

# Prices will Dip then Rise

Some cutting is likely this Summer and Autumn under pressure and credit stringency, but 1921 is likely to see the highest level of the Great War prices movement—  
Currency Inflation at a End

By B. K. SANDWELL.

The outlook for the general trend of commodity prices today seems to be a recession of more or less sharpness between now and the end of 1920, followed by a rise to even higher levels in 1921. The recession will of course be of different extent in different classes of articles, but it is likely to be fairly widespread because it is the result of curtailment of credit forcing upon the market a large part of the stocks ordinarily constituting the reserve of wholesale supplies and the material "in process" of manufacture.

The main original cause of the rise of prices is now at an end. It was, as everybody knows, the creation of vast quantities of additional currency and bank credit (the two are much the same thing in their economic effects) by the suspension of gold payments and the sale of national bonds. But while the cause itself is at an end, its effects are not yet completed. Certain classes of prices are slow to be affected, and go on moving long after the general impulse has been withdrawn. We have an example of this today in the railway rate situation. Railway rates under government control are among the slowest things to move upwards, but when they do move they necessarily precipitate a further move in every price in which they form a part—that is, of the price of practically every article of human consumption.

The first increase in the supply of money is not immediately followed by an increase in prices. There is a brief interval during which the result takes the form merely of a superfluity of credit. We saw this on several occasions throughout the war, and we should have seen it more clearly, but for the rapidity with which governments em-

ployed and expended the credits which they created. We are now at the stage of a precisely corresponding hiatus at the other end of the economic process. We see the amount of money and credit becoming stationary, while the increase of prices continues, causing a backwash of precisely the opposite character. The amount of credit becomes inadequate for the volume of business at the last-reached level of prices, and business is constricted at one of its most sensitive points—its range of bank accommodation. There is only one possible result from this, namely forced sales, a curtailment of manufacture, a temporary lowering of prices and a subsequent upward reaction when the shortage of production makes itself felt.

The public is as little to be congratulated upon any reduction of prices (outside the range of undoubted luxuries) which may occur this summer and autumn, as upon the freight tie-up in the States, the adverse exchange situation or the coal uncertainty. Each and every one of these things is a deterrent and an hindrance to business—and business is nothing in the world but the production and distribution of the things the world needs. A price reaction this summer, or even a credit restriction without price reaction if that were possible, will simply put further limitations upon the output of needed articles and enable their producers to put one grand final addition to their cost in 1921. The struggle to settle the question, who is to get the benefit of the last and crowning increment in the price level will be keen and determined. At present it looks as though the organized workers in certain "key" industries, notably transportation, would be the winners of

the last hand in the game. If so, they will establish themselves in an immensely strong position for the period of delivering prices. He who gets his remuneration fixed on the basis of the very highest price level of the rising period will be able to keep it well down above the declining levels of subsequent years.

It is impossible to foresee an ending reduction of prices in Canada in the next few months, unless other nations have large supplies of goods to sell us, and are willing to give us credit for them. We cannot possibly buy more than we are doing from the United States without putting the exchange rate further against us—unless the Americans will sell to us and leave the purchase money in Canada. Great Britain might sell to us and charge our purchases against the foodstuffs, which she buys from us; but lack of shipping and the need for keeping up her relations with other markets are against any heavy increase in our purchases from her.

As for the supply of goods in Canada itself, the available stock now on hand is not large in proportion to needs although it is large (at present prices) in proportion to the volume of credit available for financing it. The cost of replacing it will almost certainly be higher than it has been at any stage of the present rise, owing to the new freight rates and the increasing burden of taxes. Liquidation of the wage level is the only hope for reducing costs in 1920-21, and will any body affirm that the time is ripe yet for that?

Meanwhile bankers assert that the emigration of European workers who grew rich here during the war is beginning to have a serious effect upon bank deposits. It will not be wholly offset by the funds brought in by immigrants from impoverished Europe.

