

# The Chronicle



Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXX. No. 50

MONTREAL, DECEMBER 31st, 1920

Single Copy 20c  
Annual Subscription \$3.00

## 1920-1921

The turn into another New Year finds a new and definite stage reached in the process of after the war developments—the stage of deflation. The process of deflation, evident first in the great financial crisis which developed on the Japanese and far Eastern markets in the early summer, and spreading thence to the United States, is now well under way in Great Britain and other countries as well as in Canada. This new development of the year 1920, is due, not to any excess of production, it is to be remembered, but solely to the fact that the bases of credit throughout the whole world have been insufficient to support longer a scale of advancing prices in commodities without precedent. What the world has seen in 1920 is not a recovery from the famine of war but the breaking down of credit under the post war strain. To Canadians, particularly, that fact is both a warning and a hopeful sign. It is a warning against over optimism in regard to speculative ventures; it is also a sign that the future may be regarded with confidence, as ensuing a brisk demand for those foodstuffs and raw materials in which Canada is rich, when the present wreckage has been cleared away and the world's business got down to a new basis. In Canada as elsewhere, the effects of necessarily restricted credit will not be painless, as a good many business men are already aware, but it is not too much to expect that any period of business depression will be a comparatively short one.

The year, now closing has been marked by one development of great importance, which is to some extent outside the economic scope of this review, but cannot be overlooked in view of its effect upon the Dominion's future. In one way and another during 1920, Canada has continued notably the development of the idea of nationhood, with the privileges and responsibilities incident to the development of that idea. The progress which has been made in this connection during the last twelve months is second only to that made during the war years, and it may be measured by the not unimportant part played by Canadian Ministers in the recent Assembly of League of Nations at Geneva. Without any manifestation of undue na-

tional egotism (to which, perhaps, we are occasionally prone), Canadians can in this connection, we think, be proud of the part which they have taken as a nation among nations, in shaping the development of what, be its shortcomings what they may, is the most sincere and hopeful attempt which has been made in history to further the cause of true conciliation by international action.

If economically and financially conditions in Canada are considerably less rosy now than they were a year ago, on the whole they are probably more healthy. In the early months of 1920, business generally went booming away gaily somewhat inclined to ignore the warnings of bankers and others as to the capacity of the credit resources of the country to support further advances in prices. The bankers took early steps against the coming storm, the approach of which was first apparent in the failure of bank deposits of a more or less permanent character to keep pace with loans. Reaction in certain lines of business began as early as May, and developments since that time are familiar enough:—A large favourable foreign trade balance reversed; a constant pressure on New York funds—accentuated notably in the closing weeks of the year by the necessity of providing for very large interest and dividend payments in New York at the 1st January, large accumulations of stocks of commodities at top prices, the development, comparatively late in the year, of a "consumers' strike," and consequent upon both these developments, a certain amount of price cutting and very large inventory losses, bountiful crops, sold mostly thus far in the United States at a figure well below that obtained for last years crops, the tightening of credit, a summer boom in the Stock Exchanges in the pulp and paper stocks, followed by a severe slump in all issues, and finally, though not of the least moment to the ordinary citizen, a slight, though relatively not very important check to the high cost of living.

Summarized in this way, the developments of the year do not make very cheerful reading, and there is much in the immediate future which does not suggest optimism. The early months of 1921 are likely, we believe, to be an exceedingly trying period for business generally, with a considerable