BANK of MONTREAL

Annual General Meeting, Held 6th December, 1920

The 103rd Annual General Meeting of the Shareholders of the Bank of Montreal was held at the Bank's Headquarters.

The Chairman called upon the General Manager, Sir Frederick Williams-Taylor to real the Annual Report of the Directors to the Shareholders at their 103rd Annual General Meeting, held Monday, December 6th, 1920.

The President's Address.

Sir Vincent Meredith, in moving the adoption of the Report of the Directors to the Shareholders, said:—

Before moving the adoption of the Report, I may remark that as a result of the completion of a successful year's operations, due in part to the high interest rates for money that have prevailed outside Canada, where a portion of our reserves are carried, your Directors decided to declare a bonus of 2 per cent, making the distribution to shareholders for the year 14 per cent.

The sum of $250,000, spread over five years, has been donated to the McGill Endowment Fund, and I am confident the action of your Directors in this connection will have your approval.

The year just closed has been a difficult one for the bankers, but the progress we have made and the results we are able to show will, I feel sure, prove satisfactory to our shareholders.

An overwhelming demand for credit has taxed resources to the utmost. Following a period of excessive prices and inflated currencies characteristic of war times, the country is now in the midst of the process of readjustment. It has been difficult to make producers, merchants and others carrying heavy stocks, who have grown accustomed to high prices, accept the inevitable by recognizing the fact that it is futile to attempt to overcome natural laws and to realize that economic conditions, which no artificial means can alter, alone are the cause if price decline. The demand for intervention through Government control is still insistent in some quarters. Canada alone cannot control world-wide conditions and it is idle to turn to the Government for relief from falling prices. This applies to wheat as well as to other commodities. A lower price level must be reached before we can reasonably look for a resumption of business activity on a sound basis. To arrive at this stage, inventories must be reduced and deficiencies made good by drawing upon the excess profits of previous years.

Restriction of Credit.

Having in view the probability of a gradual recession in prices, your Directors took early action to restrict credits to legitimate requirements, believing such a policy to be in the best interests of our clients as well as calculated to preserve the financial stability of the country.

The strain on credit appears to be now reaching its peak. An easier tendency is the logical outcome of deflation of prices. Manufacturers and wholesalers are revising inventory values to meet the changed conditions and retailers must adopt the same policy to induce the public to again freely enter the market. The pursuance of this course will tend to ameliorate the labor situation by lessening unemployment and should prove a factor in warding off slackness of work, which acts and reacts to the detriment of business. Employment is the logical remedy for labor unrest. The commercial mortality of Canada has been notably low for several years past, but it must be expected that the process of deflation and slacker trade will somewhat swell the failure list, a contingency for which prudent bankers prepare. Some reduction of bank deposits may also be apprehended. I believe, therefore, that this is a time to keep close-hauled, to prepare against gusts without inviting gales, and to recognize the existence of world-wide conditions presaging a substantial readjustment of commodity prices before rock bottom is reached.

As a final word in this connection, permit me to repeat the observations I made at our Annual Meeting two years ago, when I said:—

"Sooner or later we in this country will without doubt have to meet foreign trade competition of cheap and skilled labor, together with advantageous transportation facilities, to a more pronounced extent than Canada has yet experienced. If this competition is to be effectively coped with, increased efficiency, co-operation and co-ordination are essential. Our best energies must be directed to greatly increased production of our basic, agricultural and other great natural resources. In this way, and by strict economy in Government, Municipal and personal expenditures, a solution can be found of our difficulties of exchanges, the maintenance of our favorable trade balance and the payment of our war debt. Otherwise, we must look for a shrinkage in business, to be followed by a readjustment of the scale of wages for labor and of the prices of all commodities."

Foreign Trade.

Although the aggregate of foreign trade has this year surpassed all previous records, the figures are less favorable in the sense that imports now exceed exports. In the twelve months to October 31st, imports reached a value of $1,339,600,000, as compared with $902,300,000 in the preceding twelve months, being an increase of nearly 50 per cent; while, on the other hand, exports in the two periods were practically of the same amount, namely, $1,197,300,000 in 1919 and $1,228,800,000 in 1920. The balance of trade, it will be observed, has turned against Canada after several years of surplus of exports. Imports from the United States have not been checked by the adverse rate of exchange; indeed, in the twelve months to October 31st these rose to $924,000,000, or 70 per cent of the total imports of Canada, while our sales to the United States, $530,000,000, were not much more than one-half our purchses from that country.

