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THE GENERAL FINANCIAL SITUATION

The last published bank statement continues the story which recent months have made comparatively familiar. Current loans are at a further new high record; notice deposits show a fair increase; circulation shows an actual decline of \$4,000,000. for the month, and in spite of the enormous increase in current loans during the last twelve months is less than \$5,000,000 higher than at the end of August 1919. What these facts indicate is that the stocks of merchandise and raw materials which have been accumulated during recent months—most of them deliveries of orders placed months, and in some cases, years ago—are not being marketed readily and that the capacity to save is declining on the part of some portions of the community, partly as a result of higher prices than a year ago, and partly as a result of decreased earnings.

It is by no means clear what the immediate outlook is for Canadian trade and industry. The marketing of the western crops would result in the freeing of very considerable cash resources, for the payment of debts and the purchase of necessities and to some extent luxuries. But it is noted that buyers abroad are holding off their purchases—like the consumer at home—in the expectation of lower prices, and there is a very decided possibility that this year's crops will not be turned into cash at as early a date as in some recent years. Even allowing for this factor, the evidence appears to be increasing that the earlier stages of a trade reaction are in process here. The successful completion of the marketing of the crops would probably minimize that trade re-action; but whether it would wholly stop it appears doubtful. The effect of the recent newspaper campaign regarding price cuts in the United States will be undoubtedly to make the consumers wary in purchasing. Rightly or wrongly, many people will conclude that they will be wise to hold off purchases, and they will receive with scepticism the statements made by departmental stores and other retailers that prices cannot go lower at present. This newspaper publicity regarding cutting of prices has

probably been more effective in checking purchases than all the homilies to save and thrift campaigns during the war period combined.

There is no gainsaying the fact that in many lines of industry and trade in Canada at the present time, immense stocks are being carried. That is the only possible explanation of the year's rise in the bank current loans of \$373,684,000 to their present record figure of \$1,385,470,153, and credit is not likely to be easier until some of these stocks have been liquidated. The circumstances of recent years; the abnormal activity of trade on the one hand; the difficulties of production and delivery on the other, are a sufficiently simple explanation of the fact that stocks have accumulated largely immediately trade showed a tendency to decline in activity. The banks, foreseeing the inevitable end, put on the brakes months before the tendency to lower prices and declining trade was widely observed, and did not increase their popularity with the unthinking by so doing. But it takes times to make the brakes effective. Customers, who months before had entered into legitimate commitments, had to be protected, and, owing to the delays in production and deliveries, it is probably only now that really effective results are being secured from the banks policy of restriction of credits inaugurated last winter. As regards the position of the wholesaler and retailer, who are now accused of holding up prices in various quarters, self-preservation is the first law of life, and no trader can be blamed if, finding himself faced with a declining market, he endeavors to get the best price possible for his stock, instead of liquidating it at a ruinous loss. That in some lines at least, there will be forced liquidation during the coming winter seems apparent, though while this liquidation may be temporarily a good thing for the consumer, it is decidedly more desirable in the general interest that the adjustment to a new level of prices, should be accompanied by as few incidents of this kind as possible.

To return to the actual figures of the bank statement. The total of current loans, \$1,385,470,153 represents an increase, as already noted, of \$373.