

ARE BANK CLEARINGS MISLEADING?

Bank clearings are recognized as one of the standard indexes of business activity, but their value for this purpose deserves careful consideration. Generally speaking, an increase in clearings indicates an increase in business transaction, and a comparison of the clearings of two cities gives an approximate idea of the relative amount of business, but the measure is not entirely accurate. There are a number of ways in which discrepancies arise between the amount of bank clearings and the total bank transactions. In the first place, the clearing house returns include a number of errors such as cheques or drafts presented to the wrong bank, or wrongly endorsed. These are automatically returned to the bank presenting them, and when the corrections are made are again presented to the proper bank. They accordingly go through the clearing house twice and cause the amount of clearings to slightly overstate the amount of business transacted through the bank.

On the other hand, there is a vast amount of business which does not go through the clearing house at all by reason of being done entirely within the one bank, as where a cheque is presented to the bank upon which it is drawn. In Canada the probability is that business of this kind is larger relatively than in the United States because a cheque drawn upon one bank here and presented to a different branch of the same bank does not enter the clearing house at all. As we have now only twenty banks, a cheque or draft must be drawn upon one of the other nineteen than that at which it is presented, in order that it may enter the clearing houses. In the United States, on the other hand, where there are no branch banks, there is greater probability of a cheque being presented to a bank other than that upon which it is drawn.

Bank clearings, therefore, represent only a part of bank transactions and the difficulty is that the proportion of clearings to total transactions is not the same in different cities, even of the same country, and still less so in cities in different countries. Differences in the size of cities, in their industries and in the habits of the people, occasion variety in banking methods, even in the same countries. In the United States the clearing house section of the American Bankers' Association has developed a plan under which reports of total bank transactions may be accumulated almost automatically. Twenty-nine cities are now compiling and returning these figures to the clearing house section. According to the "Commercial West," of Minneapolis, they are reported weekly on forms furnished by the section. In these cases we have a means of comparing the relation of bank clearings to total bank transactions and, unfortunately, there appears to be no uniform proportion whatever. In Kansas City the total transactions for the second quarter of 1918 were \$3,184,764,000 and the bank clearings \$2,283,725,000. The transactions were, therefore, 40 per cent. greater

than the clearings. In the case of San Francisco, the difference was 109 per cent.; Detroit, 118 per cent.; Cincinnati, 230 per cent.; New Orleans, 71 per cent.; Richmond, 103 per cent.; Atlanta, 28 per cent., and Seattle, 87 per cent. These cities are named in the order of amount of business, but the percentages of excess of transactions over clearings, as stated above, do not show the same order. In the case of smaller cities, however, who calculate their business in this way, the transactions usually are several times the clearings; that is, they exceed them by several hundred per cent. This is quite as might be expected, because in smaller cities there is a greater possibility of a cheque or draft being presented upon a bank upon which it is drawn and accordingly more business is carried on without entering the clearing houses.

Reports of this kind might well be considered by the Canadian banks. For the present, however, the monthly statements furnished to the minister of finance and amalgamated by him in the one statement affords a more reliable index of banking and general business. It does not, however, give any comparisons between different cities or localities, and the defects of clearings must be kept in mind in using them as a basis for comparisons.

EXCESSIVE MORATORIUM LEGISLATION

Attention has frequently been called by *The Monetary Times* to the need for a revision of the moratorium laws of some of the Canadian provinces. The laws, generally speaking, were framed as temporary measures but remain in force long after the conditions which occasioned them have disappeared. If future developments could have been foreseen at the time of the legislation there is no doubt whatever that it would have been of an entirely different nature.

Much of the amounts overdue on mortgage payments, for instance, will be received, but there is a danger that if the war goes on much longer the accumulated fund will reach a figure that will be somewhat difficult for the debtor to deal with and which will affect the margin of security held. The purpose of a moratorium is to enable the debtor to avoid settlement of his debt at a time when there is a great credit stringency. Such a condition is necessarily a temporary one and when it resolves itself merely into a period of high interest rates, the emergency no longer exists. There was a time, no doubt, when measures of the kind had considerable justification, but this has not been the case since 1916, at least, and possibly since 1915.

Unfortunately, the laws have in many cases been used against the interest of creditors. Debtors have been enabled to retain funds at interest rates much below the rates current in the market, which acts not only unjustly to the creditor but also to other borrowers who have occasion to undertake new obligations.

SUGAR CONSERVATION IMPERATIVE

The Canada Food Board has asked private householders of Canada still further to restrict their consumption of sugar for personal use to 1½ pounds per month per person, and to use a greater proportion of brown sugar. The board also warns against hoarding as unfair, unnecessary and contrary to the law.

The Cuban crop of sugar has fallen short by 300,000 tons of the previous estimates; the United States sugar beet

crop has also proved disappointing, as has the Louisiana cane crop. The recent German drive was a further cause of sugar shortage, as a large beet acreage was overrun and many sugar factories destroyed. Thousands of tons of sugar have been sunk by submarines, including a 13,000-ton cargo recently lost off the Atlantic coast. Conservation of sugar is imperative. There is sugar in Canada for everybody in moderation, but none for extravagant use, for wasteful use or for illegal hoarding.