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We beg to announce that we have moved from Suite  
421-422 Pacific Building to Suite 303-304, same address.

In our front page article we have presented some of the salient features of the past year and what we conceive to be the general trend and outlook for the new year. At this season in taking stock of the past and in making plans for the future, the average business man is deeply concerned with the question of credit, commodity price and how much to buy. It is to seek to shed some light on these problems that we write.

As we have pointed out the controlling factor of the past year is still the controlling factor for the immediate future, which is this, that the world is short of goods which is felt in every nook and cranny of commerce and industry in civilization. Because of the scarcity of commodities with high prices obtaining the business man is cautious and conservative in all his transactions. By reason of large profits in business the average business man has built up for himself in some way or other, chiefly in Victory Bonds, some measure of reserve. Speculative buying is almost precluded by reason of the shortage of goods and the speculative incentive is largely precluded because of the present high prices. In consequence of this condition the present credit situation is perhaps safer than it ever has been.

With the immediate outlook and viewing general conditions it would appear to be good policy for the banks to extend liberal credits to their customers and for the merchant to buy as liberally as his future needs can be estimated. The caution of the merchant is borne of the fear of a break in commodity prices. The average merchant and manufacturer have some fairly accurate ideas of the amount of demands in the community they serve or the size of the market they deal in. A drop in prices is a serious matter because of the loss involved by the marking down of goods, and also for the retarding effect on the buying of consumers. The general consensus of opinion of manufacturers, wholesalers and jobbers in Eastern Canada and the United States, and an opinion which they are backing up with heavy commitments, is that no appreciable break in commodity prices is in sight. Commodity prices, in their opinion, will be maintained at about the present level until European manufacturers are able to enter into competition with manufacturers in North America in North American territory. While Europe is slowly recovering from the dislocation and devastation of war, that continent has not yet arrived at a position where it can export as much as it imports. Until that occurs and European goods begin to make an appearance in quantity in North America, the opportunity for a break in prices is remote.

It is possible that before the year is out some trend in the direction of recession in price may be witnessed but that will be due to surplus stocks accumulating in Canada and the United States, perhaps caused by difficulties in exportation of goods by reason of adverse exchange rates.

A gradual recession in price as conditions become stable is inevitable, but if it continues at a steadily declining rate over a prolonged period, while profits will be adversely effected, little business trouble need result. The inherent danger is a collapse in price due to a cataclysm in foreign trade. The most obviously serious danger lies in the exchange markets. As the pound sterling, the franc, the lire and the mark decrease in value in terms of the American dollar, the United States has more and more difficulty in exporting goods to Europe. If allowed to go to such a point where articles of commerce in the United States are prohibitive to European purchasers, then there might rapidly accumulate a volume of goods in the United States which might be beyond the control of the financial interests to protect, in which event there would be unloading of a wholesale character, with prices suffering tremendous depreciation. Although this is a possibility of the future, there is little evidence that it is imminent.

European production is tending to increase and is being greatly stimulated by reason of the depreciated currencies in Europe. It is barely possible that there might ensue wide fluctuations in exchange but that the worst is over is the general opinion of prominent dealers in exchange. In addition American financial interests seeing the intimate connection with the exchange situation with reference to the exportation of American goods, are rapidly making preparations to support the market whenever the necessity arises. We think that so far as present evidence permits of making a prediction that merchants and manufacturers may make on the present basis commitments for the first half of the year with confidence. The second half of the year is too distant and is subject to events occurring in the first half year, and the crop outlook. Extra caution should be exercised for the later period, for, while price recession is inevitable, it may appear sooner than at present seems possible.

The system of selling for cash or short term credit should be strictly adhered to. It must not be forgotten that business is still in process of readjustment, and until stability in trade has been reached, subject to natural periodic expansion and contraction, long term credit cannot be safely extended. In fact, any general application for renewal of commercial paper or extension in terms of payment should be taken cognizance of as a danger signal.

The charge of profiteering, while levelled against the farmer, the trades unionist, the manufacturer, the wholesaler, jobber and retailer, in fact all those having to do with the production and distribution of goods, cannot with justice be pressed against the banks. Bank statements as they appear show enlarged profits for the year, but as Sir Frederick Williams-Taylor pointed out in his remarks at the annual meeting of the Bank of Montreal, a resume of the proceedings of which we published in our issue of December 20th, interests rates have not advanced with the rise in prices. The banks are precluded by law from charging more than a specified amount, and if there were any disposition to raise interests rates the Government would step in and enforce the law. The cause of the increased profits of the banks as the various statements become public is due to the expanding business of Canada and the tremendous increase in commercial transactions. While banking loans have expanded to some extent, increased profits are not essentially due to this cause, but rather to the increased rate of circulation which makes the dollar of credit turn over many times in the course of the year and therefore does the work of more dollars in less active times. It is also worthy of note that bank loans are uniform throughout Canada. In the United States for instance, rates charged on loans by local banks are much higher in the newer developed communities than in the older settled communities, but in Canada a new community with a branch bank established, along with a general store, lumber mill, or grain elevator, will charge the customer the same rate as obtains in Montreal and Toronto.