## The Raising of Sheep.

In introducing the estimates for his department to the House of Commons the Hon. Dr. Tolmie Dominion Minister of Agriculture, pointed to the fact that in Australia there are no fewer than 80,000,000 sheep, in the United States 40,000,000, in Great Britain 27,000,000, and in Canada only 3,500,000. As shown in the Agricultural Gazette of Canada for May efforts are being made in all the provinces to remedy this state of things. That is to say encouragement is being given to the raising of sheep in a variety of ways,—by pure-bred rams being distributed or sold on easy terms, by the holding of competitions, at which generous prizes are given for the best ewes and for the best flocks, by obtaining the highest price for wool through the Departments, and through the Canadian Co-operative Wool Growers' Association, by organized sheep sales, and, as in Ontario in particular, by placing flocks on a share basis. Amended legislation has also been passed for the protection of sheep from dogs. As a sample of the good work that is being performed it might be mentioned that in Saskatchewan in the last four years the amount of wool consigned to the co-operative branch of the Provincial Department of Agriculture increased from 179 consignments, weighing 69,404 pounds, for which the average price realized was 17 3/4c to 916 consignments, weighing 394,068 pounds, at an average price of 61 1/2c. per pound. The articles in The Gazette would imply that what has been done in Saskatchewan is also being accomplished in the other provinces of the Dominion.

The coal operators of Alberta and eastern British Columbia have recently formed what is known as "The Western Canada Coal Operators' Association." This association is an amalgamation of the Western Coal Operators' Association, the Red Deer Valley Coal Operators' Association, and a number of operators who did not belong to either organization.

## Grain Stocks in Canadian Elevators

According to returns received at the Dominion Bureau of Statistics for the week ended July 9th, 1920, the quantity of grain in store at the different Public Elevators throughout Canada has decreased by 3,674,504 bushels of Wheat, Oats, Barley, Flax, and Rye. Briefly the situation of grain in store is as follows:—

In the Public Terminal Elevators the quantity of grain in store has increased by 781,328 bushels in Wheat, Oats, Barley, Flax, while Rye decreased by 36,565 bushels. The Private Terminal Elevators Oats and Barley increased by 20,391, Wheat decreased by 150,576 bushels.

The Interior Terminal Elevators has increased 4,338 bushels in Flax, while Wheat, Oats, Barley

and Rye decreased by 1,091,178 bushels.

In the Western Country Elevators, Wheat, Oats, Barley and Flax decreased by 679,788 bushels.

The United States Seaboard Ports (via Portland and Baltimore) Wheat, Oats, and Rye decreased by 620,062 bushels.

In the Public Elevators in the East the quantity in store decreased by 1,902,392, made up of 1,763,081 in Wheat, 102,302 in Oats, 24,818 bushels in Barley and 12,191 in Rye.

The Inspections for the week ended July 14th, 1920, show 1,715 cars as against 1,562 the previous week.

The Stocks in Store at the different Elevators for the week ended July 16th, 1920, were as follows:—

	Wheat Bush.	Oats Bush.	Barley Bush.	Flax Bush.	Rye Bush.
xCountry Elevators . . . . .	2,809,216	2,028,602	934,349	280,558	.....
Public Terminal Elevators . . . . .	2,192,387	512,750	635,153	505,710	39,533
Private Terminal Elevators . . . . .	250,485	106,546	40,485	82	.....
Interior Terminal Elevators . . . . .	2,539,684	259,866	19,328	37,005	3,348
Public Elevators in East . . . . .	3,876,970	498,119	884,192	.....	4,698
xU. S. Atlantic Seaboard Ports . . . . .	.....	.....	34,657	.....	3,488
<b>TOTAL . . . . .</b>	<b>11,668,742</b>	<b>3,405,883</b>	<b>2,448,064</b>	<b>823,355</b>	<b>51,067</b>

xWeek ended July 9th, 1920.