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H. J. Grimes

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Maisonneuve

430, Pie IX Boulevard,
Maisonneuve, Montreal,

9th. June, 1922.

Wrote June 13/22

to see Mr Graydon

Sir Arthur W. Currie, G.C.M.G., K.C.B.,
Headquarters: McGill University,
MONTREAL.

Dear Sir Arthur:

When the Bearer came to see me yesterday re. the possibility of getting a job as a workman about the grounds of the University, or in some similar capacity there, I called Miss Mudge on the telephone, and understood from her that you would probably be willing to see him, if you happen to have a few minutes to spare.

He states that he had thirteen years' service in the British Navy before the war, and two years in Canadian Forces during the war. I have asked him to have his discharge papers, etc. ready, in case you may want to see them.

My impression is that he would give steady and faithful service if any work is offered to him, about your grounds, or elsewhere. It is just possible that you may have something he can do, or if not, you may be able to suggest something.

I hope you will not mind my sending him to you. It is very difficult to say what one ought to do in cases of this kind, and I know you are willing to do anything in your power for returned men who are worthy of consideration. I believe this man is. He seems to have done all he can to secure work, and is now, rightly enough, trying to get encouragement from those likely to know what may be offering that he can do.

Very sincerely yours,

A. Victor Hamer

PRINCIPAL AND VICE-CHANCELLOR

A. E. MORGAN

MCGILL UNIVERSITY

MONTREAL

1st March 1937.

Dear Mr. Grindley,

I am directed by the Principal to acknowledge
and thank you for your kindness in sending to him a copy
The Business Situation as Viewed by Leading Bankers in
the United Kingdom.

Yours faithfully,

Principal's Secretary.

R. S. Grindley, Esq.,
Bank of Montreal,
Peel Street Branch,
Montreal.

Compliments of

R. S. GRINDLEY

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THE BUSINESS SITUATION AS VIEWED BY LEADING BANKERS IN THE UNITED KINGDOM

Addresses at the Annual Meetings of the leading banks in the United Kingdom during the past few weeks have provided informative comments on subjects of particular interest to Canadian business men, notably as to the nature and extent of the business revival in the British Isles, the outlook for international business and the questions of credit and cheap money. Below are quotations from the addresses of The Rt. Hon. Lord Wardington, Chairman of the Board of Directors of Lloyds Bank Limited; The Hon. Rupert E. Beckett, Chairman of the Westminster Bank Limited; The Rt. Hon. R. McKenna, Chairman of the Midland Bank Limited; Edwin Fisher, Esq., Chairman of Barclays Bank Limited; Colin F. Campbell, Esq., Chairman of the National Provincial Bank Limited; and Edward B. Orme, Esq., Chairman of Martins Bank Limited.

BUSINESS IN GREAT BRITAIN

The Rt. Hon. Lord Wardington—

"It is not necessary for me to particularize the signs of our increased prosperity. Wherever you look, even in the depressed areas, they are visible, and all the signs, such as the figures of employment, the reduced amount of unemployment, the increased values of commodities, of industrial shares, full order books, Clearing House, Railway and retail sales returns, and the reduced figures of bankruptcy and bad debts, all point in the same direction. There is this satisfactory feature, too, that the fundamental basis of good international trade is present. The higher prices of primary commodities are fulfilling their function of restoring prosperity to the countries of primary production, and are putting them once more into the position of being able to place orders in industrial countries for the secondary products which they need. Thus we see the impulse of those movements which should result in the general interchange of goods between the nations of the world for the advantage and profit of all."

"... There are many features of the present time, which on paper at any rate, may be said to be approaching boom conditions; a shortage of labour, especially skilled labour, a continued rise in the price of commodities and of wages, with consequent increased cost of production, an extension of productive capacity, based in some instances on expectations rather than actual orders, and fresh capital issued to the public on the same slender foundations. In Stock Exchange quotations also we see prices rising to figures which render the yield to the purchaser insignificant, although, as I have already pointed out, the percentage of our loans to the Stock Exchange is still of moderate dimension."

