

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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BUSINESS DEPRESSION ON THE HORIZON

THE downward tendency on the stock exchanges is the most significant economic event since the signing of the armistice. Just three weeks ago stocks on the New York exchange broke to a greater extent than at any other time in recent years. Those on other markets, including the Canadian exchanges, followed, though declines were less marked because dealings on these exchanges are less speculative. That this downward movement was not due to any temporary cause is proved by further breaks which have taken place, some stocks making successively low levels. In fact the market seems ready to respond quickly to any bad news, while good reports cause little or no reaction. During the past few days the bond market in the United States has also started downward, Liberty bonds being offered in excess of the demand.

Prices of listed stocks are a good index to future business conditions; they are in fact the best index known, because they are more sensitive than railroad earnings, bank clearings, and other statistics. The armistice was not immediately followed, as had been anticipated, by a period of falling prices, accompanied by poor business and unemployment. Prices have gone slightly upward, goods have been scarce, and factories have had more orders than they could fill. The trend of stock prices during the year has been upward, with only a few temporary breaks. This prosperity may be one of the unexplained results of the war, but in any case it is recognized that sooner or later supply must catch up with demand, prices fall, and orders fail to equal productive power. If past experience is to be repeated, therefore, the inference is that this condition is close at hand.

This view at least was expressed by Sir Frederick Williams-Taylor, general manager of the Bank of Montreal, in his address to the shareholders last Monday. The annual addresses of the president and of the general manager of the Bank of Montreal constitute one of the most authoritative summaries of the economic situation and outlook in Canada, and the views expressed are based on thorough knowledge of conditions. "The inevitable decline in prices is at least nearer," said Sir Frederick, "and it is to be hoped

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that the delay is not lulling dealers into the erroneous belief that the standards of these last few years will continue indefinitely. Misconception on this point would constitute a menace alike to borrower and banker. It seems certain that food prices will drop presently and that all commodities must decline in price; therefore, great care and scrutiny of credits on the part of bankers and other business men are imperative." This statement, coupled with his reference to the fact that the cost to the borrower of loanable funds of banking institutions was one thing which had not increased in recent years, may presage a general tightening of the credit upon which war-time expansion of industry has been so largely based.

That Canada will survive this period with little difficulty may confidently be anticipated. Though our currency is moderately inflated, some of our municipalities are in financial difficulty, and consumption has more than kept pace with our producing power, yet the fact that Canadian industry is mainly devoted to the production of essential commodities will make it easier for this country than for most others. Radical agitations are no longer in favor, confidence in government is greater, and the public is less prone to blame the producers and government authorities for unavoidable and world-wide advances in prices. Nevertheless falling prices must be accompanied by reductions in wages, and labor difficulties are by no means at an end. Stable price levels are necessary, however, before satisfactory conditions in industry can be obtained, and these can be secured only by reductions in production costs as well as by a gradual elimination of the element of inflation in our credit and currency.

FUEL CONTROL AGAIN IN FORCE

AS a result of the fuel situation caused by the strike of miners in the United States, the Dominion government has revived the organization formed to conserve fuel during war-time. C. A. Magrath has again taken up his duties as fuel controller. The Canadian Trade Commission has taken control of exports. The provincial governments have been asked to bring their fuel administrations into existence again and the public is being urged to exercise the greatest possible economy in the use of bituminous coal. Supplies of