The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Single Copy - 10c
Annual Subscription $3.00

Vol. XXXIX. No. 42 MONTREAL, OCTOBER 31, 1919

THE PRINCE IN THE METROPOLITAN CITY

While the visit of the Prince of Wales has been throughout a splendid triumphal progress from the Atlantic to the Pacific and back again, we doubt very much if in any centre, the welcome has been given His Royal Highness has approached, in unbounded and spontaneous enthusiasm, that accorded to him this week in Canada's Metropolitan City. The Prince came, saw, conquered. Montrealers have realized in him a veritable Prince, charming, manly, modest, buoyant, eager, and considerate, and citizens of both races, all classes and every creed have delighted to honor him.

There is sometimes evident in quarters not conspicuous for either perspicacity or knowledge, a tendency to decry the loyalty of our French-Canadian citizens. This week's happenings should be sufficient to kill forever a slander that has never had any real foundation in fact. Our French-Canadian citizens have this week vied with those whose mother tongue is English in doing honor to the heir to the British Throne, and they have given to their welcome that grace and abandon which only those whose mother country is France can ever possess. In this respect, we think that the Prince's visit to Montreal is of a greater significance than that to any other Canadian centre, since here, the two races which are jointly moulding the destinies of Canada, have collaborated, cordially and whole-heartedly, to honor the Prince who will one day personify the great Commonwealth, for the preservation and progress of which, both races have alike fought and suffered and struggled.

The events of this week are worth more than scores of speeches, and months of dry-as-dust deliberations, in the furtherance of the cause of Imperial unity. The Prince has brought the human touch into affairs of State, and thousands of Canadians, to whom by force of circumstances, Great Britain and the other parts of the British Commonwealth that are scattered around the seven seas, can only be names, will have a keen realization of loyalty by reason of their little meeting with him, in the street or at a public function. In the admirable speech which he made at the civic luncheon this week, the Prince made an excellent reference (with a tactfulness worthy of his grandfather) to "Freedom of speech, freedom of language and mutual respect," as constituting a secret of the success of British policy in establishing political union between peoples of different race, language and history. The visit of the Prince shows also, it may be added, the wisdom of British policy in maintaining the monarchy as an integral part of its political system, to add that touch of human nature without which the most scientific of political utopias must fail.

It is a happy sign for the future coherence and unity of the British Commonwealth that never at any time in history has the Monarchy been more firmly rooted in the affections of the British people throughout the world than at the present time. It is equally a matter for congratulation that the future occupant of the British Throne is one, who promises so well as does the Prince, to fill worthily the duties of the high office to which in due time—though we all loyally hope, a very long time—he will be called. Montrealers will part from the Prince with unfeigned regret, but with the hope that those who have the active charge of British and Canadian State affairs will have the vision and foresight to arrange, at not too distant a date, a second visit, in order that, by honoring the Prince, we may realize afresh our own privileges as citizens of the British Commonwealth.

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ESTABLISHED 1881. PUBLISHED EVERY FRIDAY
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Office:
406-408 LAKE OF THE WOODS BUILDING,
10 ST. JOHN STREET, MONTREAL.
Annual Subscription, $3.00 Single Copy, 10 cents.

MONTREAL, FRIDAY, OCTOBER 31st, 1919

THE GENERAL FINANCIAL SITUATION

Surprise has been expressed in some quarters at the small increase in Canadian call loans reported by the banks for the month of September. While the turnover of shares on the local Stock Exchange during that month was nearly three times the turnover reported for the month of August, the banks' Canadian call loans expanded during September by only $1,012,873 to $96,912,709. The surprise suggests an unfamiliarity with the facts, and a want of consideration of the underlying influences which have made possible the boom on the local Stock Exchange during the last few months. The probabilities are that the present bull movement on the Stock Exchanges have depended to a less extent than any of its predecessors on loans from the banks. That movement has been made possible largely through the enhanced credit power which has came to the community at large as a result of the purchase of War Bonds, and of the realization of large profits accruing during the war years. It should be fairly obvious that the banks are not likely to be keen on encouraging the frantic speculation in non-dividend paying common stocks, which has been a feature of the Montreal market in recent weeks. People have been speculating in these stocks much in the same way as they have been buying gramophones and automobiles—with funds acquired during the war years, and doubtless among the smaller fry of speculations there has been considerable realization of Victory Bond holdings and other assets accumulated during the war years, for this purpose. On the other hand, the effect of the full subscription to war loans during the last three or four years, in its relation to the capacity to purchase stocks thereby given, has probably been under-estimated. This increased credit power is, however, likely to be an important influence in maintaining the price of stocks until the period is passed when trade is financed largely by means of Government credits, and normal commercial and industrial activities again freely absorb funds.

It appears likely that the Government credit system will have to be continued yet for some time, but it is much to be desired that the transition to the ordinary processes of industrial development and commercial exchange should be made as soon as possible. How soon the change will be possible depends mainly upon the recuperative abilities of the various countries, and the general disinclination on the part of a large proportion of their populations to work, a disinclination which threatens to attain the proportions of a world-wide epidemic does not suggest present hopefulness in this connection. The other day a partner in J. P. Morgan and Company told a trade conference that probably by next summer, the United States would have to extend about $2,000,000,000 in credits to Europe. Interest on these credits will, of course, mainly be paid by exports from the country receiving them, and increased imports on this side should mean a gradual reduction in cost to the consumer. This process, however, is bound to be a very slow and gradual one.

Meantime, the inflation of bank deposits, as a result of the general trade activity and prosperity resulting from immense Government expenditures, continues unabated, as is evidenced by the September bank return. The increase in notice deposits during the month by $30,804,784 to a new high record figure of $1,227,437,715, augurs well for the success of the present Victory Loan campaign, but when once that campaign is out of the way, and the country's duty in that respect completed, we should like to see changes in the bank return, indicating a turning of a greater proportion of these new accumulations into fields of permanent investment, resulting in the increased production of commodities, which is the one crying need of the present day. True, the Canadian current loans of the banks showed a large increase in September, amounting to $46,786,778, but this is merely the seasonal increase resulting from the moving of the grain crops. In the last twelve months, while notice deposits have increased by practically $190,000,000, current loans have increased by under $117,000,000. Increase in bank deposits, as has been pointed out in these columns before, is not of itself necessarily a healthy sign, and that is especially the case at the present time, when the need is not for more money, but for more commodities.