Edwin Fisher, Esq.—

"... Further, the revival of industry, which has been largely due to the expansion in internal, as opposed to external, activity, owes much to

the change in our tariff policy. At the time when the step was taken, the United Kingdom was in danger of becoming the 'dumping ground' for the surplus products of other countries, which were denied a market elsewhere owing to the spread of the doctrine of national self-sufficiency. Moreover, the growth of this doctrine was itself preventing the export of an adequate volume of British products to pay for the arrivals from abroad.

"Other factors which have contributed to the recovery in this country, during the past few years, are the improvement in our competitive power abroad following the depreciation of sterling, the conclusion of the Ottawa Agreements with Empire countries, the Trading Agreements entered into with foreign countries, the encouragement of agricultural production, and the relative stability of exchange rates between the countries of the sterling area."

Edward B. Orme, Esq.—

"We may gather from the account I have given of the course our advances are taking that the recovery in the country's trade, foreshadowed in my remarks last year, has made further and definite headway. We have ample evidence of this in whichever direction we look. The figures with regard to diminishing unemployment are most encouraging, rail traffic returns are better, the retail trade, a sure index of the spending power of the people, whether on necessities or luxuries, month by month has shown increasing expansion; while the annual reports of industrial and other concerns, with their welcome announcements of dividends, have been read by shareholders with an interest they had almost lost owing to the monotonous regularity with which their capital had gone unrequited during the last few years.

"Shipbuilding throughout the country has recently received a much needed impetus, and this not only by reason of the Government's rearmament programme. As a result, on Merseyside, for instance, we are looking forward to a year of great activity in our shipbuilding yards, entailing a largely increased pay roll, the effects of

which, we hope, will be felt by all classes throughout the area."

"... it is not unlikely that general trade recovery throughout this country and abroad will supply a natural demand for the output of Lancashire's main industry and render artificial measures unnecessary. Facts may be left to speak for themselves, and the increasing number of (cotton) mill companies now making profits or cancelling out losses is eloquent. The recovery may be slow, but it is gathering strength. I hope I may not be regarded as unduly optimistic in this respect, for I know too well the views held in some quarters that certain of Lancashire's foreign markets are permanently lost, some of our former customers having become not only self-providing but actually competitive with us. It is probable, however, that this particular competition is reaching its limit and that, with expanding home trade and extension to our Dominions, Crown Colonies and more favourable foreign markets, the reputation of Manchester goods will once more assert itself, bringing a full measure of prosperity to the county, where in many areas it is still sorely needed."

Colin F. Campbell, Esq.—

"Looking at the record of our country as a whole, we have every reason to be satisfied with its work and spirit during the past year. In spite of being subjected to severe shocks and many uncertainties, it has maintained its business progress with a calmness that has won the admiration of the world, and has belied the forecasts of those who have been telling us that the present activity is too feverish and artificial to last and must be succeeded by early reaction. On the contrary, many indications show that the rate of progress in some departments of business has been accelerated during the year, and that we can look forward with confidence to a continuance of this activity.

"... It is enough to say that the movement and expansion of currency, the bank clearings, railway traffic returns, employment figures, increases in wages, retail trade returns and the volume of our imports, all point to a steady

growth of our country's income and prosperity firmly based on well-distributed purchasing power. It is also most satisfactory to note that some of the industries that were hardest hit by the depression have lately shown signs of joining in the general recovery. Shipping has benefited from the greater movement of produce and of raw materials generally, which has brought about an increase in the rate of freights. The breaking up of old vessels also has stimulated activity in our shipyards. The cotton industry has not only been quickened by a large number of orders for Coronation materials, but has shown that its capacity for export, assisted by the rise in commodity prices involving increased purchasing power of its overseas customers, is full of vitality."

