# STOCK QUOTATIONS

## N. Y. Stock Exchange

(Canadian Press)

| Stocks | Close |
|---|---|
| Am Tel Tel | 166 1-2 |
| Anaconda | 27 1-4 |
| Baldwin Loco | 16 5-8 |
| Bendix Av | 32 1-4 |
| Beth Steel | 85 5-8 |
| Ches Ohio | 42 7-8 |
| Chrysler* | 76 3-4 |
| Con Edison | 29 |
| Elec Auto Lite | 35 1-4 |
| Gen Elec | 33 |
| Gen Motors | 49 5-8 |
| Gt Nor Pfd | 26 3-8 |
| Kennecott | 34 1-2 |
| Mont Ward | 37 1-2 |
| N Y Central | 13 7-8 |
| Nor Am Co | 16 7-8 |
| Penn R R | 21 3-4 |
| Std Oil N J | 33 1-2 |
| Texas Corp | 38 3-4 |
| United Air | 42 |
| U S Rubber | 23 3-4 |
| U S St Co | 67 5-8 |
| West Union | 20 1-4 |
| West Elec | 104 |
| Woolworth | — |

## Montreal Curb

(Canadian Press)

| Stocks | Close |
|---|---|
| Abitibi Com | 75 |
| Abitibi Pfd | 6 7-8 |
| Asbestos | 14 1-4 |
| B A Oil | 18 3-4 |
| Bathurst A | 12 1-4 |
| Beauharnois | — |
| Fraser VTC | 10 1-2 |
| Fraser | — |
| Imp Oil | 9 1-4 |
| Int Pete | 14 |
| Price Com | 12 1-2 |
| Price Pfd | — |

## Market At A Glance

(By The Canadian Press)

Toronto—Gold stocks higher; base metals and industrials lower; junior oils steady.

Montreal—Paper and gold stocks higher; other industrials lower.

New York—Stocks closed unchanged.

New York—Cotton and rubber higher; sugar and coffee unchanged.

## Produce Prices

MONTREAL, Dec. 3—(CP)—Produce Market prices here today, as reported by the Dominion Department of Agriculture, follow:

Butter: first grade creamery prints, jobbing price, 33; first grade solids, jobbing price, 32 1-2; Quebec no 1 pasteurized, current receipt price, 31 3-4. Quebec no 2, 30 3-4; Quebec no 1 pasteurized, wholesale jobbing price, fresh, 32 1-8; regraded, 32 1-4; Quebec no 2, fresh, 31 3-8; regraded, 31 1-2.

Cheese: Western white, current receipt price, 13 11-16—14 1-16; colored, current receipt price, 13 7-8—14 13-16; white and colored, wholesale jobbing price, 14. Quebec white and colored, current receipt price, 13 3-4; wholesale jobbing price, 14.

Eggs: graded shipments in used free cases, selling price, A—large 38; A—medium 34—35; A—pullets 33—34; A—large original 31; B—original 30; C—original 24 1-2.

Potatoes: Ont whites no 1 75's 60—65; 2 50—55; NB mountain, no 1 75s 65—70; PEI cobblers no 1 75's 65—70; PEI mountain, no 1 75's 70—75.

## Livestock

MONTREAL, Dec. 3—(CP)—The Dominion Livestock Branch reported there were 103 cattle, 92 sheep and lambs, 1,014 hogs and 176 calves for sale on the two Montreal livestock markets today.

Grass calves were about .25 cents lower, other kinds of livestock were steady.

Heifers ranged from $3.50 to $6.25 according to quality. There were no tops. A few good cows made $5.50 and medium kinds from $4.50 to $5 and common butchers down to $3.-75. Canners and cutters $2.75 to $3.50. Common bulls mostly $3.75 to $4.25.

Veal calves ranged from $8.50 to $11 with three choice veals up to $11.50. Grassers were .25 cents lower, selling mostly for $4.50 to $4.75.

Good ewes and wethers were $10. Culls and bucks $8 and sheep $3.50 to $6.

