

# Monetary Times

Trade Review and Insurance Chronicle  
of Canada

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## REACTION AND A POSSIBLE CRISIS

**I**NFLATION and speculation continued for almost eight years after the close of the civil war in the United States. The war ended in 1866, but it was not until the panic of 1873 that the air was cleared and a movement towards sounder financial conditions set on foot. These facts were emphasized by John Moody, the well-known financial statistician and writer of New York, in an address before the Board of Trade, Toronto, on Wednesday. In comparing present conditions, however, he pointed out that it was not safe to reason entirely from analogy, for at the present time there is a world-wide shortage of the necessities of life, whereas this was not the case after 1866. While a panic was quite possible, therefore, he concluded that a widespread and prolonged depression, such as followed 1873 should not be expected, for the demand for goods would soon restore industry to a healthy condition.

When the upward trend of prices was resumed early in 1919, after a few weeks' recession following the armistice, it was an entire surprise to the industrial and financial world. Most lines of industry are still quite unable to keep up with the demand for their products. These developments have necessitated another revision of financial opinion, and some firms are going ahead with new programs on the assumption that high prices will be with us for many years to come. Others, however, have decided to pursue the safer policy of profiting by the present situation, so far as their production capacity will permit, but refusing to invest further capital at present inflated prices. An official of one of the largest producing and distributing firms in Canada made the statement in an interview with *The Monetary Times* that they would make no additions or extensions during the present year, which is in marked contrast to their policy for many years past.

Just how far distant the turn in events may be can only be guessed. One thing is certain, however, and that is that the present rise in values, and consequent prosperity, will be followed by a reaction which may carry us back to the levels of 1914, or even further. Mr. Moody is of the

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opinion that an actual panic is not necessary to bring about this change. The experience of the past has, however, been that a crisis of some kind marks the turning-point. If its severity is proportional to the extent and degree of the expansion which precedes it, the next crisis will indeed be a panic. It is also quite obvious that governments are unable to check the present rise in prices and the accompanying orgy of extravagance and speculation; even well-organized and widely-supported thrift campaigns have fallen hopelessly flat. The most service that the individual or the corporation can render is to pursue the safe and conservative policy of economy, for in preserving their own financial strength they are erecting bulwarks against a storm which will certainly come, sooner or later.

## "PROTECTIVE" SENTIMENT IN THE WEST

**U**NEQUIVOCAL in its denunciation of the protective tariff, the Canadian west has nevertheless not hesitated to extend support to local industry by other methods. Agriculture, its basic industry, and the one which, presumably, is the best able to stand on its own feet, has been carefully nurtured by government loans at less than market rates of interest and by direct co-operation of the provincial departments of agriculture. Wholesale guarantees were extended to railway enterprise, and last year the British Columbia government established a department of industries for the encouragement of industrial enterprise in the province.

In concluding an editorial, summarizing Saskatchewan's methods of developing infant industries, the Regina "Leader" says: "The Saskatchewan method of encouraging and assisting infant industries, by the application of the co-operative principle, is as superior to the federal method of tariff protection as day is ahead of night." Referring to the wool-growing industry, by way of example, the editorial says: "In order to find a market for Saskatchewan wool and secure to the wool-growers the highest price obtainable, the co-operative branch of the provincial department of agriculture undertook, some years ago, the co-operative handling