
THE WAR AND OUR BANKS

The World takes direct issue with them on this point, and we will give an all-sufficient reason for these grounds, viz., that, inasmuch as the Government and Parliament have made bank notes legal tender throughout the country in every transaction, what is good for the country ought to be good for the banks, and that if the banks ask the public to take their notes as legal tender they ought also to take them as between themselves. But this is only a secondary reason compared to another one, viz., that Parliament in its wisdom has seen fit to authorize an excess circulation of bank notes to the extent of 15 per cent. on the paid-up capital and reserves of the banks; this is practically equal to 30 per cent. on the paid-up capital of one hundred and odd millions. This excess issue would amount to \$30,000,000. But the banks cannot avail themselves of this issue and let the money out to customers, at least probably the majority of them would not be disposed to do so unless the notes thus put out were available in the Clearing House where they would land the next day after issue; in other words, if a bank wishes to avail itself of the excess issue it must have gold to redeem them the moment they come into the Clearing House, or "bank legals" of the Dominion of Canada, which are the same thing. And the very banks who have been liberal in their treatment of customers and who have already in cases approached within reasonable distance of the limit of safety, hesitate at the additional duty imposed upon them of finding further gold or Dominion notes for the redemption of this excess issue. In other words, in these times of stress the issue of bank notes is daily falling in amount, whereas it should be, if the banks were availing themselves of the privileges given to them by Parliament, increasing in issue.

Our contention, therefore, is that \$30,000,000 would be immediately available for the necessities of trade, for the requirements of municipalities and others if the banks made the change in the Clearing House rule which we have advocated and which some of the banks are anxious to do.

And it is because there are some of the banks who refuse to take this stand that we are compelled to say that there is a lack of unity in the banks, that they have not got together as they should have under the present circumstances; and that it would well become them to follow the example of the banks in the States who are united in action and who are standing together, and still more, if they would follow the action of the banks and the Government in Great Britain. One financial paper in England speaks of "the mobilization of the banks" in England into a solid organization for taking care of the country under the stress of war; and we commend this fine phrase to the banks of Canada. Mobilize into one organization! They had