With regard to the heavy increase in September of demand deposits, amounting to $66,442,180, this is probably mainly accounted for by the increase in current loans, and possibly by special transactions resulting in liquidation of assets. Preparations for the new Loan would scarcely account for this increase, the close of September being too far in advance of the actual flotation.

We are in receipt of a letter from Sir John Willison, the Chairman of the Canadian Reconstruc-

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THE GENERAL FINANCIAL SITUATION

(Continued from page 1113)

tion Association, in reference to the observations made in this column three weeks ago, regarding the re-development of German export trade, and the effect of the depreciation of the work in regard thereto. Sir John argues that The Chronicle under-estimates the effect of the depreciation of the work. "Before the war," he says, "German exports represented labour to a greater extent probably than the exports of any other first-rate nations. Moreover, while Germany is by no means a self-contained country, German exports still must represent in considerable measure native raw materials and products manufactured therefrom. Of course wages and commodity prices in Germany are higher than before the war. German currency is inflated. The exact extent of currency depreciation is not easily ascertained, but it is extremely doubtful whether German wages and the prices of native raw materials have advanced to more than five times what they would be if exchange were at par."

Sir John goes on to quote various instances of German exporters cutting into neutral markets at prices, which as a result of the low rate of exchange, are much below the level at which other manufacturers can compete. This fact is surely scarcely surprising. Nobody expected that the Germans would not set to work in order to try to build up afresh their trade. They have to do so, in order to find means of subsistence for themselves, meet their heavy taxation and pay the war indemnity to the Allies. Those surely are self-evident facts. Sir John adds: "That German industrial activity is being resumed, with labour conditions far less favourable to the workers than in Canadian plants, is indicated by the announcement that the Boehler Steel Syndicate plants at Kappenburg, Worttenburg, have been bought by United States interests, and that the employees have been notified that a 10-hour day and piece-work schedule will be put into force."

If German labour is willing to work a 10-hour day at piece-work rates, we should say that it was a sign of returning sanity—the sort of sanity that would be welcome at this time on this side of the Atlantic. We fail to see that there is anything particularly degrading about anyone working ten hours a day, and receiving wages for the work he actually does, or that it is particularly a hall-mark of virtue to be paid for working so much time—a very fair proportion of which is wasted in half-hearted effort. Sir John himself, we are willing to wager, in the course of his busy life, has put in a good many 10-hour days without feeling deeply degraded thereby. But if the test of what constitutes "a menace to Canadian industry" is to be the industrial conditions under which various Canadian imports are produced, do Sir John and the Reconstruction Association propose to forbid the Canadian public, the use of Japanese novelties and toys, Belgian glass, Italian hats and French textiles? All of these are being produced under conditions which, from the point of view of the worker, do not compare favourably with conditions as they are in Canada. Are these to be banned, in favour of "made-in-Canada" products? Sir John and the Reconstruction Association would have some difficulty in persuading the general public along that line.

Sir John's explanations do not, in fact, convince us that we were wrong in saying that the Association is "viewing with alarm" when such alarm is not justified. There are as yet, so far as we are aware, no signs of a big invasion of trans-Atlantic markets by German goods—do the Germans possess, in fact, the necessary facilities of the sea; transport of goods on a very large scale? We willingly concede that there is a case for the supervision of German imports in order to prevent "dumping" which would be disastrous to any Canadian industry. But the Association can hardly expect the general public to be enthusiastic, in these days of high prices and scarcity of commodities, about proposals which would deny to 99 per cent. of Canadians the benefit of competitive prices and an increased supply in order that the remaining one per cent. may benefit from high prices and the shortage of supply.

TRAFFIC RETURNS.

Canadian Pacific Railway

	1917	1918	1919	Increase
Year to date Sept. 30.....	$106,475,000	$108,138,000	$121,176,000	$13,038,000
Week ending	1917	1918	1919	Increase
Sept. 7	2,666,000	3,053,000	3,599,000	546,000
" 14......	2,691,000	2,915,000	3,763,000	848,000
" 21......	2,964,000	3,114,000	3,893,000	779,000
" 30......	3,631,000	4,210,000	5,963,000	1,753,000
Oct. 7......	2,842,000	3,458,000	3,965,000	507,000
" 14.....	3,335,000	3,534,000	4,029,000	505,000
" 21.....	3,429,000	3,509,000	4,241,000	732,000

Grand Trunk Railway.

	1917	1918	1919	Increase
Year to date Sept. 30.....	$45,544,759	$40,754,680	$48,317,156	$7,562,506
Week ending	1917	1918	1919	Increase
Sep. 7......	922,615	1,346,536	1,422,955	76,419
14.....	977,154	1,415,000	1,647,304	232,304
" 21.....	1,336,312	1,456,812	1,619,342	160,530
" 30.....	1,455,133	2,126,177	2,304,676	178,499
Oct. 7.....	1,014,812	1,460,738	1,611,553	150,815
" 14....	989,667	1,433,788	1,619,110	185,322
" 21....	916,866	1,296,165	1,486,851	190,686

Canadian National Railways.

	1917	1918	1919	Increase
Year to date Sep. 30....	....	$56,492,853	$64,569,137	$8,076,284
Week ending	1917	1918	1919	Increase
Sep. 7	....	1,504,832	1,737,454	232,622
" 14....	....	1,593,343	2,017,960	424,617
" 21....	....	1,607,019	2,033,374	426,355
" 30.....	....	2,353,187	2,838,480	485,293
Oct. 7.....	....	1,789,180	2,102,281	313,310
" 14....	....	1,745,665	1,974,750	229,085
" 21....	....	1,915,656	2,129,180	213,574

THE VICTORY LOAN

The terms of the new Victory Loan have been made known by the Minister of Finance, and the campaign for subscriptions opened officially on October 27. As was generally understood, the loan will be issued at par, and will bear interest at five and one-half per cent., payable half-yearly as in the case of each previous issue. The only material difference as between this loan and its predecessors is found in the fact that the income from the bonds will be taxable. This has been known for some time, and so also has the reason for the change, a reason which commends itself to many who have considered the matter from the standpoint of the Dominion's financial requirements. The practice of permitting instalment payments is again being followed, and will have much to do with the success of the loan. Deferred payments will be made on a basis of 100 and interest, and the chartered banks have again signified their willingness to assist small subscribers in the purchase of bonds by instalments extending over a period of ten months.

