

The Chronicle

Banking, Insurance and Finance

Established 1881.

Published Every Friday

F. WILSON-SMITH, Proprietor and Managing Editor
OFFICE:406-408 Lake of the Woods Building,
10 St. John Street, Montreal.

Annual Subscription \$3.00 Single Copy, 10 cents.

MONTREAL, FRIDAY, APRIL 16th, 1920

THE GENERAL FINANCIAL SITUATION

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fitting" in recent years, it is not the banks. Great play is naturally made with the fact that last year the banks showed a profit of over 19 per cent. on their average paid up capital. But it is overlooked that the banks' rests include many large amounts of premiums on new capital stock issues—premiums which were paid in cash by shareholders. While it is not possible to state definitely the amount of these premiums, their total is certainly a very large one, and the figure of 9.68 per cent. profits in proportion to average capital and rest, is a much closer indication of the banks' returns to their shareholders than the 19 per cent.

The real index of banking profits is, however, to be found in the percentage of profits to average total resources, and this furnished conclusive evidence not only that the banks have not been "profit-fitting" but that in fact, their profits have declined in recent years proportionately, and have only increased in total amount as a result of the immense extension of the banks' resources and operations in recent years. The 1919 figure of 0.83 per cent. compares, for instance, with 1.29 per cent. in 1911 and 1.19 per cent. in 1909. Apart from this point, which is obvious enough to all who are familiar with the facts, and is only here repeated as a definite reply to misstatements, the quality of the present agitation may be gauged from the assertion that for the privilege of circulation "the banks pay not one cent to the Government or anyone else." Has the Special War Reserve Act of 1915 never been heard of in the West? The banks are familiar with it to the tune of several millions of dollars.

Sterling exchange in New York has re-acted definitely to below \$4, and there is a general expectation in both New York and London that no further marked advance is likely to be seen in it immediately. One London observer very aptly remarks, "Our economic improvement cannot go far until Government expenditure is checked and

productive activities increase. "Gold shipments from Great Britain to New York continue, but any decided cheapening of money in the United States as a result of these shipments is not looked upon as a serious probability. The marked decline in French and Italian exchange on New York is probably less a result of the international incidents in the occupation of German territory than a reflection of the grave economic circumstances of those countries, had circumstances, which can only be remedied as a result of internal currency and taxation reforms.

In the United States, the principal development of the week is an "outlaw" railway strike, which the regular unions are fighting jointly with the railway companies. It is regarded as a purposeless demonstration and a foolish attack upon public order, and at the present writing does not appear as likely to lead to serious consequences, except in the inevitable dislocation of freight services. This strike is symphonic of the extraordinary frame of mind into which certain workers have got themselves. A Canadian instance of this came to the notice of the writer the other day. A mill, full up with orders, proposed to engage extra hands and start a night shift. When this became known the management received an ultimatum, "Start a night shift and we'll quit." For the time being, while business is good, these mental aberrations, for they are nothing else, have to be put up with, but workers who indulge in these senseless tantrums cannot expect to get much consideration if once demand begins to fall off.

The financing of an immense housing programme is now being undertaken in England. The London County Council is leading off by borrowing \$35,000,000; Birmingham will borrow \$20,000,000 and other cities in proportion. It is a significant fact that these issues are already on a 6¼ per cent. basis—a rate fully as high as that paid for new borrowings recently by leading Canadian cities. Before the war the English municipalities were accustomed to get all the money they needed at from 3 to 3½ per cent. Times have certainly changed.

FOREIGN PLATE GLASS SCARCE

Reports from England and Belgium are to the effect that due to the exchange situation, the price of plate glass in those two countries is practically the same as prevails in the local market. The shortage of fuel and raw materials as well as labor has been a big handicap. Belgium factories are getting less than two-thirds of normal production. Most of the glass now being made is absorbed by orders taken sometime ago.