"... Most of our recent recovery has been due to sound business reasons, abundant credit, political confidence, and the conviction that there is plenty of demand for industry's output if it can be offered at a price that consumers can pay. The great activity in house building, though perhaps started by official encouragement, was based largely on the increase in the wages bill which enabled thousands of people to secure the better homes which had long been overdue to them. But our rearmament programme is certainly a temporary matter and though we can be sure that it will keep industry busy for some time, the day will come when its effect will taper off and we shall go back to the normal demands of our defensive forces."

INTERNATIONAL TRADE

The Rt. Hon. Lord Wardington—

"... it is very necessary that the present activity of our internal trade should not make us liable to forget the essential importance of retaining our export connections. There is a definite danger that this may happen. We are so busy internally that many of our trades under the additional stimulus of our armament programme are working at a 100 per cent capacity, and in such goods as machine tools, to mention only one, we are unable to meet our own requirements and are actually importing large quantities, while a shortage of labour has induced many manufacturers to scour the country to find fresh workmen and women in the depressed areas who can be persuaded to leave their homes and take up the work which is awaiting them in more fortunate parts of the country. A curious illustration in terms of labour of the phrase 'poverty in the midst of plenty' which we have so frequently used in recent years in reference to goods."

Edwin Fisher, Esq.—

"A resumption of foreign lending, when conditions are favourable, would also be of assistance in reviving international trade, but the test

which we apply to our domestic loans, namely, the ability to repay, must be kept well in view."

"... The change in the creditor position of various countries, resulting from the War, has also had a marked influence on international financial and trading relationships, for in the period since 1914 it has not been practicable to make the necessary adjustments to meet the altered situation. America, in particular, as a great creditor nation, will continue, to a greater or less extent, to be a disturbing factor until the ability of her debtors to fulfil their obligations by sending goods is facilitated. The reduction of tariffs made by the United States in the special agreements she has concluded with other countries has proved beneficial, but indications point to the fact that goods still cannot be sent to America to an adequate extent in payment of amounts due to her; nor will it be possible for her debtors to meet their liabilities automatically in this manner until the economic structure of the United States, which had been built up over a long period of years in accordance with her needs as a debtor nation, is adjusted to conform to her position as a creditor country. Such an adjustment will involve a complex, difficult and lengthy procedure, but, in the absence of deliberate and conscious efforts to make the necessary changes, the natural play of economic forces will eventually provide a remedy. Various influences have affected American external trade in recent years, but already there are signs of adjustment—for example, the marked decline during 1936 in the excess of exports over imports. Nevertheless, a long time may elapse before the United States occupies a position comparable to our own, where for many years a large adverse balance of visible trade has enabled our debtors to meet their liabilities in goods."

Edward B. Orme, Esq.—

"I base my favourable outlook for world trade largely upon the increasing production of gold. Hitherto, the full benefit of this has been lost owing to America and France absorbing the world production. So far as France is concerned, the flow there may probably be considered at an end. America—since the war a creditor nation and a high tariff country—could not avoid taking gold. Actually during the last three years there has been an influx of gold into America greater than the world's production in that period. Her ability to attract this has, to a very considerable extent, been created by Europe's purchases of her securities. This condition may not repeat itself during the next three years, and the world's gold production will, to some extent, be available to create credit in countries which of late have been drained of this necessary backing.

"As I have said, primary products in many cases have doubled in price from the low point of 1931 to 1932. With gold in freer distribution they would be likely to maintain present high levels, and this must, as already indicated, create

'two-way' world trade. The profit on manufactured goods, with the employment entailed and the services required from our railways and shipping, will, I consider, offset the extra cost of our purchases abroad."

