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THE GENERAL FINANCIAL SITUATION

A matter of considerable interest to financial observers at this juncture, and one which is developing wide comment, is the apathetic condition of the stock markets in the face of the tremendous and triumphant events of the last month. So far as the Canadian market is concerned, that apathy is to be perhaps explained by the recent concentration upon the requirements of national financing. However great our financial progress during the last four years, our capacity has not yet developed to a point where national financing on the scale demanded by present-day requirements does not at least temporarily put other financing into eclipse. However, the phenomenon is not only confined to the relatively small Canadian stock markets, but is seen also in New York and in Europe. In explanation of the phenomenon, it is pointed out that the paucity of response on the part of the stock markets to news of such outstanding importance, is exactly a repetition of what the stock markets have done on the news of peace after every other great war. To the stock markets, the beneficent influence of restored peace is counterbalanced by the unfavourable influence of doubt regarding economic conditions in the return of industry to a peace footing with its large uncertainties in such important matters as prices, wages, consuming markets and the attitude of labour. Moreover, in the present case, there is considerable uneasiness regarding the outbreak of political restlessness and unsettlement in the various nations—a restlessness which takes its most extreme form in Bolshevistic doctrines and practices. It is pointed out that the markets have always continued to reflect by their own uncertain movement these conflicting influences, until some single important event came into the situation, or some important general tendency made itself unmistakable. How long this will have to be waited for does not yet appear, perhaps until the Peace Conference, perhaps even longer.

Locally, the first signs of the economic changes consequent upon the ending of the war are being seen in gradual demobilization and the laying-off of men in munitions and other industries. The latter is reported as likely to reach very large dimensions before the end of the present month. There will be apparently a certain easy transference of labour through the expansion of shipbuilding and other industries which have been seriously handicapped in this direction of late; some firms will be able to turn promptly from production for military to production for civilian needs, and men who left a wide variety of occupations for munition-making will no doubt gradually be re-absorbed into the old lines. However when every allowance has been made for the absorption of labour in these ways, it is apparent that during the next few months there will be considerable dis-

organization in Canadian industry, and that prompt measures need to be taken in order to ensure that the labour now released from war-work shall continue to be usefully employed. With the prices of the staple necessities of life at their present levels, the situation might easily become an unpleasant one if allowed to drift, and while the season of the year prevents much work being immediately undertaken, which can be easily developed in the spring, it is to be hoped that the various public authorities will take prompt measures which will tend to stabilize conditions.

With reference to Sir Thomas White's proposal, referred to on this page last week, for the granting of credits by the Government to European nations or an Inter-Allied Commission, for the purpose of financing reconstruction work undertaken in Canada, it may be pointed out that such an arrangement would have a decidedly valuable effect not only in maintaining our trade balance in a healthy condition, but in minimizing the burden of our annual interest payments abroad, which have not been greatly cut down as a result of the changes due to the war, and constitute a considerable charge upon Canadian industry. With these credits developed to any extent, the annual interest could be easily made to offset the interest due upon Government debts held abroad. The collateral which would be given in connection with these credits would presumably be for fairly long terms, and probably also, in due course, it could be disposed of and thus constitute, together with the sale abroad of War Bonds now held in Canada, a valuable means of importing fresh capital into the Dominion for development purposes, when the time arrives for such developments to be undertaken.

The announcement that the Bank of Montreal is to open shortly a branch in Paris, is an interesting indication of a development in Canadian banking which, it is to be believed, will in the not far distant future, assume important proportions. While this opening on the Continent is not entirely a novelty, as one of the banks with important interests in Spanish America, has for some time also had a branch in Spain, it is the first representation of the banks in a very important international money centre, and the example of the Bank of Montreal, it seems not unlikely, will be followed by other banks at no distant date. It is to be believed also that there will be seen within the next year or so, important developments of Canadian banking in other fields—South America and Siberia being particularly mentioned in this connection as offering suitable fields for the development of Canadian trade by the establishment of Canadian banking facilities. In this connection it is to be remembered that with the progress of demobilization,

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