The dislocation of foreign exchange is a serious obstacle to the speedy restoration of international commerce, since the purchasing power of countries whose currency is heavily depreciated becomes greatly contracted thereby. Sporadic efforts have been made to organize capital for the purpose of creating international credits, but these have not reached practical form to an appreciable extent and the problem still waits upon solution.

International Banking Corporation Needed.

The necessity for financing foreign trade has come very closely home and pending an international working scheme, I feel it would be well for Canada to move locally. I am still of the opinion that a corporation to foster foreign trade so as to keep our factories busy and give employment to labor is desirable and sooner or later must be launched. If export trade can be revived, it will solve many of our difficulties.

Trade with Australasia, which has averaged over the last four years $8,200,000 per annum will receive a temporary check through the action of the Australian banks in declining to negotiate bills in London or remit promptly for collections sent direct, in an effort to conserve their London balances and restrict imports. The situation should be relieved shortly when the Australian wheat crop and wool clip reach London. South African banks are also restricting their purchases of bills in London in an effort to correct exchange, and India is suffering from similar adverse exchange conditions.

Deflation.

The outcry for deflation, which at one time was insistent in some quarters, has largely died out. Bankers feel that too rapid deflation accompanied by an abrupt fall in prices, is not a good remedy for existing evils. We want a decline in prices, but it should be an orderly one. An arbitrary limitation of the currency would cause intolerable inconvenience, loss and disorganization of trade. The desired result may be brought about gradually by less buoyant trade, increased production, drastic cutting down of all unnecessary expenditures by our Government, Dominion, Provincial and Municipal and the practice of thrift by our people.

Credit not merely in Canada, but elsewhere rests on an inadequate basis and should be contracted in conformity with the declension in commodity prices.

Money Rates.

I see no reason to look for permanently lower interest rates in the near future. Reaction in business and the marketing of the crops may bring an easier tone temporarily, but the magnitude of international indebtedness to be refunded, together with the wastage of war, cannot be made good immediately and probably not for a somewhat indefinite time.

Import Restrictions On Securities.

The action of the Minister of Finance in calling upon all dealers to refrain for the present from purchasing Canadian securities held abroad, for the purpose of conserving the country's resources, has met with criticism abroad as well as from some quarters at home. Nevertheless, the Minister, in view of the enormous trade balance against Canada, has wisely pursued the policy decided upon.

An absolute embargo on the purchase of Canadian securities was, I have reason to believe, not for a moment contemplated, as that would obviously be detrimental to Canadian credit abroad, but dissuasion from sending money out of the country at this juncture is to be commended and affords no ground for resentment. It is hoped conditions will soon permit of the return to an open market.

Immigration.

The tide of immigration, checked during the war, has again begun to rise. In the seven months to October 30th settlers to the number of 109,000 entered Canada, or 31 per cent more than in the corresponding period last year, and it is noteworthy that the increase was almost wholly of persons from the British Isles. There is reason to believe that the movement of population into the Dominion will proceed in undiminished proportion from the United States and in steadily enlarging volume from Great Britain. Desirable immigrants should also be encouraged from France, Belgium and the Scandinavian and probably other countries. Canada's vast areas of untilled soil, coupled with the necessity for spreading the load of debt and taxation, demand a large population.

Economic Conditions Abroad.

In the United States, economic conditions are not dissimilar to those in Canada. Money is dear and not easily obtainable. The wave of price cutting continues and failures in business are becoming more numerous, with liabilities larger.

The Continent of Europe is at present engaged in a more or less successful effort to recover from the effects of the war. Many European countries are endeavoring to live on paper money and eleven out of twelve of them are not balancing their budgets.

England's trade position shows marked improvement. The excess of imports over exports for the first nine months of 1920 compared with the same period in 1919 was reduced from £626,000,000 to £313,000,000, and the full year's unfavorable balance should be more than offset by invisible revenue estimated at some £640,000,000.

France, while her industrial position is undoubtedly improving, is greatly hampered by war's destruction in some of her richest provinces and by the very considerable inflation in the currency, with the consequent adverse foreign exchange.

Belgium is apparently in a more hopeful position industrially than either France or Italy and Belgium trade figures show a fairly constant improvement month by month.

In Italy the position is complicated by the uncertainty of the labor position and the great difficulty of obtaining adequate supplies of coal.

