The Chronicle

Banking, Insurance and Finance

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on among the farming community in the United States, where the National Wheat Growers Association, with a membership of over 70,000, has ordered its members to stop selling wheat on October 25th, until the price reaches $3 per bushel. It appears that for several weeks, threats of withholding from the market have been common, mills have been closed because of the lack of grain and shipments have been lessened. The effect of the order, it is believed, will be to decrease even the present light receipts; but if within the next sixty days there is no material change in the market, it is possible that many will lose faith. According to competent observers, the result in the United States is not so much against the wheat price as its relation to other commodities. The high prices of coal and other necessities make the farmers feel the inequality, and they resent being the first to have their prices cut. Should there come a material reduction in the cost of living, it is said, much of the sentiment for forcing higher prices would vanish.

Presumably what is described as being in the minds of American farmers is also, to some extent, what is in the minds of farmers in Western Canada. They complain that for a crop in the preparation and harvesting of which they paid maximum prices, they are getting less than the maximum price. It may be pointed out, however, that in this respect the farmers are merely in the same position as a good many other folk, the shoe manufacturers, clothing manufacturers and others, who made up stock at the maximum level of wages and materials and now have to realize at a loss. Frankly, we do not see how this kind of thing is to be avoided in a period of adjustment of prices to lower levels.

So far as retail trade is concerned, there has been an obvious tendency during the past week to keep things going by "sales" of one kind and another, even the higher grade large stores adopting this course to a considerable extent. Doubtless many store-keepers, under present circumstances, are doing their best to hold on until the Christmas trade develops with its chance of getting rid of stock at higher figures than would be otherwise possible. When this trade is over, it is quite possible that in many lines, there will be a very heavy pressure of liquidation under the guise of "after-season" sales.

It should also be borne in mind, however, that what usually follows such a panicky decline in the commodity markets as has taken place during the last month or so, is an irregular recovery, and then a fairly long pause in the movement of the markets, while buyers as well as sellers are getting accustomed to the non-level of values, and making their plans accordingly. One thing is obvious, however, that until liquidation has taken place in Canada, whether of wheat or other commodities, tight money and a high rate of interest will continue here. It seems fair to anticipate that, say, by the middle of January a considerable volume of liquidation will have taken place or be in process. Whether, however, by that time liquidation will have been sufficient to make funds sufficiently plentiful to permit of Stock Exchange speculation on a fair scale, remains to be seen.

Completion of the repayment of the Anglo-French loan in New York at the end of last week means that something over $850,000,000 war loans maturing in America, has now been paid off in cash by France and Great Britain. Yet there were well known New York financiers who at the time of the flotation of the Anglo-French loan in October, 1915, insisted that the loan could never be repaid, since with six months more of war, both countries would be bankrupt. Which goes to show that even eminent financiers may occasionally be somewhat astray in their opinions.

The actual outstanding balance of the loan repaid was in the neighbourhood of $200,000,000, the balance of the $500,000,000 originally issued having been cared for by purchases and conversions..

It is interesting to note that some New York bankers consider that the loan should have been renewed, instead of having been repaid, partly on the ground of the good effect which such a renewal would have had on sterling exchange, and partly because of the United States own interest. Considering, however, that France had to pay nearly 9½ per cent. on the $100,000,000 which she raised to refund part of her share of the loan, it can hardly be considered surprising that the cause of repayment was adopted.

In the case of Great Britain, the decision to repay, was taken last March, and subsequent events have certainly justified it.