The minimum amount to be raised has been set at $300,000,000, or less than one-half the amount subscribed for the last previous issue. The ability of the Canadian people to provide the sum asked for is not open to question. The country is still prosperous, and bank returns show a record total of deposits.

Sir Thomas White forcefully presented the reasons why the Victory Loan should be largely subscribed for by the people. In a word the situation is this: That in buying the bonds the Canadian people are promoting their personal interests not alone in a selfish way, but nationally. The debt has been incurred, and must be discharged. It is a debt of loyalty to the soldiers, the final payment for service rendered on the battlefield to the undying glory of the country; a debt arising out of their demobilization, and restoration to civil life; a debt undertaken to promote domestic prosperity by providing foreign markets for surplus products. The obligation of Canada to her soldiers is known and cordially admitted, but it may not be not be so well appreciated how much of Canada's commercial prosperity is dependent upon the successful flotation of the loan.

It is not merely as a security, as an excellent investment, that subscriptions should flow in generously for Victory Bonds, but to perpetuate the prosperity the country enjoys. Men of affairs know the need, and when it is realized by the public at large, there should be no doubt of a large over-subscription. It is not the Government that is being helped, but the people, scarce any of whom is not directly concerned in the successful flotation of the loan.

AMALGAMATION OF ROYAL AND LIVERPOOL & LONDON & GLOBE INSURANCE COMPANIES.

The Chronicle was informed yesterday by Mr. J. Gardner Thompson, manager for Canada of the Liverpool & London & Globe Insurance Co. that he was in receipt of an official communication, by cable from his head office, which stated that a provisional agreement had been entered into for the amalgamation of the Royal Insurance Company, and the Liverpool & London & Globe Insurance Company, We understand that the Liverpool & London & Globe will continue to operate as a separate company, with its present board of directors and management.

The announcement of this insurance fusion has caused a very great sensation in insurance circles in Canada, as well as elsewhere. Both of these great companies are known throughout the world, better perhaps than any other financial institutions, either in the eastern or the western hemisphere. It is interesting to note that both companies were organized in Liverpool, England, the Royal in 1845, and the Liverpool & London & Globe nine years earlier, and until recent years, their world-wide ramifications have been controlled from that city, and no doubt there has been great intimacy existing between the two offices. In the meantime it is gratifying to know that the fusion will in no way interfere with the excellent organizations of these powerful offices, either in Canada or elsewhere, or their continued operation as separate companies as stated above the change only involving the necessary financial arrangements being completed, as agreed upon, on behalf of the shareholders of both companies, in connection with the deal. While there has been many insurance fusions of British companies reported in the past, there is none that has attracted such marked attention as the present one, owing to both companies' powerful financial standing and the enormous volume of business reported each year. The event is likely to be productive of considerable comment, as to how such fusions are likely to affect the future welfare of insurance generally, especially on this continent.

INSURANCE COMPANIES' SUBSCRIPTIONS TO VICTORY LOAN

The following subscriptions from Insurance Companies are reported to the Victory Loan:

Canada Life, $10,000,000; Sun Life, $10,000,000; Manufacturers Life, $5,000,000; Confederation Life, $4,000,000; North American Life, $2,000,000; New York Life, $5,000,000; Metropolitan Life, $5,000,000; Prudential of Newark, $4,000,000; Equitable Life of New York, $1,000,000; Mutual Life, $750,000; Great West Life, $5,000,000.

MR. H. E. SOUTHAM

Mr. H. E. Southam, Manager of the Accident Branch of the Norwich Union Fire Insurance Society, Norwich, England, spent a couple of days in Montreal last week, where he arrived on the 24th inst. from Toronto, accompanied by the Canadian manager, Mr. J. B. Laidlaw. Mr. Southam's visit to this side of the water is in connection with the organization of the Norwich Union Indemnity Company, with head offices at 45 John street, New York. Mr. Southam has already spent some weeks in New York, having arrived there on September 26th.

Mr. W. G. Falconer, well known in Canada as manager of the Casualty Department of the General of Perth, some years ago, and subsequently assistant secretary of the Hartford Indemnity Company, Hartford, Conn., has resigned his position with the latter Company to become president and general manager of the Norwich Union Indemnity Company. The initial funds of the Company will amount to $1,000,000, viz., $500,000 paid-up capital, and $500,000 surplus. The Company will transact in the United States personal, accident, health, burglary, workmen's compensation, automobile and other classes of casualty business.

Mr. Southam states that the management of the Company will be independent of the Norwich Union Fire Insurance Society, but the advantage of being closely associated with the latter will undoubtedly react strongly in the interests of the new organization. The Norwich Union Fire has a high prestige and a strong representation in the United States, as well as in Canada, for many years. Mr. Southam informed The Chronicle that 75 per cent. of the head office staff of the Norwich Union Fire was on active duty during the war, and 15 per cent. paid the supreme sacrifice. Mr. Southam will sail for home on November 8th.

INSURANCE OF CREDIT.

The Times, London, Eng., in a recent article commenting on the statement of Sir Auckland Geddes in the House of Commons that the Government was preparing, in conjunction with banking and trading interests, to provide sterling credits in certain approved cases where it was found impossible to obtain sufficient facilities through ordinary business channels, said in part:

"This comprehensive scheme would presumably include the insurance element. Insurance of credit has been developing gradually for years past, and it seems likely that it may grow quickly now. It will be useful in connection with trade not affected by the Government scheme, and it will greatly further the expansion of the British export trade, which is one of the imperative needs of the moment. It is particularly suitable that Great Britain should take the lead in the insurance of credit, as it has led in the development of all other forms of insurance, such as marine, life, fire and accident business. At present there have to be included among the documents required by bankers for the financing of oversea commerce fire and marine insurance policies. A time may come when the inclusion of a credit insurance policy will be almost as common as that of a marine or fire insurance policy.

"Insurance of credit seems promised an important place in both oversea and domestic commerce. The way in which it would facilitate oversea commerce may be illustrated by an example. An English manufacturer may be offered to an importer, say, in Brazil, on the strength of six months credit. He himself knows nothing about the financial standing of the firm in Brazil. He would therefore go to an English insurance institution, which would be in communication with a similar institution in Brazil. The Brazilian institution would investigate the credit on the spot, and, if it found the credit satisfactory, the institution would be expected to retain part of the risk and receive a pro rata proportion of the premium. The English institution would complete the transaction by giving the English manufacturer indemnity to the extent of three-fourths of the sum insured. The Brazilian exporters could likewise insure their British credits.

