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THE GENERAL FINANCIAL SITUATION

If the memory of the general public were not so short, there might have been considerably less bother about Mr. Ford's reduction of the prices of his automobiles. Mr. Ford is neither a philanthropist nor an altruist, even if he talks like the one or the other, for purposes of publication, and in this case he is not even original. He is merely copying the action taken by another shrewd American, Mr. Wanamaker, several months ago. Mr. Wanamaker cut the prices at his stores by 20 per cent. in the spring, and his action precipitated a flood of "sales" which extended all over the United States and into Canada. We have no particular knowledge of the reasons which led Mr. Wanamaker to take his action, but we are perfectly sure that it was not a case of pure philanthropy. It was an excellent advertising move and it probably resulted in the shifting from Mr. Wanamaker's stores of a whole lot of merchandize, which if not actually hanging fire was not moving as fast as was desirable. Similarly with Mr. Ford. In his case, also, we have no exact knowledge of the reasons which dictated his move, but that it was merely a matter of business policy, and not concern for the long suffering users of Mr. Ford's cars, we have not the slightest doubt. It is reported on very good authority that Mr. Ford's factories are included among those automobile concerns which have gone steadily ahead with maximum production, and as the output of those factories is 4000 cars a day, the statement, which looks impressive on paper, that there are orders for 146,000 cars, does not, in fact, cut much ice. In brief, Mr. Ford is in exactly the same position as any other manufacturer or merchant might be, and is taking the same steps to get himself out of the position. He wants more orders for his cars, and has decided that the way to get them is to cut his prices.

There is, in fact, no mystery or philanthropy about any of these cuts in price, that cause so much noise. They are merely the inevitable consequences of present day circumstances. In the next year or two there will probably be a number of recurrences of these "spasms," which is what

in effect what they are, to interrupt and perhaps accelerate the downward course of prices to a new level, somewhat below the peck, which has almost certainly been passed; Accumulation of stocks, wariness by the public in buying, the pressure of tight money—these are the causes which will bring about such "spasms" as the present, from time to time. Unless, for instance, demand picks up, in the interval, it would not be at all surprising to find here in Montreal, heavy liquidation in a number of lines during the winter months, forced by inability to carry any longer accumulated stocks purchased at the very peck of prices, and the sheer necessity of turning at least a part of these stocks into cash. So far as prices generally are concerned there seems to be no ground for other than belief that this decline to lower levels will be a slow and gradual process, spread over probably several years. These "spasms" of liquidation from time to time, which, of course will be distinctly painful, to the parties interested, will possibly accelerate the process. But they will not of themselves bring about a marked decline.

The fallacy of expecting too much from the cuts in price which are merely intended to stimulate demand can be seen from the statement in the Ford pronouncement that while wages are not to be reduced, an attempt will be made to secure cheaper raw materials. But what are the raw materials of one industry are the finished products of another, steel, for instance, in the automobile industry. And while tight money eventually forces out accumulated stocks and something may be gained through economy in consumption, increased efficiency of labour, and opening up of new sources of supply it is clear as noonday that eventually the wages of labour will have to come down from their existing, inflated levels before any new reasonable general level of prices can be secured. That wages may not be brought down without serious industrial disturbance, and possibly acute suffering, is to be seen from the present turn of affairs in Great Britain, where the dispute with the miners has the appearance of developing into a fight to the finish on the question of exorbitant