Hogs were uncharged at $11 for B-1 dressed, $8.25 off trucks. Grade A drew $1 per hog premium with discounts on off grades. Sows were $5 to $5.50 with a few young sows at $6.

## CURRENCIES

NEW YORK, Dec. 3—(CP)—The Hong Kong dollar and the free pound Sterling rose briskly on the Foreign Exchange Market today.

The Far Eastern currency advanced .09 of a cent to 23.64 cents in relation to the United States dollar and Sterling gained 1-2 cent to $4.04. The Canadian dollar was a trifle lower at 86 7-8 cents. (Ottawa Foreign Exchange Control Board rate 9.09—9.91 per cent discount.)

## Grain

CHICAGO, Dec. 3—(AP)—Wheat futures prices were confined to a narrow trading range of about a cent today. The December contract firmed sporadically, reaching 90 1-8, up 5-8 cents, at the day's best, but was unable to retain the advance and backed down to close at 89 3-8—1-2. Other wheat and all corn futures closed near the day's lows.

Wheat closed unchanged to 1-2 cent lower than Monday's final prices, December 89 3-8—1-2, May 86 7-8—87; corn 1-2—7-8 cents off, December 61 5-8—1-2, May 60 7-8—3-4; and oats 3-8—3-4 lower.

WINNIPEG, Dec. 3—(CP)—Wheat futures prices moved within narrow limits today on the Winnipeg grain exchange. At the close values were 1-8 higher to 1-8 cent lower with December at 73 1-8, May 77 1-8 and July 78 3-4 cents.

Buenos Aires was unchanged with prices at the pegged minimum levels.

Grain close:

Wheat: Dec 73 1-8B, May 77 1-8 B, July 78 3-4.

Oats: Dec 33 1-2, May 32 5-8A, July 31 1-4A.

Barley: Dec 43B, May 43 3-8B, July 41 3-4B.

## BANKS

(Canadian Press)

| Stocks | Close |
|---|---|
| Canada | — |
| Commerce | 157 |
| Montreal | 189 |
| Royal | 162 |
| Nova Scotia | — |

Keep Minard's in the home.

## Montreal Stock Exchange

(Canadian Press)

| Stocks | Close |
|---|---|
| Bell Tel | 157 1-2 |
| Brazilian | 5 1-4 |
| Bruck Silk | 5 |
| Bldg Products | 15 1-2 |
| Can Cement | 6 1-4 |
| Can Car Found | 1 |
| Can Car Pfd | 22 |
| Can Pacific | 5 1-4 |
| Can Steamship | 4 1-2 |
| Celanese | 29 1-2 |
| Cons Smelt | 39 |
| Dom Coal Pfd | 20 |
| Dom Bridge | 27 1-2 |
| Dom Steel B | 9 3-8 |
| Dom Textile | 83 |
| Dryden | 5 1-2 |
| How Smith | 14 1-2 |
| Imp Tob | 14 |
| Int Nickel | 34 3-4 |
| Massey Harris | 3 |
| Mtl Power | 29 |
| Nat Brew | 29 |
| Noranda | 56 1-8 |
| Power Corp | 6 1-8 |
| Shawinigan | 18 |
| St Law Com | 2 3-4 |
| St Law Pfd | 18 1-2 |
| St of Can | 74 |
| St of Can Pfd | — |

## MINING

(Canadian Press)