The Brazilian exporter might have no means of knowing the financial standing of the importing house in the United Kingdom, but he could cover himself by insuring through a British office, which would be in a position of having or being able to secure accurate information. Precisely the same sort of transaction would take place in connection with trade between Great Britain and the Scandinavian countries, or, indeed, any other countries in the world.

"By such methods as these an intelligence system of an extremely valuable character would be gradually evolved for the benefit of international trade. The system would be greatly strengthened by reason of the fact that all the correspondents in supplying information would have a direct substantial interest in its accuracy. The development of such a scheme would relieve manufacturers of much of the worry they now experience in respect of the credits they may give, and it would allow them to devote themselves more freely to their principal business, which should be the improvement of their production. It would not relieve the financing of their business, since they would still be required to bear a proportion of the risk. But for this proviso they would obviously be encouraged to reckless trading. Many cases are known in which merchants have refused to bear even 50 per cent. of the risk and wanted to insure the whole of the credit."

STATE INSURANCE, BRITISH COLUMBIA

In last week's issue, The Chronicle had the privilege of publishing some replies in response to our request for an expression of opinion as to the effect upon the money markets of the world the proposed Bill for State fire insurance in British Columbia would have if it were enacted. As already stated, the invitation for an expression of opinion was addressed to some of the leading bond houses, and mortgage companies in Canada, as follows:—

(1) How would it affect the security behind British Columbia bonds; (a) Provincial; (b) Municipal; (c) Industrial?

(2) How would it affect the rate of interest at which such bonds could be marketed?

(3) Do you find insurance companies amongst the largest purchasers of such securities?

(4) Aside from the foregoing considerations, do you consider it likely insurance companies would continue to regard favorably the issues of a Province interfering with their legitimate business?

The following additional replies have been received:

Winnipeg, October 20th, 1919.

F. Wilson Smith, Esq.,
Publisher, "The Chronicle,"
Lake of the Woods Building,
Montreal, P.Q.

Dear Sir,—We beg to acknowledge receipt of your favor of the 13th instant, advising us that a proposal is before the people of British Columbia that the Province should undertake to write fire insurance, and asking our opinion of the proposed action.

A few years ago advocates of the principles of public ownership urged its application to certain public utilities, loosely described as "natural monopolies," such as the supply of transportation to a community or of light and heat where competition involved the duplication of capital outlay. There are certain disadvantages of public ownership which are offset by the value of a single service. It is travelling far from this principle to suggest that the State should write fire insurance.

Fire insurance is undoubtedly the most hazardous form of business endeavour in which a man can engage. The only safeguard to the capital invested is that the risk should be widely distributed. Western Canadian towns and cities, being built of wood, are particularly susceptible to the conflagration hazard. Practically every argument in favor of the principle of public ownership of public utilities can be used against the State engaging in fire insurance, particularly where its application is limited to one province. The unavoidable result would be that heavy losses will have to be borne by the already overburdened tax-payers. This was the experience of the Province of Saskatchewan in its hail insurance scheme. The Province of Manitoba lost nearly one hundred thousand dollars in its first year of the farm loan plan.

The immediate effect of the Province of British Columbia engaging in fire insurance would be a shrinkage in the market value of both provincial and municipal securities; ultimately, when it was realized that the tax-payers of the Province were being called upon to meet deficits in the insurance department, values of other securities, including real property, would be prejudicially effected.

We see no justification whatever for the Province entering the field of fire insurance and feel that it would prove a very unsatisfactory experiment to the people of the Province.

Yours truly,
OLDFIELD, KIRBY & GARDNER.

CANADA PERMANENT MORTGAGE CORPORATION

Toronto, October 21st, 1919.

F. Wilson Smith, Esq.,
"The Chronicle,"
Lake of the Woods Bldg.,
Montreal, Que.

Dear Sir,—Replying to the enquiries made in your letter of the 11th instant, I beg to say:

1. It would seem there can be no question that the project, if carried into effect, would involve a very large liability on behalf of the Province, which one would think would have a serious effect upon the Provincial credit. While Municipal and Industrial Bonds would not be directly affected, it might be expected that indirectly they would also suffer to some extent.

2. If the Bonds are not looked upon as having the same security behind them, as before, it would necessarily follow that a higher rate of interest would have to be paid.

3. There can be no question but that Insurance Companies are very large purchasers of these securities.

4. It would scarcely be natural to expect that Insurance Companies would look with the same favour upon an investment in the securities of a Government which attempts to shut them out from doing business in the Province.

Yours truly,
GEO. H. SMITH,
Assistant General Manager.

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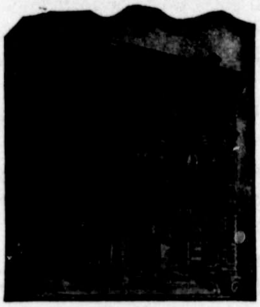

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THE ENDOWMENT PLAN

Endowment life insurance at long term had much said for it recently at an agency convention by J. S. Arnick, of Kansas. It is a fact that endowment insurance has usually been regarded as the most selfish, and therefore the least commendatory form of insurance, except, of course, where there were particular purposes to be attained through it, that were obviously unselfish. Mr. Amick, however, puts the endowment in a new light, as being better in practice than the theoretical advantages in whole life insurance, especially when the contract is made to mature at the period when old age begins—at age 65. The difference in cost is comparatively so small that it need not be considered and can be provided for out of any man's average wastage.

He illustrates with a man of 25 carrying $10,000 whole life at a premium of $205.50. He could carry the same amount in endowment payable at age 65 for $246, a difference of only about $4 per thousand annually. At any time he might die his $10,000 of estate would be realized for the beneficiary, while for the additional $40 per year he would be purchasing safety and support for himself under a variety of circumstances that might bring him alone to need it at age 65.

