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Extravagance in Prosperity.

JUNE has come to be somewhat of a convention month with various State Associations of Bankers in the republic to the south of us. Two notable gatherings took place last week—those of the New York and Ohio Associations. Several of the addresses given were of a meriting widespread attention and permanent record. Especial interest seems to have been aroused by the address of President McDougal of the New York Association. Mr. McDougal was emphatic in his warning as to the dangers of a period of great apparent prosperity, and the consequences of that extravagance which he lamented as characterizing all classes of the community. With no uncertain sound he spoke of an era of extravagance, both corporate and individual, alike in enterprise and expenditure, as much beyond precedent as is the country's feverish business activity. There has been a forgetting, he asserted, of the truth that capital must be accumulated before it can be "raised" and turned to use, and that it can be accumulated only in the old-time, but still essential, way of being saved out of the proceeds of production. "No matter what the country's book profits are, it cannot accumulate profit without thrift, and to-day thrift appears to be forgotten." At least a moderate amount of "hard times" is, to Mr. McDougal's mind, the only cure. That there may be no time of disastrous financial disruption, he counsels bankers throughout the United States to do their utmost to bring about retrenchment in what he considers the over-activity and serious waste of present industrial methods.

Doubtless many of President McDougal's hearers deemed him an ultra-conservative—and rather a pessimist—in certain of his expressions. Be this as it may, he undoubtedly laid his finger upon more than one sore spot in American economic conditions. And no more sparing was he of the wage-earner than of the entrepreneur and capitalist. He

pointed out that it was not now uncommon for an employer of skilled labour to assert that in his trade wages are 30 p.c. higher than a few years ago and the product of a day's work considerably less. Such an employer may estimate that he gets very little more than half as much work for a dollar as formerly. Many men do not work every day. Some earn enough in three or four days to supply their needs for a week. Here is a two-fold economic waste. A workman does not do a full day's work for a full day's pay. He does not work full time. No doubt many, perhaps most men work full time, but very few do a full day's work for a full day's pay—such a day's work as could easily be done, as in all honesty and fair dealing should be done. Now this waste produces inflation of values analogous to the inflation produced by watering stock and bond issues of corporations. This inflation must inevitably be reckoned with. When the day of reckoning comes the values of all properties will shrink to their true cost basis. This adjustment of values cannot occur without accompanying disturbances of credit and consequent business troubles.

References to Canadian Banking.

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TURNING to matters having more specifically to do with banking, Mr. McDougal urged his hearers to cry halt to the recent tendency by which banking liabilities throughout the United States had expanded out of all proportion, as he considered, to the growth of cash reserves—an expansion which he characterized as a "fabric of credit built on an inadequate foundation of reserve." He held that the present system of reserve agents contained the possibilities of serious trouble in time of financial stress, and went so far—though in this he is not likely to be generally followed—as to advocate that whatever reserve may be required by law, such