TORONTO, Dec. 3—

| Stocks | Close |
|---|---|
| Acme Oil | 12 |
| Ajax Oil | 21 |
| Aldermac | 15 |
| Anglo Cdn | 55 |
| Anglo Huron | 225 |
| Arntfield | 8 |
| Aunor Gold | 210 |
| Bagamac | 11 |
| Bankfield | 8 |
| Bear Ex | 5 5-8 |
| Beattie | 110 |
| Bidgood | 12 |
| Big Miss | 5 1-2 |
| Bobjo | 7 |
| Bralorne | 995 |
| Broulan | 84 |
| Buff Ank | 485 |
| Cal Edm | 148 |
| Cdn Mal | 50 |
| Cariboo | 210 |
| Cas Treth | 55 |
| Cent Pat | 190 |
| Cent Porc | 11 |
| Chester | 128 |
| Cochenour | 84 |
| Coniarum | 140 |
| Davies | 14 |
| Delnite | 85 |
| Dome Oil | 25 |
| Duquesne | 9 |
| East Mal | 290 |
| Eldorado | 35 |
| Falcon | 240 |
| Fed Kirk | 4 1-2 |
| Francoeur | 47 |
| Gillies | 4 1-4 |
| Gods Lake | 39 |
| Goldale | 15 1-2 |
| Gold Gate | 13 |
| Gunnar Gold | 36 1-2 |
| Halcrow | 2 |
| Hard Rock | 100 |
| Home Oil | 232 |
| Howey | 30 |
| Hud Bay Min | 25 1-2 |
| Nickel | 34 3-4 |
| Jack Wai | 31 |
| Kerr Add | 355 |
| Lakeshore | 19 3-4 |
| Lamaque | 500 |
| Lapa Cad | 7 3-4 |
| Leitch | 51 |
| Little L L | 225 |
| Macassa | 365 |
| MacLeod | 232 |
| Madsen | 59 |
| Malartic | 118 |
| McKenzie | 117 |
| Moneta | 53 |
| Morris Kirk | 2 3-4 |
| Murphy | 2 |
| Naybob | 32 |
| Newbec | 2 |
| Noranda | 56 3-4 |
| Normetal | 30 |
| OBrien | 115 |
| Omega | 15 1-8 |
| Pamour | 141 |
| Pandora | 8 |
| Partanen | 3 |
| Paymaster | 24 |
| Perron Gold | 171 |
| Pick Crow | 295 |
| Pioneer | 215 |
| Powell | 106 |
| Prairie | 8 |
| Preston | 320 |
| Reno Gold | 14 1-2 |
| St Anth | 9 |
| San Ant | 255 |
| Sand River | 5 3-4 |
| Senator | 42 1-2 |
| Sherritt | 80 |
| Sigma | 760 |
| Siscoe | 49 1-4 |
| Slave Lake | 9 |
| Steep Rock | 154 |
| Straw Lake | 4 5-8 |
| Sud Basin | 133 |
| Sud Cont | 3 1-4 |
| Teck Hugh | 330 |
| Toburn | 150 |
| Towagmac | 12 |
| Uchi | 33 |
| Unit Oils | 3 1-2 |
| Upper Cda | 185 |
| Ventures | 290 |
| Wendigo | 21 |
| Wood Cad | 9 |
| Wrt Harg | 710 |
| **UNLISTED** | |
| Pend Ore | 105 |
| Temisk | 6 1-2 |

## FINANCE

By Frederick Gardner
Associated Press Financial Writer

NEW YORK, Dec. 3—((AP)—Selective improvement was to be seen in today's stock market.

Distillers Seagram, Brazilian Traction and Marconi, in the Canadian list, advanced small fractions. Ford, Imperial Oil and Lake Shore Mines lost as much.

The Associated Press average of 60 issues was unchanged at 44. A month ago the composite stood at 46 and a year ago at 50.4. Transfers totalled 449,200 shares compared with 478,380 yesterday.

Allied Chemical retained a point advance when directors announced at $2 extra; total payments of the company, though, have aggregated $8 this year against $9 in 1939.

In the losing division were U.S. Steel, Bethlehem, Crucible Steel, General Motors, Chrysler, Goodyear, Montgomery Ward, Standard Oil of N.J., United Aircraft, Western Union, Consolidated Edison, Du Pont, American Can, Anaconda, Kennecott, N.Y. Central and Great Northern.

Improvement was retained by Sears Roebuck, American Telephone, North American, Loew's Paramount, Union Carbide, Sperry, American Smelting, U.S. Rubber and Chesapeake and Ohio.


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**Male and Female Help Wanted**

NOW IS THE TIME TO GET A Government job as Clerk, Postman, Customs Clerk, Steno., etc. Four Dominion-wide exams held since war began. Free Booklet. M. C. C. Schools Ltd., Toronto 10. Oldest in Canada. No Agents.