At that age, even if the family beneficiary be alive with him, he may need the income. "The time of life has been reached when most men wish to be able to live upon the fruits of their labours. The endowment at 65 steps in and fills just this need. It fulfills all the functions of the ordinary life policy in that it provides protection during the years that protection is most needed, but in addition it supplies a cash fund when the need of ready money is commencing to be keenly felt. It does not leave the policyholder to drift along until age 96 when the ordinary life policy becomes an endowment."

This is sound argument and attractive to the optimistic. The way to realizing the endowment at age 65 does not appear to be much if any more difficult than the way to keeping the ordinary policy alive to the same age. Mr. Amick strengthens his argument by pointing out that the endowment is a much more definite thing than the policy contingent wholly upon death. "The endowment policy," he says, "is a man's own efficiency engineer and his expert accountant. It enables him to set his goal and teaches him year by year just what he must do to reach it. It teaches him the price of a competence in old age and he sees with his own eyes every day the penalty of incompetence. It teaches him that he must pinch a little during his youth and good earning years, pinch a little all through life or pinch like—well, pinch hard in his old age, for there is not money enough to go around so that all can spend lavishly all through life and have enough left to carry them through their old age."

All of which is stressing the old adage of "save and you will have money." There must be thousands of men aged 65 who are carrying life insurance and would be much relieved to know that it had matured or even that it were paid up if it was not matured. If they could see as well from the bow of the ship of life as they can see from the stern it is more than probable that the very largest majority would choose the endowment form. The agent is trained to see all the contingencies. It is for him to enable the beginner on the voyage of life insurance to see the end of his trip. Doubtless it is hard to do, but all good things are mostly hard to do.—Insurance Field.

STATE INSURANCE FALLACIOUS

At the closing session of the annual convention of the National Association of Insurance, held in Louisville, Ky., T. H. McGregor, of Austin, Texas, gave an address on "The Fallacy of State Insurance". Mr. McGregor pointed out the unsoundness of state insurance and stated that an extension of the principles upon which it is based would destroy the fundamentals of American government. Today 100 per cent. of the accidents to the workers of the country are compensated, whereas under old laws of only a few years ago the proportion was 18 per cent. The proposition of state insurance, he added, is purely socialistic. If the state pays compensation and compensation is based upon wages, he asked, why should not the state pay the wages? If the organized labor of this country does not destroy the socialistic elements creeping into it, he predicted, organized labor will destroy itself. Mr. McGregor concluded as follows:

This tremendous subject not only touches you in respect that it affects your livelihood but that if it is carried out with its kindred and allied socialistic doctrines it will destroy the fundamentals of the government under which welive. To meet the encroachments of the insidous evil of state insurance we must advance a remedy. To stay impending disaster we must appeal to the American people, to the sovereignty of this great country to drive this evil of socialism from our soil forever.

I discuss these things only for the purpose of showing you that your alignment with organized labor in this fight is the alignment of a common interest, because unless organized labor destroys the socialism that is in organized labor socialism will destroy organized labor and may destroy this government.

PERSONALS

Mr. S. A. Bennett, Assistant General Manager of the Eagle Star and British Dominions Insurance Company, arrived in New York on the 25th instant, per S.S. Orduna. He was met by Mr. J. H. Riddel, Canadian manager, Toronto.

Mr. E. Roger Owen, General Manager of the Commercial Union, who has been on this side of the water for some weeks, is expected to arrive in New York tomorrow, after making a tour of Canada and the United States, as far as the Pacific Coast.

Mr. James Hamilton, General Manager of the Yorkshire Insurance Company, sailed from New York per S.S. Mauritania for home on the 28th instant.

Mr. C. R. Drayton, Manager for Canada of the Union Insurance Society of Canton, arrived in Montreal today from a business trip to the British West Indies in the interest of his Company.

Mr. E. M. Saunders, treasurer of the Canada Life, recently made an extended visit to the West and was much impressed with the general prosperity everywhere apparent.

COMPARATIVE ABSTRACT OF THE BANK STATEMENT FOR SEPTEMBER 1919

(Compiled by the Chronicle)