Germany appears to be straining every nerve to restore some measure of prosperity and her export figures show a surprising increase since the conclusion of the armistice.

Government-Owned Railways and Ships.

Canada today has a very large National Railway System which is being operated at a heavy loss, thereby increasing the load on an already heavily tax-burdened country. Sooner or later some means must be found to relieve this situation. Some confidently believe that by proper public administration of the lines, deficits can be cut down. My own view is that the proper solution will be found if the Government, at the earliest feasible time, divests itself of ownership and operation of the roads and places them under corporate control upon terms fair to the country and upon conditions that will insure the service for which the construction of the lines was undertaken.

In the same connection, and speaking for myself alone, it would appear desirable that no more national expenditure should be made for the building of ships. While a program of shipbuilding during the war was commendable, subsequent developments dictate a modified policy. In June, 1914, the world tonnage totalled 49,000,000 tons; in June, 1920, it had risen to 57,300,000 tons, and, in addition, at the end of September this year there were 7,565,000 tons under construction. Tonnage at present exceeds requirements, and in expectation of rate reduction and shrinkage in earnings, construction abroad has already been arrested, and empty tonnage is now laid up in many ports. There is no ground for the belief that this condition will quickly pass. The United States recently failed to secure bids for standard ships; Japan has cancelled orders for 100,000,000 tons in her own shipyards, and Norway is cancelling orders in Great Britain. These factors constitute, in my opinion, a danger signal that Canada might well heed and stop all further new construction.

Bank's Connections Abroad.

For the furtherance of Canada's foreign trade, the policy of your directors, as you are aware, has been to establish close connections with Banks of undoubted standing already firmly established in the field rather than to open and operate branches of our own at distant points. So far, we have had no cause to regret our decision.

In carrying out this policy, we purchased an interest in the Colonial Bank, an old-established and highly regarded institution, giving us an extended connection in the West Indies and West Africa, which enables us to do business in these countries on favorable competitive terms.

Resume.

To sum up, the situation in Canada at present, as I view it, is that while there does not appear to be any cause for apprehension, there is every reason for the exercise of the utmost measure of caution. Canada cannot disassociate herself from world conditions, and world conditions are not satisfactory. On this continent the two years supervening upon the Armistice have been marked by unexampled trade activity and prosperity, a circumstance common to the conclusion of all great wars, but the reaction has set in and may not yet be in full play. Happily, Canada is well buttressed on many sides, and the exercise of prudence and sagacity should enable her to meet the shock of falling prices, restricted credits and deflated currency, without serious impairment of her commercial and financial vitality.

The General Manager's Address.

Sir Frederick Williams-Taylor, the General Manager of the Bank, then made his annual address, as follows:

Sir Frederick Williams-Taylor's Speech.

The operations of a Bank such as ours, with its manifold interests and ramifications, are of absorbing importance to us who guide them day by day, and naturally bear vitally on the year's results which it is now my duty to submit for your approval.

Obviously such operations could not be described in detail, even were it necessary or advisable to do so. I shall endeavor, however, to explain the salient points in our affairs of the past twelve months resulting in the important changes in our balance sheet as compared with a year ago.

Of fundamental importance is the fact that our position is sound and liquid; secondly, that our business has been conducted profitably, enabling us to add a goodly sum to rest and profit and loss accounts, after making full provision for losses; also, to pay an extra bonus of 2 per cent to the shareholders in addition to the usual dividend.

Let me make it clear that this result is not the outcome of higher rates of interest on current loans in Canada.

The rate of interest to the merchant and manufacturer at home is about the same as it was before the war.

Our satisfactory earnings are, in part, a reflection of the increased current loans in Canada required by our customers in consequence of the high prices of all commodities and general trade activity, while our losses have been small.

The volume of our call loans in New York is governed solely by our requirements in liquid reserves. We do not increase or diminish them on account of higher or lower rates, but we have been fortunate this year in that rates have averaged high.

As comparisons are constantly made between Canada and the United States, owing to general similarity in conditions, one anomaly attracts special attention, viz., that with credit restriction as acute here as it is across the line, the price of money is materially lower in the Dominion.

This condition, in days of worldwide high interest rates, has attracted much attention in other countries, and is regarded as a tribute to Canada's good banking system. The one disadvantage of this cheap money condition is that persons on fixed incomes derived from investments face the higher cost of living, including income tax, with little increase in revenue. As everyone knows, the connection between the price of money and the yield on investments is of the closest.

