

SURVEY OF THE WEEK

A Hard Winter?

It is generally agreed, says a writer in the Montreal Gazette, that the coming winter is to be one of hardship in a more than ordinary degree. As reflected by the Labor Bureaus, both government and private, which are in close touch with conditions, the unemployment situation presents the elements of a problem which might seemingly develop into one of considerable magnitude. Both skilled and unskilled labor is badly affected, the former by the slump in industrial activity and the latter through the circumstances which follow as a natural consequence. Many plants are running at about a quarter of their normal pay-rolls, while the majority are reduced by at least half. The metal trades are in a specially serious position and much additional unemployment has been caused by the laying off of at least 2,500 men by the Canadian Pacific Railway.

Luxury Tax Unpopular.

Wholesale condemnation of the luxury tax and the method of collecting it, is being voiced at meetings of retail merchants all over the country. It seems that the present stamp system of collecting the tax is looked upon as a nuisance and is providing a great handicap to business. Mr. C. F. Beall, organizer for Eastern Ontario of the Dominion Retail Merchants' Association, at a meeting in Kingston last week, said that fully fifty per cent of the merchants in the smaller places were not respecting the tax, and that the system of having the retailers affix stamps to articles sold was costing 65 per cent.

Canada's Favorable Financial Position.

Comparative figures of the gold holdings of Canada by the banks and the Government before the war, at the conclusion of the war and at the present time, shows Canada's position to be a favorable one, when compared with that of Great Britain or the United States, says Mr. Bogert, President of the Canadian Bankers' Association. A comparison of the note circulation of the three countries shows that while between December 31, 1918, and the end of August, 1920, Canada's note issue had decreased by nearly \$2,000,000, in the same period, notes outstanding in Great Britain had increased by \$150,000,000 and in the United States by \$250,000,000. Another favorable feature for Canada at the present time is the arrangement recently completed and already announced whereby Great Britain will repay its debt of \$150,000,000 to the Canadian banks in monthly instalments until the money is all repaid by April, 1922.

Nova Scotia's Credit Good.

The government of Nova Scotia has accepted the offer of the Dominion Securities Corporation for \$2,000,000 six per cent debentures. The bonds which are for ten years, and payable in New York, were sold at 102.02. This is considered an excellent price in view of the uncertainties at present existing in the bond market, and it compares favorably with the Government loan of three million dollars last spring. All the big security houses bid for the bonds and the tenders, several of which were close to the successful offer, gave evidence of the high standing of the credit of the province. On account of the price and exchange conditions, it is quite obvious that it will not pay to sell the bonds in Canada. The entire issue will likely be sold in the United States.

Further Break in Grain Prices.

Notwithstanding the severity with which grain prices have been slashed during the last fortnight, new cuts have been made bringing the quotations for all cereals at the week-end to a lower figure than they have been for the last four years. The fresh downturns at Chicago last Thursday were notable chiefly by the fact that they came after a week's decline of more than twenty cents a bushel in wheat, and of about ten cents in the preceding week. Opinion is practically unanimous that the unfavorable financial outlook in the United States has had a big share in forcing values to shrink to such an extraordinary degree. Under ordinary conditions, breaks in grain prices such as those which have recently taken place, would have induced investment buying on a large scale, but little or no business of this kind seems to have developed on the present decline.

Reduction in Machine Tools.

Prices and price talk engage the attention of the market this week even more than before, says Canadian Machinery and Manufacturing News. There is a sincere desire on the part of a large section of the trade to get down to a workable basis as soon as possible, but there are very real difficulties in the way, chief among these being that costs do not show much tendency toward lower levels. One maker of machine tools in Canada states that there is very little chance of them announcing a lower price under present conditions, as there is nothing in the cost of manufacturing that was showing a lessening. The fact remains, however, that a number of American makers of machine tools have announced reductions to their representatives in Canada, and they are now working on the new schedule. Cuts already made range from 15 to 20 per cent. Small tools have been reduced in Canada by some ten per cent.

New Enterprize for Cornwall.

Cornwall, Ont., has acquired a very promising industrial establishment. The Niagara Wall Board Co., Buffalo, N.Y., are incorporating a Canadian company, the name of which will probably be the Cornwall Pulp and Paper Co. This company has leased, with an option to buy, the mill and site of Ross & Co., and is now in possession, getting ready for business. The company's products are wall board and heavy paper specialties.

Gain in Bank Clearings.

The bank clearings of 26 cities in Canada for last week show an increase of 25.2 per cent over the corresponding period of 1919. Regina leads the way with an increase of 149.7 per cent, St. John coming second with a gain of 72.8, which is the largest gain in the east. All over the eastern bank clearings showed an increase of 16.2 per cent, decreases being shown by only two cities — Kitchener and Peterboro. Ottawa has the smallest percentage of increase at .7 per cent. In the west the total clearings amounted to \$167,274,504 which represent a gain of 47.3 per cent. on the corresponding week last year. Edmonton showed a decrease of 5 per cent. while Prince Albert fell behind 16.8 per cent. The total clearings for the 26 cities amounted to \$489,369,710.

The Reserve Fund.

It is a curious fact that when bank earnings are published they are usually figured on the capitalization of the bank, no allowance being made for the earnings of the Reserve Fund.

In looking over the recent statement of The Molsons Bank for the year ending September 30, 1920, it is seen that the gross earnings on the capital stock are 20.5 per cent, and after deducting Government Tax, Pension Fund and other allowances, the net earnings are reduced to 18.07 per cent.

But these latter earnings are figured on the capital stock only, no account being taken of the profits on the Bank's Reserve Fund of \$5,000,000 which has also been a factor in helping to make the earnings on the capital stock appear so large.

When the Bank's Capital stock is grouped with the Reserve Fund and the earnings figured on the two combined, we find that the bank instead of showing net earnings of 18.07 per cent. in reality only shows about 8 per cent.

At the same time a study of assets and liabilities of the Bank show it to be in a very strong position financially, due to the conservative management, for which directors and officers of The Molsons Bank are to be congratulated.

Unfounded Foreign Balances.

In considering the future course of exchange rates, a factor of large importance is the amount of exchange which, though at present held in suspense, may be thrown on the market from time to time, says "The World's Markets." An inspection of our foreign trade figures, and of the amount of foreign loans placed in this country as an offset to a favorable trade balance, makes it evident that a very large portion of our exports has not been settled for in any permanent form. Prof. B. M. Anderson, of the Chase National Bank of New York, has estimated the amount of these floating balances at \$3,500,000,000 or more, while the Federal Reserve Board made a recent estimate of \$3,000,000,000 as a minimum.

"In exactly what form current indebtedness is being maintained," the Board remarks, "is of course uncertain. To some extent it consists of balances on the books of foreign banks which have been established there in favor of American creditors and which they have not withdrawn because of the unfavorable exchange conditions. To some extent it consists of merchandise balances, which always amount to a considerable sum, but which at the present time are undoubtedly far greater than usual because of the longer extension of credit which has been granted by not a few export houses in order that they might relieve their foreign customers of pressure for immediate funds so far as practicable."

PRINCIPAL CONTENTS

Editorial:

Mr. Harding's Dilemma	10
The Canadian and the Hottentot	10
The Hunger Strike	11
A Time for Caution	11
The Home Rule Bill	11

General:

Survey of the Week	3
Commercial Clippings	4
Financial Features	5
Trade, Agriculture, Shipping	6
Railway and Labor News	7
The Bookshelf	8
Insurance	12
Mining	13
Bankers and Banking	14-15
News of Pulp and Paper Trade	16

Special:

"Grand'Mère"	1-2
Great War Work Well Done	8