

Economic Conditions After the War

Industrial situations will govern prices

In discussing after-the-war conditions the National City Bank of New York, in the October Bulletin, says in part:

After the war is over, there will be a change of all conditions. When the Government orders are finished and paid for, unless a similar volume of equally urgent demands spring up from new sources the inflation of credits will subside. Bank loans and deposits will decline and the percentage of bank reserves will rise. This will mean a readjustment of values toward the pre-war basis. Evidently the course of this readjustment will be governed by the industrial situation and prospects at that time. If the transition from war conditions to peace conditions is fortunately accomplished; if industry is well sustained and free from disorganizing controversies, so that both the investing and consuming power of the country is large, the establishment of a feeling of full confidence is likely to be followed by one of the greatest periods of construction and expansion the country has ever known. The future of wages, prices and values in general will depend upon harmonious, highly organized, efficient, well-balanced industry, creating new wealth at a rate sufficient to satisfy the growing wants of the people.

CREDITS AT THE END OF THE WAR.

Will this state of inflation end with a collapse of credits which have been created for war purposes in this country will be generally liquidated at the end of the war without losses, because they rest at last upon the credit of the Government. When the Government purchases fall off and its contracts are liquidated, there will be a general liquidation of private indebtedness related to war work, and war work is now the chief factor in industry.

There has been no considerable expansion of credit outside of the war industries. Building operations and new construction of all kinds are at low ebb, except as related to the war industries; real estate is inactive, loans for the purchase of stocks and securities are lower than usual, and the prices of stocks, bonds and real estate are below rather than above the normal level.

These are not the conditions under which panics occur from an over-extension and collapse of credit. It is evident therefore, that although an abnormal expansion exists at this time the situation is different from that of a boom period, when credit is over-extended upon the basis of more or less speculative private enterprises, about which confidence may be eventually weakened. The statements of corporations generally show that their financial condition has improved in the last three years. They have made only moderate distributions from earnings, have reduced their bonded indebtedness, and although current indebtedness is large, that should be covered by the orders in hand.

A tight rein is being held upon every tendency to use credit outside of essential purposes, and there is little temptation or opportunity to use it along venturesome lines. As a result there is less uncertainty about the credits of the country than in ordinary times, and there is no danger of anything like a general breakdown or panic while the present situation exists.

The danger of a credit collapse will come, not in the liquidation of the credits now outstanding, or of succeeding credits based upon war business, which practically have the credit of the Government behind them, but at the end of the boom period, if there should be one following the war, when credits will have nothing behind them but private enterprise and promises, and the whole situation is based upon an inflated and uncertain state of values.

AFTER THE WAR INDUSTRY.

We may expect that after the war there will be a waiting demand for many kinds of goods and equipment so urgent that for a time price will be a secondary consideration. The whole world is doing without things that it would gladly buy, wearing out equipment and falling behind its wants. It is falling behind in house-building, for example, in road-making, in railway extensions and in the development and improvement of public utilities. Automobile construction has nearly ceased, and the cars in use will be nearly worn out. Clothing will be worn out the world over, and stocks of cotton will be low, therefore there will be a good market for cotton, and our cotton states should be prosperous. Not

only is there the rebuilding and rehabilitation of the war-devastated districts to be done, but the development of the backward countries looms up with more definite and immediate promise than ever before. The world is not going to seem so large, or its divisions so separate and distinct from each other as in the past. Foreign countries will not appear so remote and difficult of access to Americans. Undeveloped resources which will contribute to the comfort and welfare of mankind will not be neglected anywhere if stable government and protection to investments can be had. The stir of the war will be in the blood of all nations and the impulse to do things will be manifest. These are the conditions favorable to a period of enterprise and activity, and which will tend to sustain prices or moderate their decline.

THE DECLINE OF PRICES.

Nevertheless, it is inevitable that prices will be upon a declining scale, and this will be the factor of uncertainty and danger in the situation. Falling prices, shrinking values in inventories, stocks of goods and capital investments, have a depressing influence. It is comparatively easy to make money when prices are rising; the most venturesome may be the most successful then. Errors of judgment are made good by something outside the management. Farmers of even indifferent skill, who could make but a poor showing of profits from their farming operations, have become well-off from the rise of land values. The situation is very different with prices on a declining scale, for then not only is there no margin furnished gratuitously by an unearned difference between buying and selling prices, but a portion of the normal earnings is lost, and as net earnings decline, capital values shrink, credit is unfavorably affected, and indebtedness becomes relatively heavier and more burdensome. Therefore it is in order to give warning against incurring indebtedness which will reach over into the period after the war,

when prices and earnings will be lower than now. Prices must decline, for one reason, because the conditions which occasioned the rise will be reversed. The millions of men withdrawn from industry will be returned to it, and the millions of women who have entered industry will not all leave it. Although it is true that there is a vast amount of work waiting to be done, private employers will count the cost of capital investments more carefully than the Government counts the cost of war supplies, and the demand for labor even if sufficient to absorb the great supply, will not be so urgent as in wartime. It is probable that the governments will take action during the transition period to provide employment, but constructive work will enlarge the facilities of production and increase the flow of products, and thus contribute eventually to the fall of prices.