Following our purchase of a substantial interest in the Colonial Bank, and in order to meet increasing business demands in Canada and elsewhere, your Board of Directors, in April last, decided to increase the Bank's paid-up capital stock by $2,000,000, bringing our total outstanding capital up to $22,000,000. The new shares were allotted to shareholders at $150 per share in the proportion of one new share for every ten then held.

Credit Situation.

With reference to current loans in Canada, your Directors have felt impelled for many months past, in the Bank's and the country's best interests, to follow the policy found essential in every other country and keep within bounds our advances to merchants and manufacturers. This policy is in accordance with the views of the Dominion Government and has been followed, more or less closely, by all Canadian banks.

Naturally enough, exception has been taken in certain quarters to such restriction; but, as a rule, our customers have recognized the necessity of checking overtrading and further expansion in such times as we are now facing. There has never been a period in our experience when requests for advances for purposes out of the ordinary have been so numerous.

It is safe to say that had credit been granted freely and banking resources become tied up, a serious condition would have resulted in this country. Already the tide has turned, and many of our friends now frankly admit the danger of the undue expansion so much in evidence a few months ago. We are convinced that the business of Canada is in a safer and sounder position today in consequence of a judicious credit restriction.

A clear indication of the still extended credit situation is to be found in the ratio of commercial, municipal and call loans in Canada to public deposits in Canada, now 81.15 per cent for all the banks. A year ago the ratio was 64.10 per cent, and in 1918 65.29 per cent. Our own percentage is 68 per cent now as against 47.22 per cent last year and 44.12 per cent in 1918.

There is a general sense of relief resulting from the present evidence that the decline in the high cost of living has commenced. From now onward we may confidently expect the trend of prices to be downward, and with lower values the demands for bank credit should logically diminish. It is relevant to add that by restrictive measures the banks have contributed in no small degree to this improved condition.

The record of commercial failures in any country is a fair index of its trade conditions. It is both pertinent and enlightening to note that in Canada there have been 856 failures during the twelve months constituting our bank year as compared with 766 during the previous twelve months.

Our note circulation was at its lowest level for the year in January, when the amount outstanding was $39,600,000. Seasonal demands are more pressing now than at any other period of the year; consequently the figures may be expected to show a further increase. As the balance sheet indicates, the present amount is $42,367,000.

In our investment column the only feature requiring comment is the decline of some $49,000,000, during the year, in the Bank's holdings of Dominion and Provincial Government securities.

A year ago, the Dominion Government obtained important borrowings from us in anticipation of Victory Loan proceeds, and the latter, in due course, were applied in liquidating the special advances.

Expansion of Business in Canada.

It is noteworthy that the greatest expansion of the Bank during the past few years has been in our own country. This is revealed in our greatly increased loans and deposits in Canada and in the number of branches opened during the period.

	Loans in Canada.	Deposits in Canada.	Branches in Canada.
1914	$123,147,000	$168,557,000	173
1920	249,725,000	358,878,000	302

Our London and New York offices remain necessary and profitable adjuncts to our business. Nevertheless, our chief duty is to provide facilities at home, and in Canada there is ample scope for expansion.

Canada is still suffering from the slings and arrows of outrageous torture in the premium on New York funds, which continues an ever-present factor in our banking and commercial activities.

When this condition will disappear one cannot venture to predict, certainly not while the trade balances run so heavily against Canada. Undoubtedly, relief would come were we to borrow abroad in large volume by way of public loans, but that would be merely a palliative, not a remedy. In addition to this, the conversion rate of sterling precludes loans in London, while in the United States, interest rates are penalizing. The advantage gained in bringing capital from New York in the premium on American funds is offset by the loss in providing interest thereon.

What is wanted is rigid economies in the purchase of non-essentials abroad, with an increase in our own exports.

It would then be only a question of time when investment capital would pour into this country of opportunities, and the full value of the Canadian dollar be restored.

One advantage that Canada derives from the premium on New York funds is that American money earned in Canada remains here in considerable volume, and is not likely to be withdrawn so long as the present premium continues.

Although suffering from the effects of unusual departures necessitated by the war, the financial situation in London may be looked upon as sound. Money rates have been raised with the double purpose of retaining foreign balances in that centre and gradually forcing a reduction in the price of commodities. Another influence towards high rates has been the heavy demand for capital, chiefly through emissions of industrial issues, borrowers having to offer attractive terms to induce public buying. The banks have been criticized at times for their attitude in "rationing" credit, but their balance sheets plainly show that not only have stock exchange speculative loans been eliminated in favor of industry, but banking resources have been actually strained to meet the requirements of the latter.

