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THE GENERAL FINANCIAL SITUATION

The heavy decline in the prices of all grains which took place at the end of last week and the opening days of the current week have a good deal of interest for Canada at this juncture. In the opinion of many grain authorities, the decline is fictitious, there being no warrant for the heavy selling apart from excellent weather in the United States grain area. One reason for the decline in prices is stated to be the reports of beneficial rains in our North West, which it is held will help to give an impetus to trading in wheat futures, which will be resumed in Winnipeg about August 15.

In regard to conditions in the Western Provinces, these are so varied that the present state of the grain is far from uniform. Loss from excessive heat and drouth is estimated at 50,000,000 bushels, principally in Saskatchewan. From some parts of that province, however, come most optimistic accounts of the wheat harvest. Alberta, on the whole, is showing splendid stands of grain and gives promise of a 70,000,000 bushel crop. In Manitoba, the recent rains have wrought a remarkable improvement, although some districts are still in need of moisture. The proposal for "a farmers' pool" of the wheat crop to take the place of the Wheat Board appears to be falling through. Possibly individual farmers are figuring that they do not stand so badly without a fixed price, as, following the removal of control, they were at first inclined to think.

The crop position in the United States is a very extraordinary one. As a consequence of a rarely propitious growing season, the country's yield of grain and cotton during 1920 will vastly exceed the expectations of two months ago. But at present there are no cars available to move the grain to market. The shortage is so serious in some of the wheat growing states that it is calculated it will take over a year to move the grain from where it grew. What this condition of things will mean in the tying up of banking credit is a point too apparent to require elaboration.

With regard to the renewed weakness shown at the end of last week in the New York Stock Market, it is pointed out that the causes which are back of the falling prices of commodities in various lines, are to a very great extent at work on the stock market also. The crop results alluded to above, if actually achieved in the final out-turn, cannot fail to exert a beneficient influence on the country's general situation. The average citizen, it is pointed out, will unquestionably benefit by the change, but it is not so evident how producers and middlemen, who have been using credit in a tightening money market to sustain the extravagant prices of three or four months ago, will be affected in their business calculations. One observer puts it thus:—"The most that can be said, perhaps, that an all round lowering of the cost of living, primarily achieved through contraction of credit and refusal of customers to buy at the old prices, but emphasized by increased production, was bound to disturb one part of the community, while it greatly relieved another. As to which class had the paramount right, this year, to hope for a turn of events, in its own favour, there is not the slightest question.

A considerable number of local stock market followers had a very nasty jar towards the end of last week, none the less painful because it was to some extent forseen. The one satisfactory feature in the very unsatisfactory business of the failure of Thornton Davidson and Company is that the failure is not a sympton of widespread trouble, and of conditions which might lead to something like a local panic, but it is purely the result of causes originating within the firm itself. As is well known, the firm has been closely concerned with stocks, which (some years ago, and others more recently), have been the subject of much manipulation of a certain group. One result of the firm s failure was to cut in half the normal price of the stock, which was the most outrageous example of this manipulation, Ames-Holden common, which slid down 60 points on sales by private lenders who held the stock as collateral. Even at its present price around 70, the stock appears considerably above its intrinsic value, and is certainly altogether out of line with the preferred, with its 7 per cent. divi-