

FUTURE PRICE LEVELS

Necessity for Replacing Stocks will Maintain Prices—This Country Should Secure Good Share of Business

“ONE of the causes of the present high level of prices is because production has failed to keep pace with the increase of paper money,” says a summary of business conditions just issued by the cost accounting department of the Furniture Manufacturers Association, Woodstock, Ontario. The preparation of this summary was in the hands of Mr. J. E. Ferguson. The bulletin continues “in the immediate future will the supply of paper currency decline relative to the production of economic goods?”

“The chief causes of the advance of prices seem to have been first, the ‘scarcity demand’ for war materials, food, clothing manufactures, manufacturing materials and the labor required for their prompt production; but this was quickly followed by an enormous world inflation in which paper money with a face value of \$36,000,000,000, was emitted by the printing presses of the countries at war, and the legal tender circulating medium of the world was thus advanced from \$15,000,000,000 in 1913, to over \$45,000,000,000 in 1918, most of the gold formerly in circulation passing into the vaults of the governments and their great banks as partial basis for this greatly enlarged paper currency.

“The face value of the paper currency issued in the four years of the war, was greater than the value of all the gold and all the silver mined in all the world since the discovery of America. Meantime, the national debts of the world have advanced from \$40,000,000,000 in 1913, to \$220,000,000,000 in 1919 and the annual interest charge from \$1,750,000,000 to \$10,500,000,000, and this quintupling of governmental promises to pay had also an important bearing upon the world finances, while the fact that the bank deposits in the fifteen principal countries of the world grew from about \$25,000,000,000 in 1913, to approximately \$75,000,000,000 in 1919, still further increased the currency supply, especially in countries like the United States and Canada, in which the cheque plays so important a part in current business transactions.

Followed by Rise in Prices

“This enormous inflation thus brought about, coupled with the continued ‘scarcity demand’ for food, manufactures, manufacturing materials and labor required for their production, was accompanied by great advances in prices, first in the materials for the war, the advances gradually extending to the other articles which their respective producers must exchange for those in which the advance had already occurred, and this made the advance in prices world-wide and applying to all classes of articles irrespective of their immediate relation to the requirements of the war.

“The chief question involved in a consideration of the future of prices is whether there is a prospect of an early removal of the causes of the advance.

“The ‘scarcity demand’ still continues in everything except war supplies, and even in that line, is not entirely ended, since there are still about 15,000,000 men under arms. The demand for food is as insistent as ever, owing to the disordered state of the population of Central Europe and the impoverished condition of the neglected soils of all that continent, while the factories and empty shelves of all the world are clamoring for new supplies, which ran rather low during the war period.

“As to material reduction of the inflated currency, the prospects for the near future do not seem encouraging in view of the fact that the 1919-20 ‘budgets’ of the principal countries of the world, now being made up, call for fully four times as much money as those of the year preceding the war, suggesting that the governmental demands in the first year of peace after the war will be about \$50,000,000,000 as against about \$12,000,000,000 in 1913, and that the governments which must quadruple their demands upon their taxpayers and prepare for a reduction of their debts will hesitate about reducing the amount of money in circulation.

“While there may be a slight downward trend in the general price level and distinct reductions in certain arti-

cles the difficulty in removing the chief causes of the advance suggests that the general reduction in prices in the near future may not be as rapid as had been anticipated.

“Will production increase at a pace which will overtake the increase of paper currency, and at a stable cost which will permit and stimulate the increased distribution of goods.

“With food prices increasing and the world-wide demand on the part of labor for shorter hours with increased wages, it does not seem likely that this question can be answered affirmatively.

“Weighing all these facts, it looks as if we must face a new and higher normal and that business must go ahead on present high costs and because of the currency situation a general decline is undesirable and an increase in price levels is more likely.”

BANK BRANCH NOTES

The following is a list of branches of Canadian banks recently opened:—

Drayton, Ont.	Bank of Hamilton
Mount Hamilton, Ont.	Royal Bank of Canada
Burin, Nfld.	Canadian Bank of Commerce
London, Ont. (City Hall) .	Canadian Bank of Commerce

It was incorrectly stated in *The Monetary Times* of May 30th, that the branch of the Bank of Nova Scotia, formerly of the Bank of Ottawa, at Booth and Queen Streets, Ottawa, was closed. That branch is still open, but is known more generally as the Bank of Nova Scotia, Chaudiere Branch, Ottawa.

The Bank of Montreal is arranging to open a branch in Oshawa shortly.

Mr. J. M. Christie, manager of the Canadian Bank of Commerce, St. John, N.B., has been granted a year's leave to recruit his health.

The Bank of Hochelaga has purchased a site at Humbolt, Sask., and will shortly open a branch there.

BANQUE NATIONALE PROFITS HIGHER

La Banque Nationale has, for over fifty years, occupied a solid position in Quebec province, and its annual report for the year ended April 30, 1919, which appears in detail elsewhere in this issue, indicates that this position has been well maintained. Profits were \$533,450, compared with \$435,283 for the previous year. The sum of \$35,239 had been brought forward into this year's account, making a total of \$568,699. Disposition of profits, compared with last year, was as follows:—

	1918.	1919.
Dividends at 9 per cent.	\$180,000	\$180,000
Reserve fund	100,000	100,000
Depreciation of securities, and for contingencies	100,000	100,000
Rebates of interest		45,000
Sinking fund on buildings	35,000	40,000
Sinking fund on furniture	10,000	10,000
Pension fund	15,000	25,000
War tax on circulation	20,000	20,000

Leaving a balance of \$ 35,249 \$ 48,699

The balance sheet shows an unusually large increase of over \$10,000,000 in total deposits, or about 37 per cent. Circulation increased by \$700,000, or 17 per cent. The balance due to the Canadian government is \$3,697,350 in place of \$5,444,435 last year. Liquid assets have risen from \$15,585,871 to \$23,181,829. The progress of the bank during the past two decades is indicated by the fact that reserve has increased from \$100,000 in 1898 to the present amount of \$2,200,000. During the same interval assets have risen from \$6,089,165 to \$50,433,531, and the number of branches from 13 to 260.