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THE GENERAL FINANCIAL SITUATION

The week has not been notable for new developments, business circles in Canada having been generally in a waiting mood pending the production of the new Budget, which is referred to below. Outside this, one factor is apparently making headway, "Sales" of various kinds and in various guises by the retail trade are becoming exceedingly numerous, and in the west, it is said that they are even more general than they have become in Eastern Canada. This development is interesting as a matter of trade tactics, but as a serious contribution to the problem of bringing down prices, it is, of course, merely futile. In this connection, it may indeed do more harm than good, since the possibility of securing something for a little less than current market values, has notoriously the effect of causing people to buy more than they actually need for present consumption, and this the already short supply of goods available for the general body of consumers is still further restricted. The development may, however have a good effect indirectly in stimulating the movement of stocks of merchandise, which would otherwise be inactive, thus loosening credit. The strained credit situation in the United States is considered to have been in part at least brought almost by the breakdown of the transportation system of the country, and strong efforts are now being made to put an end to what is practically a freight "blockade."

During the week, new financing of the Canadian Government railways has been completed in New York, through the issue in that market of 7 per cent. equipment gold certificates to an amount of $15,000,000. The rate of interest undoubtedly appears high at first glance, but as a matter of fact, the *borrower* is *merely* paying the *market* price for accommodation, and the premium on New York funds will reduce the actual cost of the loan considerably. Short term Bonds and notes of the highest grade are now selling in New York on a 7 to 8 per cent. basis. It is doubtful *whether* the new *borrowing* will have any pronounced effect upon the New York Exchange. The amount of the borrowing is merely a drop in the bucket, so far as exchange is concerned.

The point will no doubt be raised in connection with this loan as to why the financing should not have been done in Canada. We believe that under present conditions any large borrowing by the Government, or by any one else for the matter of that, in Canada are frankly impossible.. It was reported to us the other day that some of the Bond houses are in fact reducing their staffs. Without any abstruse arguments regarding tight money or credit *inflation*, that fact is an excellent indication of the real condition of affairs in the bond market locally at the present time.

On the other hand, the Stock Exchange continue to bear up very well under the money strain. Business, outside a few of the favored paper stocks, is not large, and in those, of course, it is not a tenth of what it might be were money in fair supply. But even in stocks which are most inactive, prices are on the whole well maintained in the face of adverse conditions, and there is not the slightest doubt that *with* an easing of the money situation, the whole market list would show a considerable advance. While hopes that money will become in more amply supply are still held, it yet remains to be seen how far those hopes will be justified during the coming summer months.

It is noted that while in some lines of merchandise hesitancy is reported, in others prices are still going ahead. Three dollar wheat is now regarded as a probability, and in some lines of textiles, prices continue markedly on the upward grade. To the general public, this fact may be puzzling, but it is not unique; a decline in prices is not likely to affect all commodities equally or at the same time. Financial observers in New York are now calling attention to what took place in the "credit crisis" of 1903, the last period which presents any close parallel to the money market of the present day. At that time, the price of iron and steel declined 35 per cent. within 12 months; other commodities of manufacture, 10 to 20 per cent. Employment of labour was undoubtedly much reduced. But the reduction in cost of necessaries was far from uniform. The wheat crop and the cotton crop both ran short, with the result that textile goods and flour actually rise in price. After a year of recitious liquidation and dull trade, the forward movement was resumed, even speculation taking an active