

# The Chronicle

## Banking, Insurance and Finance

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### THE GENERAL FINANCIAL SITUATION.

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to note the official statement made by Sir Thomas White in regard to the purchase of Canadian grain of the 1918 crop. Sir Thomas makes it clear that the guarantee to purchase at this fixed price is still in full force and effect. As grain has not moved forward so rapidly as in other years, arrangements have been made whereby, instead of payment being made at the seaboard, the Wheat Export Company, which acts for the British Government, will take delivery of documents, and make payment for the wheat at their Winnipeg or Montreal offices. This arrangement should entirely do away with any possible hardship resulting from the congestion of transportation. As regards the matter of the price of the current year's crop, it is satisfactory to find that several of the Western farmers' organizations have gone on record as opposed to the continuation of the present fixed price. There has been some wild talk about the necessity of this being maintained, but any attempt by farmers or others to insist on this would, we imagine, meet with the fate that such a glaring attempt at "profiteering" would deserve.

It is to be hoped that the attempt of various small municipalities in the Province of Quebec to evade the general law governing their borrowing operations and to secure special legislative privileges for themselves will not be successful. A year or two ago the provincial government did excellently well by taking a firm control of the financial operations of these municipalities and it is not desirable that that firm control should be relaxed in any particular. Any relaxation is undoubtedly contrary to the wishes of those most directly concerned with the securities of the municipalities in question, the bond dealers, and would react harmfully on the credit of the Quebec municipalities generally. The fact that a municipality, by unwarranted expenditures in the past, has got itself

into a position where a loan is necessary to cover the excess of expenditure over income is certainly no reason for the step proposed.

The subject of subsidizing gold production has lately been engaging some attention in Canada, and it may be interesting therefore to summarize the report, lately published, of the British Committee on the Gold Production of the Empire. The Committee is strongly against the proposal that the State should subsidize gold production, on the ground that a subsidy would be fundamentally unsound. The intention of the subsidy suggested by the gold producers is to enable gold to be produced which otherwise, conformably with the laws of supply and demand, would not be produced at all. Other things being equal, the result would be that the purchasing power of the whole of the world's gold would be diminished pro tanto. The value, in terms of gold, of the commodities for which it is exchanged would rise. The Committee add this very interesting observation: "We can only maintain our gold reserves in Great Britain if the value of our exports, visible and invisible, exceeds on the balance the value of our imports. If we want gold and cannot produce it at a profit, we must depend on our capacity to render services and to produce at a profit the commodities wanted elsewhere by the holders of gold, and to do so we must adjust our prices to world prices. We shall not be able to keep the gold which we acquire by means of a subsidy if the balance of trade is against us, and apart from the shareholders in gold mining concerns, whose gain would be merely temporary, the only people who would benefit by the subsidy would be the foreign purchaser of the gold." So far as Canada is concerned, it is clear that while prices continue at a high level, it will be more profitable to us to stimulate export trade in all kinds of commodities in preference to stimulating gold production for export, for the simple reason that the purchasing power of gold being depressed, more commodities can be secured by the exchange of our commodities than by the exchange of gold. In the case of Canada, therefore, any subsidy of gold production would result in a double loss, that of the amount of the subsidy to the State, and of the additional values in imports which could be secured by the export of commodities other than gold. To hold this view is not to underestimate, the potential value to the Dominion of our gold and other mineral deposits. Their further development will undoubtedly in the near future play an immensely important part in the prosperity of the Dominion. But it must be a development in accordance with economic laws.

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