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THE GENERAL FINANCIAL SITUATION

The question of deflation, of a reaction in commercial and industrial enterprise, and a consequent decline in prices, becomes more insistent. The idea that prices are about reaching their maximum is certainly gaining ground, or perhaps, to put the case more accurately, the public mind is gradually waking up to the elementary fact that prices do not always move in one direction, and that there is in fact that inevitable swing of the pendulum, which is one of the elementary axioms of economic service. The imagination of the general public, which is not touched by phenomena like tight money or restriction of credits, has been effectively reached by such action as that of John Wanamaker in cutting the price of all the goods in his enormous stores by 20 per cent. Mr. Wanamaker is a particularly astute merchant, and his action in this connection, is of course, not philanthropy by any manner of means. He knows exactly where he will "get off at" by way of profits, and incidentally he is getting the biggest advertisement, free, gratis and for nothing, his stores have ever had in their entire career.

Such action as this, and such freak developments as the "overalls" movement, which is merely a fad and not an attempt at true economy, produce an effect on the public mind out of all proportion to their importance. Their effect is to induce a feeling of uncertainty, and that feeling of uncertainty is without doubt gradually making headway. Its progress may be slow at present, the great majority may go on spending just as foolishly and thoughtlessly as at any time during the last five years, but there are a certain number of people, and their number is probably increasing, who are holding off their purchases in the expectation of lower prices. In this expectation they may be disappointed. While there are many good judges who believe that the period of deflation is imminent, there are others, whose opinion are equally entitled to respect who regard any decline as still some distance away and as possibly to be preceded by yet further inflation and higher wages. The statement recently made by the British Food Controller that he could see no sign that the world's food shortage was likely materially to improve and that prices are un-

likely to fall, favors the latter view. Food prices, and particularly wheat prices, are a vitally important basic factor in determining the trend of prices generally.

Under such circumstances as the present it is the very natural hope of the average consumer that the fall in prices may be sudden and rapid. But from the point of view of the general welfare of the whole community, it must be borne in mind, any rapid and sudden fall in prices will merely bring disaster, financially and commercially, and in the train of that disaster, we believe the greatest social disturbances. What it is to be hoped will take place, as Lord Shaughnessy insisted in his illuminating New York interview the other day, is that deflation will be a slow and gradual process. Only by such a process can panic and disaster be avoided. Whether this panic and disaster will be avoided remains to be seen. The danger period, as we see it, is next fall. It is now generally recognized that severe monetary stringency must be expected, not only in Canada, but practically all over the world all through the current year. Restriction of credit facilities must affect speculators in commodities and merchandise exactly as it has affected speculators in stocks. The same restriction is bound to affect the extravagant individual spenders, and the later months of the year are traditionally the time when a money stringency will reach its climax.

The address given by the Commissioner of Taxation to members of the House of Commons last week regarding the working of the Income Tax, contained a number of points of distinct interest. At the time when the idea of an Income Tax was first mooted in the early years of the war, it was argued in this Journal that in a country such as Canada, it would take five years to get the administration of this impost working satisfactorily. That prophecy is now borne out by the statement of the Commissioner. The gradual speeding up of the machinery and tightening of the screws of administration is however, apparent, as witness the intimation recently made that the month's extension of time for the filing of Income Tax returns, will be followed by the strict enforcement of the penalty for non-filing at due date. The demand