	September 30 1919	August 30 1919	Month's Movement 1919	September 30 1918	Month's Movement 1918	Year's Movement
ASSETS						
Specie	$81,500,043	$80,824,700	+$ 675,343	$ 74,684,377	—$ 538,007	+$ 6,815,666
Dominion Notes	166,098,147	170,100,535	— 4,002,388	187,080,654	+ 824,166	— 20,982,507
Deposits in Central Gold Reserve	115,100,000	106,400,000	+ 8,700,000	100,070,000	+ 8,600,000	+ 15,030,000
Notes of other Banks	32,670,566	31,556,831	+ 1,113,735	28,999,657	+ 3,145,590	+ 3,670,909
Cheques on other Banks	108,508,278	85,659,833	+ 22,848,445	91,670,689	+ 18,432,028	+ 16,837,589
Deposit to secure Note issues	5,941,985	5,935,805	+ 6,180	5,850,615	+ 4,713	+ 91,370
Deposits with and balances due from other Banks in Canada	3,693,555	3,906,961	— 213,406	5,461,514	+ 621,213	— 1,767,959
Due from Banks, etc., in U.K.	11,588,642	9,924,266	+ 1,664,376	8,325,560	— 782,500	+ 3,263,082
Due from Banks, etc., elsewhere	48,056,076	46,286,574	+ 1,769,502	43,763,911	— 10,691,718	+ 4,292,165
Dom. and Prov. Securities	323,781,953	273,332,930	+ 50,449,023	223,313,609	+ 44,273,898	+ 100,468,344
Can. Mun. Brit., For. & Col. Pub. Securities	255,098,813	254,235,984	+ 86,289	250,698,255	— 1,540,788	+ 4,400,558
Rlwy. and other Bonds & Stocks	53,658,486	52,679,157	+ 979,329	55,903,534	— 287,214	— 2,245,048
Total Securities held	632,539,252	580,248,071	+ 52,291,181	529,915,398	+ 42,445,896	+ 22,774,849
Call Loans in Canada	96,912,709	95,899,836	+ 1,012,873	74,137,860	+ 628,289	+ 102,623,854
Call Loans outside Canada	169,532,489	174,176,578	— 4,644,089	159,680,810	— 864,180	+ 9,851,679
Total Call and Short Loans	266,445,198	270,076,414	— 3,631,216	233,818,670	— 235,891	+ 32,626,528
Current Loans and Discounts in Canada	1,058,572,202	1,011,785,424	+ 46,786,778	942,802,018	+ 22,026,749	+ 115,770,184
Current Loans and Discounts outside	151,814,511	146,964,315	+ 4,850,196	109,850,161	+ 8,298,615	+ 41,964,350
Total Current Loans and Discounts	1,210,386,713	1,158,749,739	+ 51,636,974	1,052,652,179	+ 30,325,364	+ 157,734,534
Loans to Dominion Government	....	....	....	....	....	....
Loans to Provincial Gov'ts	6,667,116	4,846,194	+ 1,820,922	3,099,312	— 7,771	+ 3,567,804
Loans to Cities, Towns, etc.	57,033,309	57,536,867	— 503,558	47,977,472	— 8,685,459	+ 7,055,837
Bank Premises	55,464,363	56,014,766	— 550,403	53,268,468	— 64,999	+ 2,195,895
Total Assets	2,851,917,680	2,713,809,050	+138,108,630	2,507,714,981	+ 84,248,094	+ 344,202,699
LIABILITIES						
Notes in Circulation	225,907,997	222,461,915	+ 3,446,082	211,623,856	+ 10,784,196	+ 14,284,141
Due to Dominion Government	110,217,948	100,639,909	+ 9,578,039	97,328,077	+ 11,934,401	+ 12,889,871
Due to Provincial Governments	24,094,698	23,552,757	+ 541,941	20,216,474	— 1,820,974	+ 3,878,224
Deposits in Canada, payable on demand	650,743,015	584,300,855	+ 66,442,160	588,940,119	+ 34,033,602	+ 61,802,896
Deposits in Canada, payable after notice	1,227,437,715	1,196,632,931	+ 30,804,784	1,037,498,020	+ 22,786,155	+ 189,939,695
Total Deposits of Public in Can.	1,878,180,730	1,780,933,786	+ 97,246,944	1,626,438,139	+ 56,819,757	+ 251,742,591
Deposits elsewhere than in Can.	255,274,256	238,363,859	+ 16,910,397	217,486,568	— 2,637,849	+ 37,787,688
Total Deposits other than Govt.	2,133,454,986	2,019,297,645	+114,157,341	1,843,924,707	+ 54,181,908	+ 289,530,279
Dep. and Bal., other Can. Bks.	8,638,270	7,860,268	+ 778,002	10,072,133	+ 666,110	— 1,433,863
Due to Bks. & Corres. in U.K.	6,482,034	7,439,436	— 957,402	6,122,571	+ 2,365,166	+ 359,463
Due to Bks. & Corres. elsewhere	30,951,715	29,407,035	+ 1,544,680	26,674,357	— 104,283	+ 4,277,358
Total Liabilities	2,582,558,149	2,449,685,030	+132,873,119	2,248,965,343	+ 79,481,760	+ 333,592,806
CAPITAL, ETC.						
Capital paid up	117,050,239	115,834,923	+ 1,215,316	111,453,477	+ 1,514	+ 5,596,762
Rest	123,041,750	122,273,225	+ 768,525	114,142,333	+ 1,085	+ 8,899,417
Loans to Directors & their Firms	9,135,518	8,545,891	+ 589,627	7,227,344	— 317,154	+ 1,908,174
Greatest Circulation in Month	229,532,356	223,454,556	+ 6,077,800	213,066,909	+ 10,577,870	+ 16,465,447

STABILISING THE DOLLAR IN PURCHASING POWER"

It is a curious fact that bankers, just because they deal primarily in money, are often less interested in the fluctuations in the purchasing power of money than are ordinary merchants who daily watch the course of prices. Some banks have in past times too often dealt recklessly in their commodity, money, with little realization of the disastrous effects they thus produce on the price level and on business conditions.

But to-day, more than ever before, bankers recognize that they perform a public function. No class of business men has tried more conscientiously during the war to render patriotic service; and few, if any, other classes in civil life have played a more indispensable part in winning the war.

Now that the war is over, the banker sees before him new fields of public usefulness. Besides shouldering a large part of the responsibility for financing the gigantic task of reconstruction throughout the world, he has another great task, namely, to help reconstruct the banking and monetary systems of the world. I wish to speak of one fundamental but neglected part of this great task.

This is the problem of curing the instability of money so signally illustrated during the war. It is coming to be recognized that this problem of unstable money lies at the bottom of the problem of the High Cost of Living.

For many years the Bank of England, by regulating its discount rate and so controlling the volume of credit has, as Lord Cunliffe's committee recently noted, kept the price level of England in tune with the price levels of other countries. The time has now come when the price level of the world itself should be controlled.

Retail prices of food rose in the United States in the same period seventy-nine per cent., in England 133 per cent, and in France approximately 140 per cent. It is fair to say that the war doubled prices in the United States and Canada, and more than trebled them in western Europe, while in Russia it multiplied them by ten or twenty.

The price level of the United States is now three-fold the level of 1896. Expressing the same fact in terms of the purchasing power of money, our dollar of to-day is worth only about thirty-five cents of the money of 1896. In modern slang, we may say almost literally that, as compared with the biggest dollar we ever had, our present dollar "looks like thirty cents."

We cannot get far in explaining this great rise in the price level and fall in the purchasing power of the dollar if we seek the explanation in the directions where it is usually sought.

Profiteering is an effect rather than a cause of rising prices, while scarity of goods cannot in this country be alleged as an important factor.

War finance is a prolific source of monetary and credit expansion. The war has exemplified this in many forms. Russia indulged in the simple crass inflation of paying government bills by printing irredeemable paper. Before the Bolshevist regime the Russian government printing presses turned out, according to reports, a million roubles an hour, day in and day out for over a year at a stretch. Under Bolshevism the output has been even greater, a total of eighty billion dollars in nominal value having been issued, whic is more than the money of all the rest of the world put together.

Germany allowed the people, when a new loan was asked, to deposit the bonds of the previous loans at certain banks which were authorized to issue paper money to the depositor who then lent this paper money to the government. In the United States, Liberty Bonds were likewise used as collateral at banks which, in turn, deposited them with Federal Reserve Banks and received their notes.

War finance also brought us still another kind of inflation, the most modern and approved, due not to the increase of money proper but to the increased volume of bank deposits subject to check. Banks subscribed to Liberty Loans simply by writing deposits on their books to the credit of the government, and individuals lent to the government by borrowing of the banks, the sums so borrowed being likewise created by the banks as deposits on their books.

