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Canada and Its Readjustment

ANALYSIS of the Loaning Situation indicates that Nineteen-fourteen is to be a sail-trimming year—Basic conditions are sound, but productive power of the country must be increased

THE fact seems to be accepted that the current year really is to be one of adjustment. In 1913, the chief topic was the financial stringency. Considering the usually buoyant nature of the Canadian, there was much pessimism throughout that year. Even the Western Canadian, whom we consider the prize optimist of the world, commenced to have doubts. The situation has changed. The financial stringency is discussed less frequently and only as a matter of the past. The bubbling hopes that strenuous business times will return this spring have ceased to bubble. Pessimism has disappeared. Business sentiment is good. Better than all, the fact is recognized that the present year is destined to be a fairly quiet one while attention is being given to the readjustment of matters generally.

The loaning companies of Canada are scanning their particular field with interest. Sir George Paish, who visited Canada last year, has reminded us that we are in a stage of transition, from a period of construction to a period of production, and that this cannot take place without a certain amount of disturbance both of labor and capital. In the construction stage, a large percentage of the persons entering the country have settled in the towns. In the productive stage, the number of persons who can obtain work and a livelihood in the town will for a time diminish, while practically everyone will be able to obtain work and a livelihood in developing the natural riches of the country. In recent years, farmers and mine-owners have complained of their inability to obtain hired labor, and the expansion in production has been largely restricted because of the labor difficulty.

British capital, which has subscribed funds freely for Canadian governments, municipalities and railways, has been advised by Sir George Paish to consider the question of forming trusts and loan companies for the purpose of assisting settlers on to the land, "especially as farm lands in Canada are not at inflated prices." By so doing, they would render powerful help to the Canadian people to produce the natural wealth for which so much municipal, railway, banking and trading machinery has been provided. "It is evident," added Sir George, "that the machinery created to take care of the production of the country is sufficient to deal with at least twice, if not three times, the existing output, and it is obvious that the burden of interest upon the immense amount of

capital supplied will be a heavy one until the productive power of the country is greatly increased."

An inquiry of *The Monetary Times* regarding the present loaning situation in the Dominion has elicited some interesting replies. The question has been raised particularly as to what the lending companies in Western Canada are going to do with new money which there is reason to think will be offered to them during the coming summer and fall. So much has been heard of the money stringency that an erroneous idea has arisen here and there that the country can absorb millions of funds and that as soon as the inflow begins, speculation will revive, construction will become active again, business improve, and the momentum which the country attained two years ago, will be reached once more. This is contrary to the facts.

The speculation about which so many economic sermons have been preached, probably will not revive for some time to come, no matter how plentiful money may be. There is a disposition to give greater attention to the matter of security and the security of some speculators is not of the approved type. There is not a great deal of encouragement to builders to undertake any new and large work in the cities. Buildings which have remained for some time half completed in various cities are part proof of that. Space is still available in office buildings in most of the large cities. Immigration is likely to be less this year than last and a considerable number of mechanics and trades people have returned temporarily to Great Britain and the continent. These factors will have their effect on the degree of necessity for new dwelling houses. These appear to be the facts but they are not in reality unpleasant ones. Periods of readjustment in conditions come to every individual, corporation and country.

A Winnipeg loaning authority, for whose opinion *The Monetary Times* has the highest regard, says:—

"The lending companies here are in doubt as to what they will do with any further funds. The demand for loans on approved securities is at the lowest point for some years. My own impression is that we will have to refuse to undertake the investment of English funds to any considerable extent during the next few months, and inevitably I believe there must be a reduction in the rates of interest.