

NATIONAL PROBLEMS OF CANADA DISCUSSED AT ANNUAL MEETING OF THE BANK OF MONTREAL

Sir Vincent Meredith, President, Dealt With the Difficult Problems of Increased Taxation---Bank will open Branch in Paris, France---Sir Frederick Williams-Taylor, General Manager, Pointed Out that There Never was a Time When Country was in More Need of a Sane Financial Policy

The annual meeting of the Bank of Montreal held at the head office took on many of the features of a national gathering.

The Bank, by its position, had played a principal part in directing the country throughout the trying conditions of the war period and at the meeting Sir Vincent Meredith, the president and Sir Frederick Williams-Taylor, the general manager, took up the problems that Canada must necessarily face during the post-bellum period. The addresses at the Bank of Montreal annual always have a special bearing on the events of the day, but this year, perhaps more than ever before they contained references of the utmost interest and benefit to every business man in Canada.

Everywhere there prevailed a strong belief that Canada was in an excellent position to grapple with the difficulties of the period of readjustment.

PROBLEMS OF CANADA.

Sir Vincent Meredith, the president, dealt particularly with the problems immediately ahead of the country. The most important, Sir Vincent pointed out, was how the country was to meet the interest on the vast debt of possibly \$1,800,000,000, which would exist after the war. Increased production would relieve the country of a portion of its burden and this, with strict economy and growing population, would in time adjust the difficulties of the country.

Taxation cannot easily be lessened and may be increased, added Sir Vincent. A levy on capital, advocated in some quarters, must only result in the stifling of individual incentive and enterprise and the penalizing of industry, self-denial and thrift. Taxing capital to the point of unemployment in industrial enterprise would involve unemployment of labor and produce serious consequences. If placed principally on consumption, the burden of taxation is distributed.

THE NEW CONDITIONS.

With the cessation of hostilities, the cancellation of munitions contracts has begun and the adaptation of war industries to peace conditions will doubtless bring about a check with possible dislocation of business but these adverse factors should prove transitory.

If Canada is to share in the business opportunities during the period of reconstruction, the banks must stand ready to arrange liberal and probably long term lines of credit providing the necessary funds from their own resources or availing themselves of rediscount with the Dominion Government.

As the war ends, all signs point to a great demand for capital for reconstruction, refunding and replacement purposes and interest rates in consequence will in all probability rule high for some time to come.

With particular reference to the affairs of the Bank, Sir Vincent announced that the distribution to the shareholders would now take the form of a straight dividend of 12 per cent per annum, instead of a dividend of 10 per cent and a bonus of 2 per cent. With a view of enabling Canada to be closely in touch with the affairs in France during the period of reconstruction the Bank was also making arrangements for the opening of a branch in Paris.

SANE FINANCIAL POLICY.

Sir Frederick Williams-Taylor, the General Manager, dealt more especially with the growth and development of the business of the Bank and financial conditions in the principal centres of the world. Sir Frederick pointed out that there never was a time when Canada was more in need of sound economic thinking and a sane financial policy as at present.

With the acquisition of the Bank of British North America, the resources of the Bank now totalled \$558,413,546, of which \$34,468,283, belonged to the shareholders and \$523,945,262 was entrusted to the care of the Bank by the public. It was worthy of note that the Bank's total assets are now as great as were the combined total assets of all the Canadian Chartered Banks seventeen years ago.

The Bank ever kept before it its duty to its depositors and shareholders. At the same time the Bank had a further duty, national in nature, in financing established business and in fostering the young industries of the Dominion. For these vari-

ous purposes the power of the Bank was greater than ever before while its position had never been stronger or more elastic. It was of interest to point out that while the cost of everything else had risen the public had paid no higher rate of interest for banking accommodation than before the war.

As regards the outlook in the country, Sir Frederick said:

"It will bear repeating that Canada possesses all the attributes of a great nation, excepting population. The crying necessity of the hour is for increased production. This cannot be fully achieved without immigration. We have room and opportunity for many millions of farmers and for a good class of labour to develop our mineral wealth and our fisheries and to convert our great forests into lumber and into pulp and paper. One sure way of attracting such immigration is to make living in Canada cheap. To attain this object there must be an end to the public and private extravagance of the past."

BUSINESS IS GOOD.

Sir Vincent Meredith said in part:—

"The business of the Bank has been well maintained during the year. In view of possible Government financing and the somewhat uncertain outlook at home and abroad, we have consistently set our faces against over-expansion which is to be deprecated under existing conditions. While giving our customers all reasonable accommodation required and taking up many new desirable accounts, we have maintained a strong liquid position, continuing a well considered policy of the Bank; a policy which in the past as now, has added materially to the Bank at home and abroad and of Canadian finance generally.

"Turning to the British finance, two outstanding features during the year were: First, the success of the system of continuous borrowing by means of the 5 per cent. Nations War Bonds which were made available to investors at all times on application. This plan yielded the huge sum of £1,200,000,000 from daily subscriptions and avoided the unsettling of the money market which invariably attended the placing of great war loans. Notwithstanding this remarkable response of the investing public, deposits held by the banks in England are actually larger than a year ago.