All these methods of war finance may be defended on the plea of necessity, but they are inflation none the less, even when gold redemption has been maintained, and they therefore tend to add to the cost of living. As Dr. Miller, of the Federal Reserve Board, has said, "Inflation is no less inflation when gilded with gold."

On the whole, the money in circulation in the United States rose from three and one-third billions in 1913 to five and a half billions in 1918, and bank deposits from thirteen to twenty-five billions, both approximately corresponding to the rise in prices.

The secret of the high prices then lies not so much in scarcity of goods or profiteering in trade or in the other conditions usuallly supposed, as in our money and banking conditions. The great cause lies in the fact that the *world's war debts have been pulverized into circulating media.* This first occurred in Europe, but we in America felt its reflex effect long before we entered the war. The European inflation sent their gold to us in payment for war supplies. The billion dollars of new gold imported into the United States between August, 1915, and our entry into the war gave our price level its great war time boost. That billion of gold and our twenty-two billions of Liberty Loans after we entered the war explain more than nine-tenths of our high cost of living to-day.

This rise of prices has hurt those with "fixed" incomes and helped those who take what is left—the so-called "profiteers."

In spite of the general impression to the contrary, wages have not, *on the average*, kept up with the soaring cost of living.

Both the danger of incurring inflation and its evils are bound up with the fact that the public generally is ignorant and indifferent or the subject. The sound banker and the economist have always to fight against inflationistic fallacies and proposals. The average man persists in thinking that "a dollar is a dollar." As he cannot imagine having too much money himself, he cannot imagine a country having too much money. He little dreams that his present difficulties with the high cost of living are due primarily to too much money and substitutes for money, or credits.

When we were suffering from the opposite aberration of our unruly dollar, *i.e.*, when we went throug the drastic fall of prices, beginning with the close of the Civil War and ending in 1896, the evils of depression in trade, bankruptcies, and unemployment, very nearly led the country to adopt the desperate remedy of Mr. Bryan, a remedy which would have been worse than the disease.

The radicalism of those days, expressed in "populism," died out soon after prices stopped falling. The present radicalism wil die out soon after prices stop rising. If only we could put a stop once and for all to these great swings of prices in either direction, we would escape a vast amount of social discontent which price movements alway breed.

To secure this result we need a stable price level, and to secure a stable price level we must stabilize the dollar, the aberrations of which disturb the price level.

Our present dollar is constant in weight. No matter what influx of gold may take place, or how much the value (purchasing power) of gold is lessened by the increase of its paper and credit substitutes, the government must pay the same nominal price for it. In other words, fluctuations in the price of gold can not show themselves in the altered price of gold. They are, therefore, reflected in the prices of other things.

Let us, therefore, vary the price of gold. In other words, let us vary the weight of the dollar, weighing it when the index number of prices is too high, and lightening it when the index number of prices is too low.

This can easily be managed if we have gold circulate by means of paper representatives, redeemable in whatever amount of gold bullion may be, at that date, the dollar.

In this way, any change in the price level is always in process of being corrected, the gold bullion dollar is always being approximated to a constant purchasing power (i.e., a constant price level), the circulating dollar certificates are redeemable and hence equal in purchasing power to this amount of gold, and finally the credit structure (assuming a sound banking system) is also kept from fluctuating by its relation to this stabilized dollar.

(Continued on page 1129)

(Continued from Page 1127)

As to the bankers' reserves, these would all be kept not in gold but in gold certificates redeemable at the sub-treasuries in gold bullion of whatever weight per dollar should be declared at any time. Thus the banker would not be concerned with fluctuations in the price of gold, but the government would assume this responsibility—as it should under our Constitution provision to "regulate the value of money."

This question of the government gold reserve, and many other questions which will arise in every banker's mind, are discussed in my forthcoming book, "Stabilizing the Dollar." Suffice it to say that the plan has for several years run the gauntlet of questions and criticisms among economists and has now their almost unanimous support. It has also been studied carefully and approved by such bankers as Frank A. Vanderlip, formerly president of the National City Bank of New York, and John Perrin, Federal reserve agent of the Pacific Coast. It has been endorsed by numerous other bankers, business men, and business organizations such as the Bridgeport Chamber Commerce and the New England Purchasing Agents' Association. A resolution has been introduced into Congress to investigate the subject. Before many more months are past it will, I believe, be an issue before the country which cannot be escaped.

Addressed by Dr. Irving Fisher before the American Bankers' Association, New York.

LEGAL CONTROL OF BANKS IN GREAT BRITAIN

(Trade Commissioner Henry F. Grady, London, in United States Commerce Reports.)

British banks have been subject to practically no Government regulation except the purely war ordinances, which have been in effect since 1914. Normally there are almost no legal controls. The banks with the privilege of note issue, such as the Bank of England and the Scotch and Irish banks exercising the privilege, are subject, of course, to regulations as to the quantity of notes that can be put in circulation, and the joint-stock banks whose organization was authorized under the parliamentary acts of 1826, 1833 and 1844, are permitted to conduct a general banking business without the right of note issue; but any machinery for governmental inspection and control such as has been established in the United States for the national banks through the Comptroller of the Currency and for the State banks under the State banking commissions is utterly unknown in Great Britain. There was recently proposed in Parliament a bill governing consolidation of banks and containing certain provisions against interlocking directorates, but this bill has not become law as yet; if it does it will be the first effort at establishing control from without on the activities of banks.

Administrative Policy of the "Big Five."

"The Big Five" banks control about 70 per cent. of the banking business of the United Kingdom, and have 5,645 branches in London and throughout the provinces. These banks may establish branches wherever they wish and may consolidate with other banks without any governmental permission whatsoever. In establishing branches in foreign countries they are subject only to the laws and restrictions of those foreign countries. In a word, banking consolidation and ramifications of any kind are absolutely free in Great Britain. Such restrictions as have been established on new capital issues and gold exports have been presumably war measures and are expected to be removed as soon as the country reaches a peace footing.

"The Big Five" joint-stock banks have their own system of inspection and examination, sending men to visit the branches at least every eighteen months and occasionally more often, and the branches are very thoroughly controlled from the head office. No loans are placed in the provinces or in any of the branch banks in London itself without the approval of the head office. No exchange business is done except from the main office or through the authority of the main office. There is a complete record in the main office of the branch clients' accounts, and while the local manager is expected to make recommendations, and does so with success because of his intimate contact with the business interests in his district, all the accounts of every branch bank are under the scrutiny of officials in the head office.

