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War and the Cost of Living

REVIEW of the Prices Situation in Canada Since the Outbreak of the Struggle—How the Typical Weekly Expenditures for a Family of Five Have Changed in Recent Years—Some Interesting Statistics

BEFORE the outbreak of war at the end of July, 1914, prices of commodities had been on high levels for some time in Canada as well as in other parts of the world. The further advance which immediately followed, particularly in foods, was all the more significant as foods had shown some of the greatest and most general advances, causing the high cost of living to become an acute problem. But the rise in prices before the war had occurred during a period of prosperity in trade and industry in which employment was abundant and advances in wages were possible in many instances. On the outbreak of war, however, Canada was passing through a reaction from the recent expansion, during which prices had risen steeply. Trade and industry had flourished from the beginning of the century except for a brief reaction in 1907-1908, following the financial panic in the United States, and recovery from this had been rapid. In 1910 prices had almost recovered from the drop in 1908 and further steep advances occurred in 1911 and 1912. In 1913 the steeply upward movement ceased, although some commodities still advanced. The crest of this wave of prosperity appeared toward the end of 1912, when something like a boom in real estate, stocks, and the markets for some commodities was felt.

The positive effects of this boom were experienced in Canada for some months in 1913, although the outbreak of the Balkan war in the fall of 1912 had led to some financial stringency in Europe which immediately affected financial conditions in United States as well and gradually exerted a strong depressing influence on commerce and industry. The Bank of England rate of discount remained at 5 per cent. during this time and it was only in January, 1914, that financial conditions improved sufficiently to cause a drop to 3 per cent. The effects on Canadian trade and industry, however, had been serious. The rapid development since 1900 with only a pause in 1907-1908, had involved a great increase in agricultural areas, in development of mines, forests, water-powers, etc., the construction of two transcontinental railways, many miles of additions to other railways, with terminals, rolling stock, etc., an increase in water traffic (lake and ocean), with harbor improvements, shipbuilding, etc., the building and equipment of factories, the growth of manufacturing and trading cities and of new towns in the newly opened areas, a great immigration including farmers from the United States as well as of laborers from Europe and

skilled workmen from Great Britain along with other classes, and also a considerable migration of population from eastern to western Canada and from rural districts to urban centres. Under such conditions all commodities found a ready market, the home demand for most commodities kept ahead of production, prices advanced and in turn made possible increased purchasing power among all classes of the people, and this in turn caused greater demand. Exports of cattle, butter, eggs, etc., declined and finally ceased, and meat and butter were imported into western Canada from New Zealand. The great and constantly increasing supply of imported capital, and the expansion of credit inevitable in such conditions, prevented the rising prices from checking the development of the country and the growth and expansion of trade. The several commodities reacted in price according to conditions affecting their own peculiar markets from time to time, but the net result of these conditions was a steeply upward movement. In 1911 a higher level was reached than that from which prices had receded in the crisis of 1907, in 1912 foods were on record levels throughout the world, chiefly as a result of drought and crop shortage in various countries in 1911, and materials also rose steeply under a remarkably good demand.

The tide began to turn early in 1913. The good crops throughout the world in 1912 had lowered food prices greatly by the end of the year and the financial stringency early in 1913 depressed the markets for materials. European financial conditions were depressed by the Balkan wars, while in the United States pending readjustments in trade and industry tended to quiet industry. In Canada the development continued in the way of completion of great undertakings in railway and other construction, but curtailment has already become necessary. Municipalities had difficulties in getting money for further improvements, the real estate boom collapsed, immigration slackened, the demand for many materials fell off and factory production began to decrease. Unemployment was felt, though chiefly from the fall in construction. The manufacturing of textiles, clothing, boots and household goods, as well as of construction materials, was seriously affected by the lack of demand. The markets for many foods were also affected. These depressing conditions prevailed chiefly in western Canada, but the reaction was also gradually felt in the eastern provinces. The difficulty in obtaining money in London tended to curtail