

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXX. No. 42

MONTREAL, OCTOBER 29th, 1920

Single Copy 20c
Annual Subscription \$3.00

THE GENERAL FINANCIAL SITUATION

The governments decision to abide by a policy of non-inteference for the present, in case of both the sugar and the wheat situation is a logical one, and has commended itself to all sections of the business community, except, of course, those directly interested. The view is that while the necessities of war-time may be justified, in fact undoubtedly did justify, policies of Government control in marketing and price fixing, that the necessity has now come to an end, and that the sooner all markets are absolutely free and mainly dependent for their fluctuations upon the operation of the old law of supply and demand, the better. From the point of view of economics, the view is undoubtedly sound, although it is not to be expected that the transition from a controlled to a free market can be accomplished without a certain amount of financial painfulness to those concerned. In regard to the control of wheat, the demand of the western farmers for this would have had more weight, if last year a large section of them had not strenuously opposed control when they discerned an apparent opportunity of getting more for their products without control. The fact that the farmers only want something which enable them to get maximum prices for their products for themselves, no matter what world-wide conditions may be, was too transparent to permit their arguments to be taken seriously by any one outside their ranks. In the case of the sugar refiners, which aroused public feeling to an extraordinary extent, those primarily concerned; conceding even that they were relying on a promise of protection in a declining market, made the serious tactical error of confining themselves to generalities in their arguments, instead of submitting full facts and figures of their profits during recent years and prospective losses. The impression is very widely spread, that the profits of the refiners have been very large indeed during recent years, amply sufficient to take care of any losses which they may now have to face. If that impression is incorrect and admittedly the general public is apt to get into its head highly exaggerated

notions on questions of this sort, the refiners have done nothing to correct the erroneous, and from their point of view, very damaging impression. Presumably, the representations which they are now making to the Government include evidence of this kind, as business men, they can hardly expect any action until the full facts are available for judgment.

The September trade figures continue the unsatisfactory story of recent months, imports which exceeded the imports of the corresponding month of 1919 by almost \$30,000,000 again showing a large excess over exports. With September the figures for one-half of the fiscal year become available, and they do not make cheerful reading. In the 1919 half-year, Canada's exports reached a total value of \$579,443,000, and imports, \$451,760,000, the favourable balance of trade being thus \$127,683,000. In the corresponding six months this year, exports have dropped to \$548,780,000, or by over \$30,000,000 and coincidentally imports totalled \$713,012,000, a growth of nearly \$262,000,000, the excess of imports for the six months approximating \$165,000,000. In other words, the trade balance has switched round adversely by \$292,000,000 in comparison with 1919.

It is possible that in the remaining six months of the fiscal year, which normally are Canada's heavy exporting months, the course of trade will serve to reduce the adverse balance of \$165,000,000, which stood on record at 30th September. It is to be hoped that such will be the case, although it is to be noted that European buyers are holding off on other of our commodities besides wheat. The recent fall in the local price of butter, for instance, is due to the fact that British buyers will not pay more than 47 cents, and in consequence very little of our butter is being exported. In any case, the present position is not a pleasant one. It is a condition which is reflected in the tightness of credit, and the high rate of exchange upon New York, and the only certain method of correcting it, since less reliance than in recent years can be placed on our export trade, is by a reduction of imports. The