BRITAIN OWES CANADA

To carry the country's great burden the Government must do things that were never done before by a democratic country. We began this war thinking Britain must pay our bills. At the present time Britain owes the Canadian Government $300,000,000 and the Canadian banks $200,000,000, and cannot now pay for things in cash. "We sometimes say that England must pay, but we must remember that we are pillars of the British Empire." Some people wondered whether the debts of the Canadian Government would ever be paid. The growth of this country would before long make the burden of debt look very different from its present appearance. Others wondered if the credit of Great Britain was secure. "Make no mistake about it; the centre of the financial world in a very few years will again be England. We should all bend our energies to give credit to Great Britain. At the moment the British lion is wounded and tired. When she is once rested she will arise and be what she was in the past. If I had all the money to be had in the world, I would cheerfully put it in the bonds of Canada or England."—Sir Edmund Walker.

DANGER OF CLOSED SHOP

If the closed shop is to be recognized as a national principle we might as well bid good-bye to any ideas of future democracy of industry. Compulsory membership in trades unions cannot be a good thing either for the union itself or for the employer, and least of all for the man who is compelled to join an organization of which he disapproves or whose membership he does not wish to accept. Whenever the closed shop has been accepted as a fixed principle it has always proved a stepping stone to compulsory organization in fields where no such organization has been found necessary or desirable. The existence of the closed shop principle is a direct mandate to the establishment of labor organizations, even where they are not wanted. This is clearly seen in such labor groups as those of teaching and public service, where there is no call for organization and where the application of the closed shop idea is not only injurious but distasteful to many of those concerned. The honest advocate of trades unionism and of the rights of labor cannot logically claim the right to tyrannize over non-union men and drive them into an organization with which they do not sympathize. Those who are advocating the principle of freedom of contract at Washington should be granted support on the part of all members of the community who believe in liberty of action and democratic independence of the individual.

GENERAL ACCIDENT ASSURANCE CORPORATION

Mr. F. Norrie Miller, General Manager of the General Accident Assurance Corporation, who is at present visiting the United States, held a reception last week at the Bellevue-Stratford Hotel, Philadelphia, the occasion being the celebration of the twentieth anniversary of the Company's entrance into the United States. The New York Journal of Commerce says: This is justly a period of rejoicing for the General Accident. It has had its trials and tribulations, like some other liability companies, but it has shown its grit and now, under the managership of Frederick Richardson, who is recognized as one of the ablest casualty company executive in America, the United States branch looks to the future with confidence.

TRADE RESTRICTIONS BETWEEN CANADA AND UNITED STATES.

The Grain Growers' Guide is of the opinion that Canada can never become the nation which it is designated to become until the trade restrictions between Canada and the United States are largely removed. The great nation to the south of us is prepared to supply the great bulk of goods which we need to import, and at the same time purchase the great bulk of our exports. It is the natural direction for our trade to take, and our trade to the south has grown steadily despite the artificial handicaps. Greater freedom of trade with the United States would lower the cost of living in Canada and give us a wider range of natural and manufactured products. The only objection is the desire of our own protected industries to have the Canadian people and the Canadian market as far as possible to themselves, regardless of the cost to the consumer. But the tide is steadily setting towards the removal of trade restrictions. The day is not far distant when the trade barriers between Canada and the United States will be largely removed.

BRITISH FINANCES

In answer to the reproach that Great Britain is living much beyond her income, Sir George argues that while her foreign trade shows a vast excess of imports over exports, the country is still receiving, either nominally or actually, a great income from her foreign investments. She is also deriving a much greater income from shipping than ever before, notwithstanding the reduction in effective tonnage. Thus when the gross income from her ships is added to the net income of her foreign investments, and to the sums received in payment for the services of her bankers and others rendered to other nations, the deficiency will be found to be very small. Indeed, according to this authority, Great Britain would have little difficulty in paying her way were it not for the help she continues to extend to the other Entente nations. The depreciation of the sovereign in certain countries is due to the fact that Great Britain is granting very large credits to the Continent, and, therefore, must herself obtain credits from America and other countries. Sir George Paish is quite positive in the assertion that from the very beginning of the war until the present time Great Britain has paid her way. Where she has suffered has been in lending credit to her friends to enable them to purchase abroad the goods they urgently needed and which they still require. However this may be, nobody undertakes to question the fact that in all the countries of Europe the bedrock of the problem is the same—the need for exports and the difficulty of exporting, acting together to produce an adverse balance of trade, accentuated by a disordered currency position produced by the inflation of currency and credit during the war. Hence for all the remedies are the same—output and economy, public and private, such as will restore the balance of trade, and taxation calculated to give the Government a fund over and above what it needs for current expenses, so as to reduce the inflation of credit and currency.

WHEAT CROP IN CANADA, 1919

A bulletin just issued by the Dominion Bureau of Statistics on the yield and condition of field crops at the end of September makes a very satisfactory showing. The total yields are subject to revision after final ascertainment of the areas sown, according to returns from individual farmers throughout Canada which are now in process of compilation.

The total yield of wheat in Canada is now placed at 193,688,800 bushels, including 174,687,000 bushels of spring wheat and 19,001,800 bushels of fall wheat. Upon the acreage sown, the average yield per acre is 10½ bushels for spring wheat, 23¾ bushels for fall wheat and 11¼ bushels for all wheat. In 1918 the total yield of wheat was 189,075,350 bushels, or 11 bushels per acre. For oats the average yield per acre for Canada is 27 bushels, representing a total of 399,368,000 bushels, as compared with last year's average of 28¾ bushels and total of 426,312,500 bushels. Barley, with an average of 22 bushels, yields 66,443,500 bushels, as against last year's average of 21½ bushels and total of 77,287,240 bushels. Rye, with an average yield per acre of 12½ bushels, yields the total of 8,234,100 bushels, as against 15¼ bushels and 8,504,400 bushels in 1918. The yields in 1919 for the three prairie provinces are estimated at 161,419,000 bushels of wheat, 246,856,000 bushels of oats, 46,412,000 bushels of barley and 5,954,000 bushels of rye.