The banking situation in New York has been under a strain for months past owing to the heavy demands on the banks for money by merchants, and others, carrying commodities at the high prices prevailing. The price of money for general purposes has risen to heights unknown for many years. The call loan rate, with which we are principally concerned, averaged 8.4 per cent for the twelve months ending 31st October last, partly making restitution to bankers for the many lean years before the war in which New York loaned at extremely low rates. Readjustment in the financial and trade situation is to be expected, but there is good reason to believe it will be effected without undue difficulty, especially as the country has been blessed with bountiful crops. Heavy losses have been made in such commodities as sugar, silk, cotton, hides and woolens, but the large profits of previous years to dealers in these commodities have enabled most houses to weather the storm.

Strong Faith in Future.

In glancing through the published reports of our annual meetings of the past hundred years and more, one cannot but be struck by the recurrent warning regarding the commercial, financial and economic outlook sounded by our predecessors in office.

Equally impressive is the undeviatingly sustained faith expressed in Canada's future, and in her ability to win safely through those periods of inflation and depression which every country must meet and undergo from time to time, particularly every young country. That faith is stronger today than ever before.

You will doubtless agree that such publicly expressed confidence, combined with conservatism, has been a factor for good in preventing mistakes and even disaster. No one will maintain that Canada has not made any mistakes, but we are surely justified in saying that fewer have been made in consequence of the safe policy of this institution for fifty years prior to Confederation, for over fifty years since Confederation, and that this discretion still remains our guide.

Your President has clearly outlined the hazards of the present situation, and his ripe and unique experience cannot fail to carry great weight.

I might add that, in my opinion, we have never faced a banking and business situation requiring more delicate handling.

Since August, 1914, the world has traveled far along the road to ruin. We may be thankful that the waste and destruction ended before the point of utter exhaustion was reached. Canada has not escaped, but we are still a virile people in a goodly land. There is no reason for dismay over our national outlook, but there is every reason for sober thought while we take stock of our resources and of our prospects.

We must bear in mind there is no royal road to the stable conditions of former years, no magic by which we can restore the wealth that has been lost or wipe out the debts incurred. There is nothing for it but to repair the damage, retrench, and confidently work out our salvation.

Thanks to Officers.

Mr. James Rodger then moved, seconded by Mr. John Patterson, that the thanks of the meeting be tendered to the President, the Vice-President and Directors, for their attention to the interests of the Bank.

In presenting this motion, Mr. Rodger said: "May I be permitted to say a few words in connection with this vote of thanks, as I think it only right that something more than a purely formal vote of thanks should be adopted by this meeting. During the past few years, prior to six months ago, there was a large increase in commercial activities in the Dominion, with the result of a call for largely increased credits by this and other banks. During these periods there was brought to bear by the Directors of this Bank much sound judgment, which we have always believed they possessed.

"We are now, however, face to face with circumstances quite at variance with those of the preceding period. I hope this period will not last more than a few months, and I think I voice the views of the Shareholders when I say we are confident that they will be able to face these problems with the same discriminating judgment they have exercised in directing the affairs of this Bank in the past.

"As a citizen of Montreal may I also say that we should specially thank the Directors of this Bank for their magnificent gift to the Royal Institute for the Advancement of Learning (McGill University)."

The motion was replied to by Sir Vincent Meredith.

Mr. G. B. Fraser moved, seconded by Lieut.-Col. Herbert Molson, C.M.G., M.C., that the thanks of the meeting be tendered the General Manager, the Assistants General Manager, the Superintendents, the Managers and other officers of the Bank, for their services during the past year.

In presenting this motion, Mr. Fraser said: "In making this motion I would like all the officers of this Bank to feel that this is not a mere formal compliment, but a real appreciation of the work they have done during the past year. I feel, as do my brother shareholders, that the success achieved during the past difficult year has been in no small measure due to the loyal and devoted work of the managers and other officers." (Applause.)

General Manager's Reply.

