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## THE GENERAL FINANCIAL SITUATION

It was to be expected that the sweeping increases in railway rates announced by the Railway Commission would arouse a storm of protests, but to those who followed the evidence produced at the enquiry, and who are closely familiar with the facts of the railway situation, it is difficult to conceive what other conclusion could have been arrived at by the Commission. Putting all rhetoric on one side, the simple fact remains that the cost of everything entering into the operation and maintenance of railways has increased more than 100 per cent. during the last four years, while increases of rates granted to the railways prior to the present increase have averaged not more than 35 per cent.

There are some technical reasons apparently which account for the limitation in line of these increases, making them in effect, temporary ones. But it is apparent that these limitations are, under present circumstances, decidedly desirable. Conditions in Canada in the next twelve months may change considerably in line with developments elsewhere, and where so considerable a burden is placed upon the general public as that involved in the new rates, it is certainly desirable that the power of frequent revisions should be held by the governing authority, in order that the burden may be lightened at the earliest time, it is possible to lighten it. So far as the Canadian National Railways are concerned, it is obvious that any reduction of deficits brought about by the new rates will go to reduce the amounts which have to be paid out of the Federal exchequer to meet these deficits. While money has to be provided in any case, it is certainly desirable that it should be provided by those who use the service given by these roads, rather than that the burden should be placed on those who possibly do not require to use them from one year's end to another. As regards the C.P.R. the precedent of special taxation on the surplus earnings of that road has been created and it might be followed. Obviously, however, that is a matter of Government policy, and not one within the purview of the Railway Commission; and the latter body have made it clear that their rulings have been based entirely on the needs

of the roads, through increased costs of operation and maintenance.

The lengthy official explanation, which followed the latest marking down of the fixed prices of the Dominion Governments war loan bonds, were doubtless considered necessary in the interests of the small investor in those bonds, who is unfamiliar with the forces and circumstances which affect the price of bonds. To many folk, even a good many business men who are not directly concerned with finance, the rise and fall of bond prices is a circumstance "wrapt in mystery;" and in consequence, a movement either way is apt to be ascribed to machinations for which those vaguely referred to as "financial interests" are responsible. To students of finance, however, the apologetic tone adopted in these official communications, while doubtless diplomatic and advisable under the circumstances, reads somewhat strangely. There is no mystery at all about the decline in the value of these bonds. It is merely a reflection, although a partial and imperfect one, of present day circumstances affecting the value of capital. That the reflection is only a partial and imperfect one, is due to the fact that the price of these bonds is controlled; that their price is in fact an artificial one, and not a true price arrived at as a result of the operation of the law of supply and demand. It is not necessary here to enter into a discussion regarding the propriety of the course adopted in regard to the price-control of these bonds. That is a point on which opinions differ widely in financial circles, and concerning which there is a good deal to be said on both sides. There is, however, a very strong probability that had the prices of these bonds not been subject to control, their price levels in the last month or two would have receded somewhat below the controlled prices recently ruling, since it is well known that the supply of the bonds for disposal has lately considerably exceeded the demand, in spite of the energetic efforts at redistribution which have been made, particularly by the bond-dealing fraternity.

The danger of artificial price-levels, inseparable from control of this kind, can only be avoided or, at