire is proud of Quebec," says "United Empire," in commenting upon Sir Lomer Gouin's recent visit to London. Quebec has shown the other provinces that, though its industrial progress has not been so spectacular, what advances have been made have been sound, and Quebec is least of all subject to radical agitation.

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Chester Martin, professor of history in the University of Manitoba, has just written an account of the controversy between the Dominion and the provinces regarding the control of natural resources. The Canadian field affords ample material for historical research, and valuable assistance can at the same time be rendered in connection with the problems of the day.

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Prices will come down, but wages must be maintained at their present level, says Tom Moore, president of the Trades and Labour Congress of Canada. When prices were rising, efforts were made to keep wages from doing likewise, but without success. The two movements come together, because they both are an illustration of changes in the purchasing power of the dollar.

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Investment Items, issued by the Royal Securities Corporation, says that "the Canadian people wish no further conventions of the American Federation of Labor—held in Canada—nor will they tolerate the further extension of its activities in the Dominion." But the international unions of which the federation is largely comprised have been the most responsible and conservative of labor organizations on this continent, taking the lead in the fight against the "one big union" in Canada.