EXCHANGE

The Hon. Rupert E. Beckett—

"In the economic sphere, as distinct from the political, the latter part of the year witnessed an event that might well have been, and may yet prove to be, the turning-point in the course of national trade policies. I refer to the devaluation of the French franc, which took place in September, and which was quickly followed by the devaluation of the Dutch, Swiss and Italian currencies. Much more important to the world at large than the change of policy on the part of the French Government was the tripartite agreement among France, the United States and our own country to co-operate in maintaining exchange equilibrium and in efforts to modify trade restrictions. For years these restrictions have exercised an increasingly powerful hold on trade, and the occasion of the French currency devaluation was hailed as an excellent opportunity to undertake a drive against all such prohibitions. Unfortunately, events since September have done little to encourage the high expectations then entertained. Not only has the initial force of the currency re-alignment been spent without imparting that impetus to world trade which had been hoped for, but there has been little sign, as yet, of any action, concerted or otherwise, to rid the world of the many other restrictions which are preventing the growth of international commerce. The longer the delay the less effective is such action likely to be, and the less will be the driving force derived from the act of devaluation."

COMMODITY PRICES

The Hon. Rupert E. Beckett—

"By far the most important happening in the economic sphere during the past year has been the sustained rise of commodity prices."

"... The rise of prices which was universally recognized as desirable is now in full course. Monetary policy is, however, only one of the factors in a development of world-wide extent. During the past twelve months, wholesale prices in practically every country of importance have risen by something like seven per cent. The most significant, and at the same time the most hopeful, aspect of the rise of prices is its incidence on agricultural products."

"... In the majority of cases, the rise of prices has been brought about in the healthiest possible way—by improvement of the balance

between supply and demand. The colossal stocks which were depressing markets have gradually been reduced to more normal proportions, and, whether by the hand of Nature, or by artificial means, or by a combination of the two, current outputs have been brought more into accord with prospective consumption. The recovery of industry has brought about a gradual revival of genuine consumptive demand for nearly every industrial raw material, and fuller employment and higher wages have meant increased consumption of foodstuffs. Under these combined influences, prices have begun to move upward, not hitherto in the spectacular manner associated with a boom, but in the steady way that encourages a further expansion of trade. It is safe to say that commodity prices owe little of their increases so far to undue speculation."

Edward B. Orme, Esq.—

"We have recently seen a quite exceptional rise in the price of certain commodities, such as cocoa, rubber, wool, wheat and various metals, and all indications point to a continuance of this upward trend. The cause has to be traced back to post-war conditions and the recent depression. Low prices and artificial restriction gradually reduced surplus stocks. Reviving trade absorbed them, and the last six months of boom conditions have caught the market short of future supplies. Hence the striking rise in prices. It is impossible to estimate the extent to which this will go, or to measure its effect, but it has already benefited the producers of primary products enormously, and placed them in the position of being able to purchase the goods of other countries. This augurs well for the flow of international trade."

Colin F. Campbell, Esq.—

"The rise in wholesale prices, which are still in most cases substantially below the levels of 1928, is thus a correction of an influence which produced incalculable distress, not only among the agricultural and mineral workers whom it affected most directly, but also among the manufacturers—both employers and workers—in the older countries which found so many of their customers impoverished and so had to curtail output and suffer the miseries of unemployment.

"There is, however, another point of view which is worthy of some thought. If this rise in commodity prices were to go so far as to cause a considerable increase in the cost of living, followed by a rapid advance in wages, we might be faced with a serious rise in the cost of production.

". . . it is reassuring to bear in mind that greatly increased industrial turnover, coupled with substantial improvement in the efficiency of plant and equipment, should act as a powerful factor in preventing an undue rise in prices."