In replying to this, the General Manager, Sir Frederick Williams-Taylor, said:

"I feel personally indebted to you, Mr. Fraser, for your kindly references to the services of our staff during the past year. Such commendation can only come as an incentive to further effort. I may say that the loyalty of our staff leaves nothing to be desired, and I know that the reputation of the Bank is safe in their devoted hands. It may interest you to know that we have officials in our service who have been with us for fifty years, and a number of others of forty and more years' service. It is such men as these who have had no small share in maintaining and building up the prestige of this Bank, as well as imbuing the younger generation of bank officials with that spirit which means so much for an institution of this kind.

"I have to thank Mr. Fraser and Lieut.-Col. Molson, on behalf of myself and the whole staff, for the kindly manner in which this motion has been presented, and the shareholders represented here for the manner in which they have adopted it."

Election of Directors.

The ballot for the appointment of Auditors and the election of Directors for the ensuing year was then proceeded with.

The scrutineers appointed for the purpose reported that Messrs. James Hutchison, C.A., and J. Maxtone-Graham, C.A., were duly appointed auditors.

Two New Directors.

The Annual Report was unanimously adopted, and thanks were voted to the President, Vice-President, Genneral Manager and staff.

The Shareholders gave approval to the motion by Lord Shaughnessy to increase the numbers of directors from sixteen to eighteen. All the retiring directors were re-elected. To the two new positions on the board, Sir Lomer Gouin and Gen. Sir Arthur Currie were elected.

The meeting then terminated.

At a subsequent meeting of Directors, Sir Vincent Meredith, Bart., was re-elected President, and Sir Charles Gordon, G.B.E., was re-elected Vice-President.

COMMUNISTS ARE TRADE KINGS FORGING TROUBLE FOR CENTRAL SECTIONS OF THE OLD WORLD

Bitter Hostility Between Industrial Barons and the Red Elements That May Break Out Into Great Civil War.

[By Mrs. George Hambleton, M.A.]

Perched high above the tumultuous Aar River in Switzerland, capping a rock rising steeply from the water below, are the ruins of the Chateau Hapsburg. A little way up the Aar you will find two lovely Alpine lakes, for the Alps tower above. In the depths of the forest about there is an open space—and a little mountain cottage.

A few weeks ago it was the scene of a strange pilgrimage. Ex-Emperor Karl of Austria, the last of the Hapsburgs, accompanied by two priests and two laymen, visited this cradle of his dynasty—a dynasty which once held sway the length and breadth of the Holy Roman Empire. In the kitchen of the cottage Karl was served with bread and cheese by the Swiss farmer who tills the old Hapsburg fields and Karl, meanwhile, had opportunity to reflect on the lessons of history.

Barons Bid for Power.

The old German and Austrian dynasties have fallen. But from across the Rhine to his deserted nook (whence issued the wielders of medieval power) comes the clamor of many forgers of trouble for the lost empires. They who keep the forges alive are the men who would be kings of Germany—the great industrial barons. Opposing them is heard the clamor of the people, the menacing shout of communists deriving their inspiration from Moscow. The French know well of these centres of discord. The day on which Karl sat in the cottage viewing the ruins of the old Hapsburg home, the French president said to Dr. Mayer, ambassador of Germany to France: "The forges of troubles kept alight in Germany are a menace to the civilized peoples of the world." The hand of time falls heavily upon the newer and blatant castles of the Hohenzollerns, and on the 900-year-old chateau above the Aar. But the spirit which animated imperial ambitions still breathes disastrously in those realms, and that without even the traditions of chivalry.

"East of the Rhine," says Jean Cartier, a French writer speaking of Germany, "the spirit is still in arms. The heart does not bend to equality."

German Industrial Ring.

Most efficient, most aggressive of the new devotees of the spirit of domination, are the leaders of a German industrial ring, which has sprung into prominence lately. The ring's operations are chiefly known on this side of the Atlantic by the tremendous and rapid concentration of industries into great trusts which employ hundreds of thousand of people. "Our industries are sliding gently down the path of sleep to death," explained a German employer to a French commission. Yet the record of the last two months shows that one man—Blumenstein—has come into control of all textile plants, save a few. Otto Strauss controls almost the whole sheet metal trade of Germany. Hugo Stinnes (whom the Italians accuse of finding a fine flavor in labor agitations abroad) controls, according to the last record made by trade unionists in Berlin, over a million and a half workers in Germany. With his last triumph, the linking up of the great Sieman Halske Electric Company with the Rhine-Elbe Union of Industries, he controls coal, iron and electric power. He has raw material and labor from the mine to the lathe. Compared with these barons of industry, what, after all, were the Hapsburgs, with their shaking rule over a decadent empire?