**To Let**

TO LET — GARAGE, 205 EUSTON Street. L-3-12-3-5-1.

TO LET—TWO ADJOINING rooms, 43 Pownal St. L-30-12-3-21.

**Wanted**

WANTED — ONE HEATED ROOM unfurnished. Phone 1638. L-57-12-4-11.

**Miscellaneous**

COUPLE WILL BOARD SMALL child, country home. Apply Guardian. L-43-12-4-11.

PARTNER—WILL INVEST ANY reasonable amount in going business with part-time service. Give full particulars in confidence Partner, care The Eastern Trust Company, Halifax, N. S. L-33-12-3-31.

**For Sale**

FOR SALE — TWO REGISTERED Jersey bulls 1 year, Harold Stead, R. R. 6, Charlottetown. L-24-12-3-11.

**Lost**

LOST — A PAIR OF BOY'S glasses, in a case marked the Polyclinic, believed to be somewhere in the vicinity of the Forum. Reward if returned to Tom Clarke, 53 Upper Prince Street, City. L-60-12-4-11.

**Agents Wanted**

IF YOU WANT TO START A business of your own and become independent, write today for the Jito Proposition. No risk under thirty day trial offer. The most complete line offered with free Products for consumers. Start now to begin the new year right. Women and men accepted. Apply at Jito, 1435 Montcalm, Montreal. N-3.

**Strayed**

STRAYED HEIFER, BLACK, 1½ years on my premises. If not claimed by December 15th will be sold for expenses. Archie Chappel, North Granville. L-2-12-3-21

**FOR SALE**

A FEW EXCEPTIONALLY FINE CROSS FOX PUPS

Mated with your Silvers will produce fine crosses; mated with freak white face foxes may produce the type that commands such high prices. Cross fox pelts enter the United States DUTY FREE and command good prices.

LEO FRANK, Southport, P. E. I.


# Bankers Review Canadian Business Scene After Year of War

## Bank of Montreal President Sees New Problems, New Opportunities Confronting Canadian People

### COMMENDS GOVERNMENT ACTION ON ROWELL-SIROIS REPORT

### Holds Wheat Crop Is Asset of Great Potential Value — Deprecates Spending On Peace-Time Projects

Culminating a comprehensive review of the Canadian business scene with an enjoinder to his countrymen to "do everything that in us lies to keep our house in order," Huntly R. Drummond, in his presidential address to Bank of Montreal shareholders at their annual meeting yesterday, declared: "When victory comes enormous new tasks, new problems and, greatest of all, new opportunities will confront us."

The president said that while Canada was at present on the crest of a wave from a business viewpoint, with employment higher than in any previous period and industrial output on a swiftly rising scale, it must not be forgotten that there will be an aftermath. He declared, therefore, that "it behooves us all, while contributing to the utmost in the prosecution of the war, to keep in mind the adjustments which will later become necessary."

"Economy in private and public expenditure," he said, "should be practised to the utmost and projects not relating to the war effort should be postponed to a time when they will not interfere with that effort and when the employment they afford will be needed. We must not throw prudence to the winds, but must do everything that in us lies to keep our house in order. We need prudence in governmental expenditure, prudence in business administration and prudence in our individual commitments.

"We need a determined and united front to limit the inflation of costs of material, wages and the cost of living—the "vicious spiral" which created such havoc after the Great War, when a staggering readjustment of prices marked the return to a peace-time economy and left widespread misery and ruin in its train. We must bear constantly in mind that conditions such as now prevail cannot possibly last, and that when the inevitable end to them comes, and we enter upon the new chapter in our history and the history of the world, the readjustment will tax every resource that we possess nationally and individually.

