

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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One Year	Six Months	Three Months	Single Copy
\$3.00	\$1.75	\$1.00	10 Cents

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The Monetary Times was established in 1867, the year of Confederation. It absorbed in 1869 The Intercolonial Journal of Commerce, of Montreal; in 1870 The Trade Review, of Montreal; and the Toronto Journal of Commerce.

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THE INDUSTRIAL SITUATION AND OUTLOOK

THE end of 1920 finds the world in an economic turmoil more vexing than any hitherto experienced. The momentum of business due to the speeding up during war time carried industrial expansion to unsafe heights. Now the pendulum has swung perhaps too far the other way, with prices that still trend sharply downward, resulting in stagnation of trade and industry, reduction of wages and output, and an uncomfortable amount of unemployment. The extent of the shrinkage in market values, as measured by one index table, is nearly twenty-five per cent., compared with the high figures of February. Naturally a decline so abrupt has caused distress and loss, and the business world is anxious and irritable. Cancellation of orders and repudiation of contracts has become so general as to receive serious attention from business organizations and others, who point out that a return of old-fashioned morality is necessary if the integrity of business relations is to be maintained.

Some of the causes of deflation are readily apparent. The tremendous ascent of prices placed a world-wide strain upon credit, resulting in a climax which forced the liquidation of commodities. Depreciation of foreign exchanges, making it expensive for other nations to buy in America, slowed down export trade, making it necessary for sellers of merchandise to seek local markets. Consumers hesitated to buy when prices were going down, hoping and expecting they would go still lower. Added to this condition, the unprecedented decline in grain, livestock and other farm products cut off a great part of the spending power in agricultural areas, which resulted in a curtailment of trade, diminished orders for goods, cessation of work at factories, and the laying off of thousands of workmen. The stream of commerce, bearing merchandise smoothly and in orderly fashion to points of consumption, jammed, backed up, and became a lake.

How long this situation will continue can only be conjectured. Many observers believe the period of transition is

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almost past, that a new trading level has been established and the stream will soon move on again in a normal way but with flow somewhat diminished. People must continue to eat and wear clothes and go to the movies and write with fountain pens and ride in flivvers, and the normal volume of business required to satisfy their wants is very large. Standards of living are not likely to be lowered except under dire necessity. There is plenty of nearly everything, including credit, to give all a reasonable share, and the country is not going to the dogs. Maybe it will be necessary to buckle down to hard work, but that is salutary after the rather easy conditions of the past few years.

WHAT GOVERNMENT COSTS

CANADA, being far removed from the scene of the recent world war, escaped direct property loss from it, and being one of the less active participants, did not incur expenditures in proportion to those incurred by the larger belligerents. These factors, together with the industrial activity which obtained here, prevented our war burden from becoming too cumbersome. Nevertheless, a comparison prepared by the League of Nations shows Canada to stand fairly high as regards cost of government. This comparison, as summarized in the Liberty National Bank of New York Index, is as follows:—

(In Millions)				
Nation.	Unit of currency.	Pre-war expenditure.	Estimated expenditure 1920.	Percentage increase in expenditure.
Germany	Mark	[3,520.9]	[52,400]	+1,488
France	Franc	[5,066.9]	48,995.4	+ 867
Italy	Lira	[2,765]	24,670	+ 792
U.S.A.	\$	[735.1]	[5,032*]	[+ 684*]
United Kingdom	£	[197.5]	1,184	+ 500
Canada	\$	[144.5]	[537]	+ 272
Japan	Yen	[573.6]	1,563.9	+ 172

Note: Figures in brackets are not from governmental sources.

*Based on actual expenditure during first four months, current fiscal year.