

Outlook for Canadian Trade and Commerce

BANK OF MONTREAL ANNUAL MEETING

Sir Vincent Meredith, the President, Favored System of Taxation that would Affect all Classes of Community who have Ability to Pay—Sir Frederick Williams-Taylor, General Manager, Points Out that there has been no Profiteering by Banks During War Period, as Loanable Funds had Remained Unchanged—Bank had never been in a Healthier State.

At the annual meeting of the Bank of Montreal at the head office of the bank, Sir Vincent Meredith, the president, in his annual address, took occasion to refer particularly to the many problems with which Canada was at present confronted and to the best manner in which these could be solved. It is generally recognized that these problems at the moment are of almost unprecedented character and, therefore, they are of the greatest importance to the mercantile interests of the country.

Sir Vincent attributed the high cost of living very largely to the pressing demands of European countries for commodities of every nature. He considered that in Canada it might be possible to look forward confidently to a reduction in all commodities, both at home and abroad, after another harvest.

He dealt particularly with the change in opinion that had developed as regards the relation of gold reserve to note circulation. He expressed the view that it might be a part of wisdom to depart from the old notions of the rigidity of the gold reserve and recognize that we are justified in enlarging our note issuing powers to respond to all legitimate business demands in periods of great trade activity or emergency, provided such expansion is based on self-liquidating securities.

The president also pointed out that it was vitally important that the unoccupied areas of Canada should be settled and made productive with as much rapidity as possible, the future prosperity of the country and ability to meet our debts being largely dependent on increased production.

The question of taxation in Canada also received particular attention and Sir Vincent expressed the view that trade was being hampered by a somewhat penalizing excess business profit tax. Furthermore, enterprise and expansions are stifled and foreign establishments deterred from entering the Canadian industrial field. He expressed the view that Canada should do away with many exemptions and impose taxation on all classes of the community who have the ability to pay and at the same time place a higher tariff upon imported luxuries, which would cause little hardship and at the same time considerably ease a strained financial situation.

Difficulties to Be Overcome.

Sir Frederick Williams-Taylor, the general manager, dealt more particularly with the record of the bank during the past year, but also touched on many of the developments outside of the country which had a bearing on the situation. Sir Frederick stated that it was no reassuring reflection that the United States has already reduced her war debt by some \$800,000,000, while Canada was confronted with an increase of \$600,000,000 for the current year.

Sir Frederick took occasion to point out that it was a matter of sufficient importance to bear repeating that there had been no profiteering

whatever by the banks of Canada, for the price of money had not been raised. Alone of all commodities, the cost to the borrower of loanable funds of the banking institutions of the country had remained unchanged. Not only was this the case, but speaking for the bank itself, it was only proper that the shareholders should know that in handling business entrusted by the several governments during the war and since, the policy had been to charge only the narrowest of commissions and minimum interest rates. In many instances, where the services were of a war character, the bank had acted free of charge.

Sir Frederick also dealt particularly with the position of exchange as between Canada and the United States. He pointed out that the repayment to Canada of the monies aggregating \$420,000,000 owed us by Great Britain and the Allies, would quickly cause the premium in question to disappear. Referring to the financing which the Dominion Government had carried out in New York, when it secured \$75,000,000 for refunding purposes, Sir Frederick stated that the terms paid by the Government were onerous but unavoidable. Evidence that the price of issue was in keeping with the American conditions is furnished by the fact that there has since been no rise in the quoted price. Incidentally it could be mentioned that Canada secured as good terms as in the case of the recent British loan of \$250,000,000 in the same market.

A satisfactory sign of the times in Canada was the increase in buying power for first-class securities. This is a healthy and desirable condition, induced by Government war loans and war savings certificates. It is vital that Canadians should recognize the virtue of saving, as between production and thrift, though they go hand in hand, the latter is fundamental and leads naturally to the former.

General Trade Activity.

Sir Vincent Meredith, in his address to shareholders, said, in part:

"General trade in practically all branches had been active and profitable during the war and the bank has participated in the general prosperity. The balance sheet shows profits in moderate proportion to the resources employed, and yet, I trust, not unsatisfactory to the shareholders. That reaction from the feverish activities and high prices produced by the vast conflict, which so many apprehended, has not occurred, nor can it be said to be impending. The feeling as to the future is less optimistic than it has been, but the great pressure on our agricultural and manufactured resources, caused by home and foreign demand, shows no signs of abatement.

"In one important respect, normality has come again—the mercantile sea-going tonnage of the world has been restored to pre-war dimensions and is rapidly being increased, an accomplishment that should soon permit of regularity in the carriage of overseas trade and in a reduction of

freight rates and cheapened cost of commodities.

The high cost of living, about which so much is being said and for the relief of which so many remedies are suggested, is a world-wide, not a local, condition. It is due, in part, to the large volume of currency now in circulation, which to a considerable extent must be regarded as credit expansion largely the result of Government borrowings and the disbursements of the proceeds thereof, together with post-war activity.

"The depreciation of currency, however, is not wholly an unmixed evil, as it acts as a corrective to adverse trade balances by checking imports and stimulating exports.

"In the absence of gold, large issues of paper money have been made necessary in all countries to meet the demand for a circulating medium in consequence of abnormal business activity, coupled with war expenditures. The effect has been the demoralization of all exchanges.

"To restore the reserves of metal and provide an effective gold standard correcting the over-issue of paper money will take time, and can only be brought about by economy and increased exports. The stabilizing or pegging of exchange I believe to be inadvisable, owing to its prohibitive cost. In any event, it would be futile to attempt to do so until there is a cessation of Government borrowings.

Three Indispensable Factors.

"There are three indispensable factors to the upbuilding of Canada—immigration, production and exports. Immigration during the last five years has been negligible, owing to the war. In the first seven months of the current fiscal year, new arrivals numbered 82,893, of whom 42,377 came from Great Britain and 35,949 from the United States. While these figures do not represent a large movement as compared with several pre-war periods, they show a gain of 51,734 immigrants, or about 166 per cent over the corresponding months last year. After-the-war emigration of foreign-born has taken place in fairly large volume, the exact figures of which are not obtainable.

"With regard to the subject of foreign trade, it is only a matter of time before increased production will overtake domestic demands, and unless preparations are made in advance for finding markets overseas for our exportable surplus of raw materials and manufactured goods, our uninterrupted prosperity may be checked. The needs of foreign countries are great and pressing, and profitable business awaits the Canadian exporter, but it cannot be acquired unless long-term credits are provided.

"Our Government has been far-seeing in giving assistance in this direction, and, no doubt, is prepared to extend further aid, provided exporters, who reap the benefit, will assume a proportion of the risk.

"Self-interest alone would seem to dictate that credit facilities be extended to those countries who can demonstrate their ability to pay if given reasonable time, and we would thus avoid the possibility of abrupt changes in industrial conditions and bring about a gradual return of international equilibrium.

"I cannot close without voicing what, I am sure, is the feeling of every Canadian—that the recent visit to Canada of His Royal Highness, the Prince of Wales not only gave abiding pleasure to every class of our population, but rendered a great and memorable service to the Empire in strengthening the Throne in the affection and confidence of the people, and by drawing still closer the ties which bind the commonwealth of nations over which he is destined to reign."

Many Problems to be Solved.

In presenting his report to the shareholders of the bank, Sir Frederick Williams-Taylor, the general manager, said:—

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