"It is not an easy life to which we are being swept, but a hard life. Heavier trials and sacrifices than we have known are likely to be imposed upon us before the curse of Hitlerism is removed from the world. Removed it will be. Life has no meaning for any free peoples unless it be removed, and not all the powers of darkness can prevail against the conscience of mankind, now thoroughly aroused. Already, because of the war, Canada has attained an importance among the nations of the world such as it could not otherwise have attained in generations. When victory comes—and it may be sooner than we expect—enormous new tasks, new problems and, greatest of all, new opportunities will confront us. Let us, therefore, do everything in our power to be worthy of the position which we shall be called upon to assume in the reconstruction of the world on a new and a finer basis."

HUNTLY R. DRUMMOND

#### BANK'S STATEMENT

Mr. Drummond, in his opening remarks, commented briefly on the bank's financial statement which was laid before shareholders. "It is with satisfaction," he said, "I report that, notwithstanding the unusual times through which we are passing, your bank continues in its customary strong position. Our total assets, while showing a decrease from last year, continue at a high figure. Full provision has been made for all losses and we are in a strong position, as always, to meet any contingency.

"Notwithstanding a heavy increase in taxation, willingly borne, profits under a generally larger volume of business have been sufficient to care for this added impost, to pay dividends in the same amount as in the past several years and to carry forward a small margin to our profit and loss account. This result has been due largely to the hard work and loyalty of the bank's staff. In my remarks of last year reference was made to the restriction placed upon bank profits by the very low rates of interest prevailing and other factors, and it is interesting to note that, for the twelve months now under review, on average assets of $973,000,000, which is $66,000,000 more than last year, the net earnings for each $100 of the Bank's assets were 35 cents."

#### WAR FACTOR DOMINATES BUSINESS INDICES

In reviewing the business situation, the president observed that, while a year ago business was just beginning to feel the impact of war conditions, today the usual economic indices no longer give the true picture of the ebb and flow of business because of the overriding influence of the mobilization and the progressive utilization of every asset the country possesses for the most intensive prosecution of the war.

"We fully recognize the stake which is at issue," the speaker declared. "We know we are fighting for all we have and are, and our whole national economy is geared to that realization. Few of us who were here last year thought Canada could go so far in her war effort in the production of material aid as she has done, and we are just at the beginning. The production of war supplies will be immensely greater next year.

"Of business generally it is sufficient to say that practically every phase of industrial and commercial activity is reflecting the intensity of our war programme. Outstanding has been the importance of our mining industry, only now fully recognized and of the greatest help in stabilizing our exchange. Our railways are showing the highest traffic returns in years. Employment is at such a high level that we are approaching the point where it may become necessary, as in Great Britain, to curtail peace-time activities for the purpose of furthering the war effort."

Agriculturally, Canada had done well during 1940 which, the president said, had been a year of good crops. "Sales of livestock and dairy products,' he observed, "have been satisfactory and the aggregate of revenue to the farmer will be large. What, in the final accounting, may prove, perhaps, the largest crop of wheat in the history of the Dominion has been safely garnered. It is one of the very best we have ever had in weight and quality.

"At the moment we are, perhaps, thinking too much of the embarrassment of handling it, but I should like to point out that our great store of wheat is wealth in its best and most tangible form and in present circumstances an asset the potential value of which cannot be estimated.

"Mr. Winston Churchill has said that one of the first tasks to which Great Britain will address itself when victory is achieved, will be the feeding of Europe's millions—all now on short rations. This is a promise known to the peoples of Europe and its importance will be progressively realized by them. Back of that promise is the tremendous crop of wheat which Canada holds in store."

#### EXPORTS UP 30%

In the matter of trade abroad, Mr. Drummond remarked that, while the markets of Continental Europe had practically disappeared, the increase in Canada's exports had been remarkable. For the twelve months to September last they totalled $1,150,000,000 — 30 per cent more than in the previous year. Imports had risen in the same period 46 per cent to $1,005,000,000. Canada's gold production, amounting to approximately $200,000,000 during the past twelve months, was not included in these figures and should be added to the favourable balance of trade.

"The difficulty today," said the president, "is that our debit balance of trade with the United States, which formerly we settled by means of our credit balances with other countries, can no longer be arranged in that way. We have a credit balance with Great Britain and a debit balance with the United States (for war materials) and these must now be settled unilaterally.