A Bitter Feud.

There is also in Germany a group, secondary to the industrial barons in personal power but of wider scope. Of the great group, the smaller ring of capitalists forms a part. The larger group is the Union of Employers' Associations. It embraces 191 great syndicates and six and a half million workers. As in the courts of old lesser knights resented the usurping authority of powerful princes, so many German employers today chafe at the great industrial trusts. There is a particularly bitter feud now being waged between the smaller and the greater manufacturer.

The concentration into trusts of German industry today is like a mocking impersonation of the plans of the revolutionary government of a little over a year ago. That government advised a socialization of industry; that is, central control, under government supervision, of the great organized industries of the country and of the key industries. The mergers are the reorganization of German industries, proposed by the Employers' National Economy Parliament as a substitute for socialization. So will a virtuous project be turned awry and lost in an atmosphere of selfishness.

Armed Communism.

Armed communism is now rising in Germany to face a pitiless industrialism. The brigand and the rowdy hasten to the feud when the workman, cold, under-fed, without work and without prospect of work, is driven into the street to resist a new aggression. Rumors of the new compulsory labor law bring him out, and announcement of another rise in food prices adds the employed to his ranks. There, in obscure streets, in dark alleys, workers, ex-workers the rowdy, the ex-soldier, foregather. A local strike for increased wages is quickly turned into a general strike, from that to a political strike. And always there is someone to preach the doctrine of communism in the ear. Weapons come easily to hand.

German Government officials, even, do not claim that the disarmament of the German population is near completion. Organizations for self-protection declared recently that they had in their possession 6,800 machine guns and 834,000 rifles and carbines. During six weeks this autumn the German Government took from the people 4,800 machine guns, 19,000 small machine guns 527,000 rifles, and over 17,000,000 rifles. At each new threat of aggression the cadets of communism arm themselves. It may be the citizens' guard they meet. It may be that lively wing of monarchists under the Bavarian, Escherich, who calls himself the "uncrowned king of Germany." It may be a stray remnant of Pan-Germanists who have hidden away a few odd carbines and cartridges against an evil day. Whatever group they meet, whether courtiers of ex-kings, uncrowned kings, industrial kings, or merely a group hastily assembled for self-protection, the Communists do not change their theory. In the night battle of the streets, one theory clashes against many theories, Zinovief, Russian soviet delegate to German labor, has enunciated it in these words: Struggle of the proletariat against bourgeois society, concentration of all the forces of the proletariat into revolutionary struggle, and opposition to the lukewarm reforms advocated by the trade unions and the Majority Socialist party.

So are the forges of trouble kept alight!

Outside the actual centres of agitation there is a cynical effort among certain classes to take what advantage one may from the struggle.

"Have you been lately in the home of a German workman at meal-time?" questioned a wealthy German merchant of Jean Cartier. The merchant went on: "A few potatoes, a little marmalade on bread, never meat; that is the menu. Have you walked in the populous quarters of our large cities? Have you counted the unbelievable number of children showing all the traces of rickets? And our workmen, in spite of their enormous pay in marks, did you notice their strange color?"

As the German merchant made these remarks he enjoyed smoked salmon with asparagus, poultry, various and expensive Rhine wines.

"Ah!" he went on. "If you only knew how to use us, what services we could render you with establishment of international credits and pooling of raw materials." . . . His suggestion trailed off in the distance as Jean Cartier left him, and went into the public room to observe war profiteers from almost every section of Eastern Europe. A gross assemblage they were—schiebers, as they were called—from Germany, Austria, Hungary, Turkey breathing hot and fast over the eternal game of baccarat as war gold was staked against war gold. "We have no use for such as you,' the Frenchman said as he walked out.

Yet some of the Allies are making an effort to find a firm basis on which to build relations with Germany. In the International Congress of Trade Unions just ended in London, England representatives of German trade unions were present. Canadian trade unions were represented. The congress claimed to represent a total of 27,000,000 workers. A strong resolution against Bolshevism and communistic methods was adopted and a fairly moderate program outlined.

Is it in the German group here represented that nations may find sincerity? Obviously, Mr. Barnes was actuated by this belief when he proposed that Germany should enter the league of nations. His motive apparently was to lend a hand in quenching the fires of hate. The German delegates at the congress represented about 8,000,000 organized workers.

The coming winter will do much to test both their strength and their sincerity.