

# The Chronicle



## Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIX. No. 29

MONTREAL, JULY 25, 1919

Single Copy 10c  
Annual Subscription \$3.00

### THE GENERAL FINANCIAL SITUATION.

The recent rapid decline in the trans-Atlantic value of the pound sterling is a matter of first-rate importance to Canadian industry and business. The opinion of conservative financiers is that the decline is likely to go much further, unless checked by artificial means, having regard to the cotton crop and the autumn grain movements, and there is apparently no disposition in London to utilise again some artificial means for the maintenance of exchange as were adopted during the war.

So depressed an exchange as that which has been seen during the past ten days must necessarily tend to render inactive international commercial transactions. The prospective British buyer of Canadian goods finds that this cost to him is increased by so much as exchange is depreciated—in other words exchange becomes an important factor in the high cost of living, so far as the British Isles are concerned. The result of a period of intensely-depressed sterling exchange will certainly be a falling-off of British purchases in the Canadian market below the volume which they might otherwise attain were exchange normal, owing to their considerably enhanced cost to the purchaser. However, the Canadian purchaser of goods imported from Great Britain would be unlikely in a great many instances to secure any advantage, since the effect of adverse exchange will be ultimately felt in the manufacturing cost of cotton and other staple goods made in England from imported raw materials and subsequently exported.

The opinions of financial London on this question, as interpreted by trustworthy observers, are decidedly interesting. It seems that Financial London is fully prepared to see sterling exchange go much lower, not because its drawbacks and evils are not fully recognized, but for the reason that it is believed that only a striking object lesson of this kind, will wake up the British public to a realisation of the gravity of the present situation. "Government extravagance and disregard of currency inflation, individual extravagance led by profiteers and wage-earners, and the unsound and truculent attitude of labour," writes one observer, "all require

and must ultimately get a severe object lesson." There is plenty of evidence that the close of the war has been followed in Great Britain by an extraordinary outburst of extravagant expenditure in all direction, which has naturally been increased by a government system of doles, the effect of which is simply to encourage laziness on the part of a considerable proportion of the population. The British people have apparently not yet got down to the real business of after-war hard-work. For the matter of that, have Canadian? The number of strikes going on in all parts of the country suggest that a good many folks here at least labour under the delusion that the best way to reduce high prices is not to work.

The extravagance of the demands now being made by manual labour is seen in the announcement that a large factory at Kingston is being forced to close down entirely as a result of the demands made by labour—demands which if met would mean that the business would be conducted at a heavy loss.

At this stage, we are not inclined to attach too great importance to the alarmist articles regarding the matter of disposal of the Canadian wheat crop, which have been published in a number of newspapers during the last week. These articles too closely suggest a tropical variation of the annual jeremiads of the crop-killing experts. That the real cause of the problem is shipping cannot be gainsaid, but the same problem is being faced by every line of Canadian export trade, and in fact it may well be said that Canadian export trade as a whole is not likely to be wholly satisfactory until such time as the world's ship-building industry has caught up somewhat on the present demand for transport. It is also to be admitted that the United States has a considerable advantage over Canada in this respect, since it produced a quite respectable amount of tonnage by the simple process of "swiping" German ships, while Canada had no such handy means of additional tonnage available. However, even when the position is hardly found, we do not believe that Canadian wheat will find

(Continued on page 761)