The inventive genius and energies that have been active during the war in other channels will be applied to the task of supplying the common wants of the population. Many lessons both in production and economy have been learned which will be of lasting value. Science is constantly making discoveries which cheapen industrial processes, and science is being applied to industry more systematically than ever before. The decline of prices which results from such economies is not harmful to those able to take advantage of it, but it is likely to be serious to those who do not keep up with the movement.

The basic industry, agriculture, whose products are the chief factor in living conditions and in the wage question, and therefore closely related to costs in all industries, is susceptible of great improvement in methods, and some are under way. Plans are being laid in several of the countries at war for placing ex-soldiers upon land, and in the United States the Secretary of the Interior is developing a plan to that end. With the exception, possibly, of live stock, it is probable that farm products will soon find their way back to former levels, and if so this will have a powerful influence upon other prices. It is safe to say that the workers in agriculture will not be satisfied to exchange products with workers in other industries on a basis less advantageous to themselves than in the past.

Mentioned in Despatches

MAJOR VICTOR DUCLOS who has been given the Military Cross is a son of Mr. Justice Duclos. The young man who is only 25 years of age is a graduate of McGill University in Arts and went overseas with the 24th. Battalion under Colonel John A. Gunn.

MR. JAMES CARRUTHERS who has been appointed to the Canadian Board of the Liverpool and London and Globe Insurance Company is the well known head of the Canada Steamship Lines and a prominent grain broker. Mr. Carruthers is also a director of the Dominion Bank and connected with a large number of other financial and industrial corporations.

SIR LOUIS DAVIES, who has been appointed Chief Justice of the Supreme Court in succession to Sir Charles Fitzpatrick, is a native of Charlottetown, P.E.I. After serving for many years in the legislature of his native province he became premier, later joining the first Laurier Cabinet as Minister of Marine and Fisheries. He was appointed to the Supreme Court some 17 years ago.

E. C. PRATT, general manager of the Molsons Bank, whose annual report appeared a few days ago, is one of the best known financial men on the local street. Mr. Pratt has been a banker all his life with the exception of a year, when he was associated with the National Breweries. After leaving that firm he returned to the Molsons Bank to become assistant general manager and has been appointed general manager to take the place of the late James Elliott.

MR. RICHARD REID, who just died in London, was Agent General for the Province of Ontario in Great Britain. The late Mr. Reid began his career as a school teacher, but left that work to take up farming, specializing as a breeder of pure bred Jersey cattle. Ever since the outbreak of the war he has taken a very keen interest in the welfare of soldiers from Ontario in England, particularly in regard to hospital work.

BURGOMASTER ADOLPHE MAX of Brussels has been released by the Huns. The Burgomaster won international fame by his irreconcilable attitude and was imprisoned by the Germans until a few days ago. His name stands out with that of General Leman, the defender of Liege. They are two of the most heroic Belgians of the war.

HARRY LAUDER, who has been called up under the British Military Act, is well known to people in Canada, having toured the Dominion on many occasions. His last visit was a year ago, when he spoke on behalf of the Victory Loan. Lauder's only son was killed at the front. The father has done splendid service in securing recruits and contributing to the relief funds, especially that for wounded Scottish soldiers.

MAJOR-GENERAL L. J. LIPSETT, who was killed by a sniper a few days ago, went overseas with the 1st contingent with the rank of Major. He was an old British army officer, having entered the Imperial service in 1894, saw service in India, Canada, and various parts of the Empire, and when the war broke out was stationed at Esquimaux. General Lipsett, who was a Welshman, was only 44 years of age. He was a particularly efficient officer.

SIR CHARLES FITZPATRICK, who has been appointed Lieutenant-Governor of this Province was former Chief Justice of the Supreme Court of Canada. Sir Charles, who has had a long and distinguished career both in parliament and on the bench, was born in the City of Quebec in 1853, and after a thorough education was called to the bar in 1876. He first was a member of the Quebec Legislature, later becoming a member of the Federal House, and also serving as Solicitor General in the first Laurier Cabinet. Still later he was Minister of Justice and Attorney General. He has served on many important international cases, and is known universally as a very able jurist and diplomat.

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