"The second feature is the amalgamation of some of the more important banks in Great Britain, resulting in a closer co-operation between the Imperial Treasury and the banks in meeting and solving the financial problems with which the country was faced.

CHANGE POLICY SLIGHTLY.

"The question of opening branches in foreign countries to participate in the business that may arise in connection with reconstruction requirements abroad is one that has received considerable attention from your directors. Following the policy of many English banks, we have deemed it prudent to refrain from establishing branches at points far afield where Canadian capital would be required in local and possible competitive industries, preferring rather to strengthen and extend our relations with foreign banking houses and to retain their good-will, thereby conserving our resources for the assistance and encouragement of home trade. In this connection it may be well to mention that we propose presently to establish an agency of the bank in Paris, not for the purpose of loaning Canadian funds but to supply necessary banking facilities to Canadians travelling abroad and to further the interests of Canada generally in France.

"Sooner or later we in this country will without doubt have to meet foreign trade competition of cheap and skilled labor together with advantageous transportation facilities, to a more pronounced extent than Canada has yet experienced. If this competition is to be effectively coped with, the increased efficiency, co-operation and co-ordination to which I have referred are essential. Our best energies must be directed to greatly increased production of our basic agricultural and other great natural resources. In this way, and by strict economy in government, municipal and personal expenditures, a solution can be found of our difficulties of exchanges, the main-

tenance of our favorable trade balance and the payment of our war debt. Otherwise, we must look for a shrinkage in business, to be followed by a readjustment of the scale of wages for labor and of the prices of all commodities.

"We shall undoubtedly for some years have to pay in relatively high taxation the price of our devotion and patriotism, but I am confident this will be done uncomplainingly, in the belief that all present and prospective difficulties can and will be overcome."

STOOD STRAIN WELL.

Sir Frederick Williams-Taylor said in part:

"The ease with which financial Canada has met the stress of war condition has been favorably commented upon abroad. At home one hears no expression of surprise at the stable financial conditions in the Dominion.

"The real basis of that stability is a banking system that has proved most efficient in peace times and, with the facilities accorded by the Minister of Finance, has withstood the severe test of war times. The system as it stands is without doubt adequate to meet any possible demand arising during the reconstruction period and for many years thereafter.

"The anticipated disturbance in bank deposits resulting from domestic Government war loans has subsided, and was to be expected. Seeing that the proceeds of such loans remain in the country, the money, of necessity, finds its ultimate way back to the banks through one channel or another; and therefore the loanable capital of the banks is, in the long run, undiminished. On the other hand, the strength of the banker's position lies largely in his command of numerous small deposits. The volume of deposits has increased by many millions, but the number has not grown proportionately. Our own deposits are now \$569,727,811.96, as compared with \$330,795,390.72 a year ago. This sum includes \$48,950,000 Bank of British North America money. As usual, we have certain large deposits of special character. The increase in our savings deposits is reasonably satisfactory.

RATES NOT INCREASED.

"As regards profits, an impression exists that these war years have been unusually fruitful for the banks. The reply is that when adequate provision has been made for unknown future rates for taxation in Canada and elsewhere, for the increased cost of administration, for heavy depreciation in even the most gilt-edged securities, it may be stated without reservation that the net results are none too ample for safety. I would emphasize another point, viz., that while the cost of everything else has risen, the public have paid no higher rate of interest for banking accommodation than before the war.

"After passing through the inevitable period of economic confusion which all countries must endure, that country of boundless wealth and virility, the United States, the only great power, by the way, to emerge from the war better off financially, may probably enter upon an area of unprecedented expansion and development. Canada must share in such prosperity independently of the part we hope to take in supplying Europe's reconstruction and regular demands. Meanwhile, there never was a time when our country was more in need of sound economic thinking and sane financial policy.

"Our New York and London Offices have been invaluable channels for international transactions during the war.

"In London, the important banking events of the year have been a series of bank amalgamations regarded by those competent to judge as wise preparation for foreign trade competition after the war.

"The Dominion has been penalized during the past year by a heavy premium on New York funds. This new condition is a matter of wide-spread interest.

"In theory, there are four ways in which this onerous penalty can be removed; by increased exports; by reduced imports; by paying in gold; or, by borrowing in outside markets. None of these remedies is at hand, but with the return of peace, Canada should at least be able to float public loans in New York. Then also we can hope for better things so far as imports and exports are concerned. Also there is on balance a large amount owing our Government by the Imperial Government and \$200,000,000 is owing the Banks of Canada by the Imperial Government, representing wheat and munition purposes. In due course, these combined amounts will aid the exchange situation. The premium in question should, therefore, diminish sooner or later to a point that will be immaterial. Meantime it discourages the importation of non-essentials from the United States, and the investment of Canadian funds in American and foreign securities."