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## Influence of Price Reduction on Trade

**Tendency of Price Reduction Will Probably Continue—Some Causes and Effects of Readjustment—Back of All Are the Great World Needs Which Must Be Filled Before Trade Can Drift Into Natural Channels.**

The world of business has been expecting, since the armistice, readjustment of its business affairs either to conditions existing before the war or to a new plane or new order of things. The best brains in business have been groping for light to point the way or give the direction in which this readjustment would take. For eighteen months following the armistice or until March, 1920, the same influence which operated during the war continued and it was not until late February or early March that a change could be dimly discerned. This change gave its first evidence in slight reductions in the price of commodities. Whether the slight quiver at that time in prices is the cause or effect of economic conditions will have to be left to the calm deliberation of the economists, but the business man sensed, if he did not immediately appreciate it, that a turn in the tide had begun. Just how far it would go or what direction it would take were still closed books to him. Strange to say the first real evidence that things were not financially sound occurred in the Orient, where Japanese silk manufacturers and jobbers came to a sudden halt, which more or less affected Japanese industry, resulting in a commercial debacle from which Japanese industry and finance give little real evidence of recovery. There then steadily developed

an increasing tendency in the United States to throw over stocks on hand caused in part by unsatisfactory transportation conditions and a tremendous slackening of European purchases. With the concerted action in Europe to buy cheap wheat and cotton from North America in view of indicated heavy surpluses, these two markets have broken severely. Similarly with regard to the Australian wool crop, and the heavy supplies there on hand. Then something happened in the sugar market causing such serious trouble that Cuba declared a moratorium in the hope of arresting the decline but which in reality has accentuated it. Due to heavy slaughter of cattle and the high price of meat, the

leather market has also broken severely and is today on an absolute pre-war basis. In the break in prices of these commodities, there has not appeared much evidence that such commodities like coal, iron and steel and all manufactures thereof have been affected, yet it requires no prophet to venture that at some period in the course of this readjustment commodities that have not as yet been affected, will decline in like manner. It also requires no prophet to venture that trade combines and all influences that may be

brought to bear toward the maintenance of price will be ineffectual and will accelerate the decline when it comes rather than retard it, which is its prime object. The wheat growers of Kansas and of other States in the American union, have tried to prevent a rapid drop in price of wheat by withholding their supplies from the market, but this has tended rather to increase the rapidity of the decline by reason of the fact that this weight of wheat on the market must come sooner or later and must leave that much more to be liquidated. The rabid action of some cotton agitators for the maintenance of price by threat and actual destruction of cotton gins has all operated in the contrary direction and has really furthered the declining tendency. All efforts to restrain the break in price of raw sugar by powerful Cuban interests and American financiers have similarly operated in the opposite direction. These world trends are all powerful and no group of producers, merchants or financiers or even individual nations can withstand them.

The causes of this change in the economic situation, of which the decrease in prices is the evidence, is difficult to ascribe. The adverse exchange situation in Europe is one cause. A reluctance to extend credit to European purchasers is also a contributing cause. At any rate the result is the inability of Europe to pay in cash for its requirements.

Another cause and connected therewith is the mental attitude on the part of the public. The wild orgy of spending which followed the armistice has subsided and, due to decreasing profits and uncertainty, has brought about a rapid change of attitude on the part of the public. We find this change of mental attitude very marked. Formerly an increase in price was the signal for an increase in purchase.

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