

The Chronicle

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THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

of goods from the States, are facing heavy losses in exchange, and a decidedly gloomy business future. The extent of the authenticity of the report sent out from Ottawa this week, that the Government is considering the raising of the tariff on non-essential commodities with a view to checking their imports, remains to be seen. The step would be a logical one, but there are some difficulties in the way. The imposition of a heavy new import duty on expensive automobiles, gramophones, pianos, players, diamonds, jewellery and such like delights of nouveau-riches might meet some opposition from the traders directly affected, but if a policy of restriction of imports of commodities, as well as securities, is decided upon, such step is obviously fair game. But on the other hand to impose a prohibitive tax on luxury articles made in France, might do a considerable injury to that country and create an ill-feeling which would more than offset any advantage gained in lowered imports. The matter is one which will have to be handled with very considerable care.

The annual report of Penman's Limited, issued this week is interesting for its indication of the high degree of prosperity enjoyed in recent years by the textile industry. This company has always been noted for conservative administration, and sound management has a good deal more to do with its success than external favoring circumstances. Profits for the year ended 31st December last, after all deductions including War taxes of over \$400,000 and preferred dividends of \$64,500 amounted to \$803,814 equal to 37.4 per cent. on the common stock, compared with 33.4 per cent. in 1918. In allocating these profits, \$500,000 is again placed to reserve, raising this to \$3,000,000 which more than offsets the asset of good will carried at \$2,257,254. In comparison with last year the Com-

pany's balance sheet shows decided progress. While current accounts payable have been increased from \$117,773 to \$678,990 and inventories reduced from \$3,820,188 to \$2,913,620, bank loans which appeared in the 1918 balance sheet at \$1,700,000 have been entirely wiped out. The stock was lately placed on an 8 per cent basis and a bonus of 2 per cent. paid for the year 1919. Assuming the continuance of the bonus, at the current price of around 115, the stock yields the investor 8.70 per cent. It has attractive speculative possibilities in view of the Company's very large carrying power, the margin of which over the present distribution makes the return considerably more secure than in the case of the majority of industrial common stocks.

The return of the American railways to the charge of their owners, which took place on the first of the month, marks the end of what is probably the most disastrous experiment in Government operation of a public utility which has yet emerged into the light of experience. In 26 months, since December, 1917, a deficit of no less than \$516,000,000 has been piled up, largely as a result of the fatuous McAdoo schedule of wages, which has done more than any other single measure to raise the level of prices on this Continent. Moreover, while the number of railway employees has been very largely increased, the standard of service rendered by the railways has steadily deteriorated, as all travellers can bear witness. In regard to the immediate future of the roads, while private operation is resumed, it is under certain restrictions in regard to dealing with laborer problems. At the same time, it is fully expected that there will be, gradually, a very considerable weeding out of over-numerous and inefficient employees. An interesting provision of the law returning the roads to private ownership, on which provision much of the recent speculative buying of railroad shares in the American markets, has been based, provides for the preparation and adoption by the Inter-State Commerce Commission of a plan for the consolidation of the railways into a limited number of systems. This provision means a definite reversal of policy in regard to the restriction of competition. Wall Street has been full of conjectures and reports as to which lines will be included in the consolidations that may be arranged. The law also provides for the issuance of new stocks and bonds of consolidated companies, the limit being fixed to the value of the properties as ascertained by the Inter-State Commerce Commission, and the railroads entering into consolidation are relieved from the various restrictive laws now in force.