CREDIT AND CHEAP MONEY

The Hon. Rupert E. Beckett—

"There are, fortunately, some respects at least in which the present situation differs from those which have succeeded previous depressions. I see no convincing evidence that a boom is yet developing. Prices so far have not risen unduly, profiteering is not rife, and there is no shortage of commodities such as has been associated with booms in the past. Credit remains plentiful and cheap, and company flotations and capital operations are subject to much closer scrutiny than ever before. Whilst, therefore, I am sensible of the dangers of an excessive rise of prices, I think that those who already advocate steps to check the present rise are prematurely apprehensive. The control of prices is itself not without dangers. It is important to remember that prices are symptoms rather than causes, and undue interference with them destroys both a valuable guide in the exploitation of resources in the ways best fitted to man's needs and desires, and a safety valve of much importance in the operation of the economic system. The only effective method by which the general price level can be controlled is by regulation of the volume of money and credit in active circulation. In other words, the rise of prices can be checked only through a contraction of credit, and the adoption of a deflationary policy which is the very antithesis of that which has carried us thus far out of the slough of depression. I, for one, do not believe that present circumstances justify such drastic action."

". . . there are perhaps now clearer indications of methods of self-help than have been discernible at the commencement of many previous years. The first necessity appears to me to be the continuance of the policy of cheap money. During the past year, there have been from time to time signs that the supply of credit is not quite so plentiful as in recent years, and the most sensitive rates have been inclined to harden under the influence of important though passing events. Expanding trade and higher commodity prices were responsible for an increase in advances by the eleven clearing banks of some £80 million during 1936, an appreciable rise from the corresponding figure of £31 million in 1935. Nevertheless, we should still be some distance from the necessity for dearer rates. Building and commercial construction formed the basis of our recovery, and these have been, more recently, supplemented by rearmament activity. A tightening-up of credit would not affect rearmament, but would undoubtedly diminish the amount of new building and commercial construction, apply a brake to business enterprise, and exert an adverse psychological effect all round. Industry and commerce still need every facility open to them to continue their development. It need not be feared that, granted the necessity for continued cheap money, its main-

tenance will be a matter of difficulty, for the authorities have ample powers to expand the credit base as that is deemed desirable."

The Rt. Hon. R. McKenna—

"If the conditions in respect of labour, speculation and international payments are as I have endeavoured to outline, it seems unlikely that we have yet reached a stage at which the upward trend of industry and trade will be halted. We must not blink the fact, however, that cheap and abundant money, so beneficial to trade and industry, provides a fertile field for the growth of the adverse influences to which I have referred, and we may yet find ourselves face to face with forces which if left uncontrolled would result in an upward spiral of costs and prices."

". . . Consider first the risk of excessive speculation. I do not wish to be dogmatic on the subject, but it seems to me that the remedy lies with the banks. They have the power, acting together on an agreed basis, to place a curb upon speculation by directly restricting the quantity of credit used for that purpose. Genuine business would not be affected; there would still be cheap money and abundance of credit for legitimate trade, but there would be no easy money for the mere speculator. I repeat, there are no sufficient indications at present of dangerous speculation, but should this appear a powerful remedy could be provided by the concerted and direct action of the banks without recourse to high rates and indiscriminate restriction of credit. The country ought not to be required to submit to general stagnation as a cure for the activity of speculators."

Edwin Fisher, Esq.—

"Cheap money is one of the traditional correctives for industrial depression and there is little doubt that the availability of large funds for employment at low rates of interest has been a factor in the revival of industry in this country. Very properly it acts as a stimulus to business; but it is necessary to guard against the danger of too much emphasis being placed on the importance of cheap money and too little on those other essentials which are necessary for the maintenance of healthy conditions, in which alone real prosperity can be assured.

"In most cases, interest on borrowed money is only a minor item in costs of production, and if too great stress is laid upon the importance of cheap money as a means of maintaining and improving the activity in trade, small changes in interest rates may have an entirely disproportionate effect on confidence. Experience indicates that, while stringency in the capital markets might, and probably would, tend to retard progress, cheap and abundant supplies of money alone are not sufficient to promote development."

