

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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THE INVESTOR AND THE SECURITY MARKET

LITTLE has been heard from investors regarding the restrictions which have been placed on the importation of securities. Probably it is because they are not organized in such a way as to express an opinion. Bond dealers and stock brokers are concerned chiefly with trading conditions, the actual yield obtainable on investments being a matter of secondary importance with them. It is the latter in which investors are interested.

The flood of Canadian securities from abroad unquestionably played havoc with markets here, and prevented all but a few issues of new securities. For this reason firms, which were not engaged in bringing back securities from abroad, found little business to do. But this was not only the most profitable kind of business, but it was also the best for the country as a whole; it reduced our debt abroad and to the same extent cut down the amount of interest which would have to be sent away each year, and enforced a desirable policy of economy in borrowing on governments and corporations in this country.

Dealers have strongly objected to the agreement prepared, and it is no secret that many bankers are in sympathy with them and would continue to finance them unless the strongest pressure were brought to bear. It is distinctly unfair that legitimate trading and banking business of this kind should be restricted, while direct purchases could still be made by institutions and individuals who wished to hold the securities as investments. The difficulties of controlling a market in this way exceed any advantages that might result, and that there were any advantages was not clearly demonstrated.

EXCHANGE RATES WILL ADJUST TRADE

NEW YORK exchange at a premium of about 18 per cent. substantially increases the cost of American goods here, and it is frequently alleged that the cost of coal, cotton, and other goods which we must import from the United States should not be enhanced by such a large amount. But an examination of the latest trade figures indicates little, if any, falling off in our imports from that country, even in the case of luxuries.

PRINCIPAL CONTENTS OF THIS ISSUE

EDITORIAL:	PAGE
The Investor and the Security Market	9
Exchange Rates Will Adjust Trade	9
The Rural Credits Controversy	9
Growth of Automobile Insurance	10
Plans for Bank of Alberta	10
Future of the Commerce Board	10
SPECIAL ARTICLES:	
Manitoba Estimates Will be Large	6
Insurance Proposals Before Legislature	6
Manitoba's Legislative Session	14
Workmen's Compensation Decision Reversed.....	24
Fur Industry Important to Canada	24
Analysis of Business Failures	26
Manitoba Will Support Rural Banks	28
St. Lawrence Waterways Developments	32
MONTHLY DEPARTMENTS:	
Trade of Canada Still Growing	14
January Bank Statement	18
Montreal and Quebec Savings Institutions	38
WEEKLY DEPARTMENTS:	
Investments and the Market	7
News of Industrial Development in Canada	40
New Incorporations	42
News of Municipal Finance	44
Government and Municipal Bond Market	46
Corporation Securities Market	50

This failure of trade to react to exchange rates has started a movement for an embargo against the importation of luxuries, on the ground that it is only by action of this kind that our large unfavorable balance with the United States can be reduced and exchange rates thereby restored to normal. A broader view of the question, however, results in the conclusion that the only effective discrimination between necessities and luxuries rests with the consumer. Rising prices cause a reduction in the purchasing power of an income, and when this takes place luxuries must give way to necessities. That the large increase in prices has not already restricted the purchase of luxuries is due to the fact that incomes have been increased roughly in proportion to the cost of living. So long as this takes place, there is no need to worry as to the high price of the necessities of life.

It is, in fact, useless for any country to try to reduce prices below the levels fixed by world conditions. Attempts in Canada and elsewhere to fix prices and to limit profits have proved abortive. The thrift campaign in this country was a dismal failure, and to try to limit imports to necessities would prove equally futile.

But incomes cannot continue to be raised in proportion to prices, for signs of a business depression are already clear. Just as soon as the consumer realizes that his purchasing power is to be reduced for an indefinite period, will he restrict the purchase of luxuries and the exchange situation will be automatically solved.

THE RURAL CREDITS CONTROVERSY

REPORTS of the recent rural credits convention in Winnipeg, indicated that the arrangement between the banks and the societies was working fairly well. Although the banks did not feel that the rate of six per cent allowed to them was adequate, yet it was understood that the arrangement would continue for the time being. Now the banks have refused to advance further sums at this rate, and the provincial government has expressed its willingness to extend the necessary support to the societies, and to empower them to accept deposits.

The amount of money involved is just about \$2,000,000, an extra half per cent. on which, would be an insignificant