"As regards the British account, repatriation of Canadian debt and of securities held in Great Britain is being used as one means of settlement. In the case of the United States, to our excess of imports in the total calculation must be added our interest and divided commitments to residents of that country, and from this may be deducted our shipments of gold and revenue from the tourist trade. In the result the balance is against Canada and our dollar is at a discount in the United States. Expenditure by Canadians for travel in the United States has been almost eliminated and our Government has taken control of all Canadian investments in that country and these it can sell if necessary. If, in the operation of regulating the exchange, it should be found advisable to prohibit importation of non-essentials, I am satisfied that this sacrifice by the people of Canada will be made most willingly."

#### GOVERNMENT FINANCES

In referring to the finances of the country, Mr. Drummond urged economy in all "peace-time expenditures" so that Canada's war tasks might be the better prosecuted. He referred to the Price Control Board by which the government was "zealously seeking to stabilize prices."

"The Excess Profits Tax," the president remarked, "largely eliminates company profits; it is equally the duty of the Government to see that wages, which form the major part of the cost of manufacturing, are not unduly inflated."

On the subject of taxation, Mr Drummond observed: "War has cast a glaring light on the clumsy and inequitable structure of over-lapping taxation which has grown up within the separate jurisdictions of our various governments, and I am glad to note that the Federal Government has called a Dominion-Provincial conference for the purpose of considering the adoption, without undue delay, of the main principles and recommendations made in the Rowell-Sirois Report.

"This report was compiled after several years of investigation and study by a most sincere and able body of men. If taxation of an essentially national character, such as taxes on income and succession dues, were reserved exclusively to the Dominion Government, as the Commission has recommended, it could be levied with greater equity, efficiency and economy to the joint benefit of government and taxpayer. Business would undoubtedly benefit from a definite allocation as between governments of taxing powers and of control over business, and the saving to the country in costs of governmental administration would be great."

#### GOVERNMENT CONTROLS

Recalling his remarks at the 1939 meeting on the subject of governmental controls, which, while necessary in war-time, must of necessity act as a weight and retardant upon the free operation of business, the president declared: "If only for the purpose of keeping the matter to the fore, I would repeat here that when peace is restored these controls should be removed as rapidly as conditions permit if we are to avoid wholesale regimentation of industry and labour, which would be contrary to the very spirit of the freedom for which we are fighting."

The speaker referred in glowing terms to the "marvellous manner" in which the British people had adapted themselves to the conditions of war, and commented particularly on their ability to maintain exports at a high figure. For the first twelve months of the war, he said, they amounted to £470,100,000, compared with £533,600,000 for the comparable pre-war period.

"Of this," he said, "Canada has taken an increasing share and I would like to add my voice to that of business leaders all over the Dominion in urging our people to give at this time preference to British goods in their purchases of imported products; for every dollar's worth so purchased helps Britain in her war effort and helps Canada too in the matter of exchange."

#### UNITED STATES CO-OPERATION

Hailing the mutual defence agreement with the United States as the most important event for Canada, outside the war, since Confederation, Mr. Drummond said its greatest repercussions would occur after the war when Canada, more than ever, would be a vital link in the relations between Great Britain and the United States.

"Last year," he said, "we hoped that the great American nation would respond to the call to help in the fight to preserve civilization. Today that hope is a reality and the United States is a major factor and their sympathy and moral support are increasingly evident each day."

### CUT PEACE-TIME EXPENDITURES TO BONE, SAYS H. R. DRUMMOND

While lauding the Government for following a policy of "pay as you go" as far as was considered possible, Huntly Drummond, in speaking to shareholders at the 123rd annual meeting of the Bank of Montreal, declared that the gap between revenue from taxation and war-time expenditure was tremendous.

"So far as estimates are at present applicable to our expanding programme of production," the speaker observed, "it appears that the Dominion Government will spend close to $1,000,000,000 for war purposes alone during the current fiscal year. To this figure must be added non-war expenditures of $448,000,000, as provided for in the Budget. This formidable total, which is nearly three times the normal peace-time expenditure, will almost certainly be enlarged next year by additional heavy war appropriations.