LABOUR

The Rt. Hon. R. McKenna—

"Notwithstanding the high total of work-people still listed as unemployed, it is probably true that more than half should properly be classed under the head of 'normal' and 'special' unemployment. At all times, whether trade is active or depressed, unemployability and seasonal and purely temporary movements account for a large number under the head of 'normal'; by 'special' is meant unemployment found particularly in the depressed areas and due in the main to the long-standing shrinkage of export trade. Hence it is not difficult to explain the co-existence of much unemployment and a definite scarcity of labour in particular trades.

"This scarcity to some extent results from the persistence of the post-war depression, which led to a general underestimate of the degree of possible recovery. In shipbuilding, for example, the entry of apprentices was severely restricted, so that, in spite of the large recorded number of unemployed, there is now a positive deficiency of skilled workers. To some extent, again, the reported shortage is traceable to expansion of newer industries, such as aircraft manufacture and lighter branches of engineering, and to the growth of industry in the south of England. But whatever the precise causes, the result is evident. So far as skilled labour is lacking, there must be a tendency for the price of labour to be bid higher and for the average level of efficiency to decline. For the present this upward tendency of costs is probably still offset by the spreading of fixed charges over a larger turnover, but the reality of the trend towards higher unit costs in a number of industries can scarcely be doubted. This particular threat is, then, relatively near at hand, but for the time being is a threat only to further advance, and need not lead us to anticipate any setback."

THE OUTLOOK

The Rt. Hon. Lord Wardington—

"There is much which is quite healthy in the situation and of good augury for the future, and the increased purchasing power of the primary producing countries is only just beginning to show its effects."

The Hon. Rupert E. Beckett—

"Any attempt to forecast the future trend of affairs, save in the most general terms, would be futile—this because the political outlook is unusually obscure, and the future is more than ever governed by events abroad, where we may do no more than exercise the influence we possess in the direction of peace and sanity."

The Rt. Hon. R. McKenna—

"... we may, I think, take a confident view of the future. I have given grounds for concluding that the dangers inherent in an advanced stage of recovery induced by cheap money are not immediately at hand. I have, moreover, ventured the opinion that we are in a far stronger position to combat them with appropriate measures if they should become real and immediate. There is need for unremitting watchfulness and prudence on the part of industry itself as well as the banks and financial institutions generally; but with clearer perception of the dangers, fuller understanding of their nature, and better weapons to cope with them, I feel sure they can be overcome without recourse to those rough and ready measures which in curing particular evils inevitably brought about a general trade recession."

Colin F. Campbell, Esq.—

"The prospects for the present year, within the horizon of our home and of the British Empire, are such that we face it with confidence

notwithstanding the clouds abroad. Abundant credit has been available on very favourable terms to British industry in all its branches. Some fears have been expressed lest rising commodity prices and expanding trade should cause demands on our credit system which would enforce a reversal of this policy. I see no reason to anticipate embarrassment from any such development. In present conditions the power of our monetary authorities to influence the price of money is almost unlimited, and they are evidently determined to use it on the side of maintaining an adequate supply of credit."

Edward B. Orme, Esq.—

"The crowning incident in our recovery would undoubtedly be the resumption of foreign lending, signaling, as it would, the return of confidence in foreign affairs, but with existing unsettled conditions abroad achievement of this appears impracticable at the moment. Nevertheless, encouraging returns from Canada, Australia, Africa, Scandinavia, the Argentine, and other quarters, give indications of improvement which may have far-reaching effects upon international trade, and even lead, along with the stabilization of currencies, to the recommencement of international lending, formerly one of Great Britain's main contributions to world progress, and the foundation of her own prosperity."

"... So far, I have been able to place before you a record of steadily increasing trade recovery, commenced hesitatingly some four years ago and gradually gathering momentum until in the last few months it assumed the nature of a boom. It is manifestly most desirable that caution should dictate our views in these circumstances, but I must confess that at the moment I cannot see any signs, apart from possible European political complications, of an early cessation of the country's present prosperity."