

The Chronicle

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F. WILSON-SMITH, Proprietor and Managing Editor

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THE GENERAL FINANCIAL SITUATION

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connection. So far as the manufacturing industries are concerned, we are informed that in a number of cases these fusions have been brought about in order to effect economies in purchases and in distribution. Obviously where only one buyer is in the market instead of two or three, the seller of the raw material has not such good opportunities of realizing a handsome price, while the extent to which competition in distribution increases "overhead" is well known to every business man. The insurance companies have their own special reasons and circumstances to account for these steps, which reasons and circumstances have already been fully referred to in these columns. Possibly a fair summing up of the cause of these amalgamations, broadly speaking, and excluding the insurance companies, whose circumstances are of a special character, would be to say that they are the result to use enlarged financial power advantageously, and to meet eventually largely increased costs of production, through rises in wages and other causes, by economies in buying and distribution.

THE ROYAL BANKS MEETING.

The addresses delivered at the Royal Banks annual meeting of shareholders were rich in suggestive thought regarding Canada's economic position and outlook.

Sir Herbert Holt, the president, dealt largely with the general financial conditions and heavy obligations imposed on the country as a result of the world war, and, in addition gave a brief review of the splendid progress of the bank during the half-century since its inception.

Sir Herbert pointed out that in the fifty years since its incorporation the bank had grown from a local institution to one of international importance, paid-up capital had increased from \$300,000 to \$17,000,000, while reserves had grown from \$20,000 to \$18,000,000 and assets from less than a million to over half a billion dollars.

Turning to more general conditions, Sir Herbert stated that Canada in the year just ended had again proved her ability to meet every emergency as it arises and that, despite an unfavorable harvest in some parts of the West, the country was prosperous and the balance of trade largely in its favor.

"The Government," he said, "is still discharging some of the heavy obligations arising out of the war and the net public debt now fast approaches two billion dollars. There are only two ways of meeting this responsibility—greater industry and less extravagance. Prosperity is not unending or national borrowing power unlimited. It is an unvarying economic law, of which we in Canada had a bitter experience following the Civil War, that all conflicts terminate in a period of prosperity and inflation during reconstruction, to be followed by equal or greater depression. For this inevitable reaction in the future we should now be preparing and it is the duty of the Government to set an example to the nation by abstaining from all unnecessary or wasteful expenditure.

"It cannot be too strongly urged, or too often repeated, that the greatest possible effort must be put forth in every direction if we are to meet the amount required for interest, and the redemption of debt. It has been aptly said that Governments have no income outside that of the people, and that the wealth of the country, like that of the individual, can only be built up by spending less than is earned."

THE EXCHANGE PROBLEM.

In a review of the trade conditions prevailing during the year, E. L. Pease, the vice-president and managing director of the bank, referred at some length to the question of exchange.

"The problem," he said, "grows in perplexity. The prevailing rates give additional value to all our exports, but out immense imports from the United States are penalized. The return to parity may be a long and difficult process, depending in great measure upon European conditions and the course of American action. The only effective means of checking the advancing rate upon remittances to the United States is to reduce to the lowest possible limit our imports from that country, remembering that the purchase of articles of luxury, or goods that can be manufactured in Canada, by increasing the adverse balance of trade, adds to the premium which we pay on iron, steel, coal, cotton and other raw materials which are absolutely necessary for the maintenance of some of our industries.

"There are indications, however, that the present unfavorable position may be somewhat im-

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