"The magnitude of prospective expenditure imposes unavoidable obligations on the Government and on private citizens if we are to continue to avoid inflation. For the Government, all expenditures which do not contribute to the national war effort must be cut to the lowest possible limit and this duty applies equally to all public bodies in every field of administration.

"Citizens are cutting personal expenses and will do so willingly as long as they can see that it will help to win the war. They have the right to demand, and they do demand, that Governments in Canada—Federal, Provincial and Municipal—shall also cut their peace-time expenditures to the bone so that we may conserve all our resources—none too great—for the one object of winning the war."

JACKSON DODDS, O.B.E.

G. W. SPINNEY

## Bank Determine to Play Full Part in Achievement of Victory, say General Managers

### Financial Statement Reflects Increasing Part Bank Taking In Financing War Projects — Loans Average $38,000,000 Higher — Profits Slightly Down

Presenting to Bank of Montreal shareholders at their annual meeting yesterday a financial statement that reflected the increasingly important part which this institution is playing in the financing of Canada's war effort, G. W. Spinney, on behalf of himself and his fellow general manager, Jackson Dodds, O.B.E., declared that as the bank entered upon its 124th year of operation, "we are determined to play our full part in this national effort and we look forward with confidence to the achievement of victory which is now the primary and all-important consideration."

The statement which Mr. Spinney presented showed great strength and liquidity. Assets amounted to $961,300,000, compared with $1,025,500,000 a year ago. "The decrease," he said, "is represented in the main by a reduction in our investment portfolio, as a result principally of redemption at maturity of Dominion and Provincial Government securities". Quick assets totalled $663,200,000, or 75 per cent of all liabilities to the public.

Net profits of $3,436,000 were down by $27,000 when compared with the previous year. "This result," said the General Manager, "is not unsatisfactory in view of the fact that taxes paid to the Dominion and Provincial Governments during the year were $729,000 higher at $1,928,000, accounted for principally by the higher rate of Dominion taxation. The increased revenue to offset these additional charges and other heavier operating costs was obtained chiefly from commercial loans, which for the year averaged about 22 per cent higher."

Holdings of notes of the Bank of Canada and balances with that institution amounted to $81,100,000, and represented 11.01 per cent of all deposit liabilities payable in Canadian dollars. The statutory reserve percentage which the bank is bound to maintain in these assets is 5 per cent.

#### COMMERCIAL LOANS AVERAGE $38,000,000 HIGHER

Investments at $462,000,000 showed a reduction of $55,000,000, while loans and discounts in Canada increased during the year $16,200,000 to $217,600,000. Commenting on the increase in loans, Mr. Spinney said "This increase as at October 31st does not properly indicate the maintained improvement in this department. During the past twelve months the monthly average of our commercial loans has been $38,000,000 higher than in the corresponding period of the previous financial year. This expansion in our loaning figures comes chiefly under the headings of loans to manufacturers, reflecting the higher levels of business activity, and agricultural loans arising out of the large carryover of wheat."

Deposits by the public at $749,800,000 were $52,000,000 lower than a year ago. The reduction in this category of deposits, it was explained, was due in the main to the subscriptions made by the bank's clients to war loans, and to the withdrawal during the year of some temporary balances payable in United States funds.

#### GOVERNMENT FINANCING

Mr. Spinney dealt at length with the subject of government financing, particularly from the banking investment viewpoint. "Our business," he said, "is at all times largely of the nature of a public trust, for on the one hand we in this bank are responsible for the security of well over a million individual deposit accounts, and on the other it is our function to assist in providing funds for all purposes, public and private, which may properly be financed by a bank. In time of war, these duties and functions assume added importance and it may therefore be permissible for me to refer to one or two matters which today demand closer attention than usual.

"Our holdings of Dominion and Provincial Government securities have declined during the past year by $34,900,000, although they are higher by $30,700,000 than before the outbreak of war. In view of the fact that the Government is making extremely heavy demands on the securities market, which will no doubt increase in future, it might appear to some that we were doing less than our duty in helping to meet these demands. It is not unreasonable, on a superficial view, to suppose that the banks should be a first resort in the present emergency.

"This supposition ignores the real nature of the transactions involved. When a Bank subscribes to additional quantities of Government bonds, and places an equivalent amount of credit at the Government's disposal, it is in effect providing new money in the form of an addition to the supply of Bank credit which was previously outstanding. Such operations may therefore have inflationary consequences, depending upon their timing and extent.

"In certain circumstances monetary expansion of this character may be appropriate and justified, provided that it is moderate and carefully controlled. It was considered to be so in the early months of the war, when, at the Government's request, the banks subscribed to a special issue of $200,000,000 of short term notes. A temporary expansion of credit was considered expedient at that time in view of the state of business and of the Government's prospective budgetary programme.

"But now that the early hesitation of business has been succeeded by unprecedented activity, persistent and continuous use of this method of financing would lead directly to inflation. As Canada's supply of money takes the form principally of bank deposits, the unrestricted purchase of government securities by the Banks would be equivalent in its results to issuing unlimited money through the printing press. The Government's purpose in making issues of securities to the public to meet part of the costs of the war is to obtain command of real savings. To substitute bank credit for such savings as a regular procedure would therefore frustrate and defeat all hope of financing the war in a safe and honest manner. It is for this reason that the moderate reduction in our holdings of securities, which I have noted as following their initial expansion, should be regarded as a healthy symptom. So far as it goes, it indicates that the Government's requirements have been supplied from genuine savings.

"In the matter of war-time public borrowing, our facilities can therefore best be used as a channel rather than as a source of funds. To this end we have made available at all our branches special means whereby the purchase of Savings Certificates and War Loan bonds can be facilitated, and we hope that the public will take full advantage of them."

#### INDUSTRY and AGRICULTURE

Observing that business conditions were, of course, dominated by the demand for war supplies, the general manager remarked that the volume of industrial production in Canada was already higher than ever before and that activity was widely spread throughout the country.

"The output of supplies," he said, "is due to expand much further and it is clear that we are rapidly approaching a position in which, by contrast with the past ten years, our principal problem will be the adequacy of the means of production.

"A large crop of high quality wheat was harvested and substantial sums are required to carry the crop until it finds a market. The Dominion Bureau of Statistics estimates the yield of wheat for all Canada at 547,000,000 bushels, which, if realized, will make this the second largest crop on record since wheat growing started in Canada.

"The new crop, added to the carryover of approximately 300,000,000 bushels on the 31st July, created a storage problem which at first gave some concern. In order to make the best possible use of the available storage facilities for the benefit of all growers alike, the Canadian Wheat Board instituted a quota system of deliveries based on five bushels per seeded acre, and where local conditions permitted this quota was raised. With the prompt action of the elevator companies in constructing annexes and additional bins and the arrangements made by the growers themselves for safe storage, it is believed that practically all grain is now under cover and the storage problem may be said to have been solved for the present."

### BANKER WARNS AGAINST INVENTORY BUILDING FOR SPECULATION

G. W. Spinney, joint general manager of the Bank of Montreal, in his address at yesterday's annual meeting of shareholders, said:

"In the matter of loans to business, the rise of industrial activity has stimulated new demands for credit which we have welcomed. In this case also, however, the war requires that a special consideration should be observed. While we are always prepared to finance sound transactions, and additionally at the present time to accommodate special needs arising from the war, the financing of abnormal inventories carried for purely speculative purposes in the expectation of rising prices would be equally against the interests of the banks their customers and the public generally.

"Not only would such operations contribute to inflationary price increases and to artificial market conditions for the commodities concerned, but they would inevitably store up trouble for the future. The experience of the last war, and also of the speculative boom of the late twenties provides painful reminders of fictitious liquidity and of profits which became heavy losses overnight. So far, there is little evidence of any recurrence of such speculation, but the danger is inherent in the intense activity which lies ahead, and, as the banks are strategically situated to discourage it, we feel we have a special duty to bear it in mind."