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TIGHT MONEY

Tight money is a reality, not only in Canada, but throughout the world. Both in Europe and America, heavy demands for capital have continued. This occurred, despite the warlike complications and political unrest in Europe and the trouble in Mexico. These at least are signs that at its foundation, the situation is substantial. High money rates are likely to prevail abroad for some time to come. That will have its effect in this country. Indeed, there are indications that tight money has already come for a fairly lengthy stay. The January statement of our chartered banks to some extent reveals the position. Demand, or business, deposits during that month dropped $25,000,000, or 6.6 per cent. Domestic credit was curtailed by about $7,000,000, or 0.7 per cent., and circulation declined sharply by $16,000,000, or 14 per cent. Even more striking were the withdrawals of funds abroad by our banks. Call loans, largely in New York, were reduced $13,000,000, or 12.8 per cent. Every important account, however, showed a large increase over the figures of January, 1912, and the people's savings continued to increase slightly, despite the stringency.

The effect of present money market conditions will probably be to make Canadian borrowings in London, difficult, even at high rates of interest. It will probably quieten industrial and business activity in Canada during the spring and summer months. In the meatime, we shall soon be figuring again as to what sort of crops Providence and the Ontario and Western farmers will give this year.

BANK MANAGEMENT

The personal factor, after all, is one of the most, if not the most important in business. In the Farmers Bank, that factor was extraordinarily weak. Not only was the general manager dishonest, but subordinates were either dull-witted or afraid of losing their jobs. The bank tottered and crashed.

In his report of the investigation of the bank's affairs, Sir William Meredith places the blame for the failure upon the management.

"The subsequent management of the affairs of the bank," said Sir William, "was characterized by gross extravagance, recklessness, incompetency, dishonesty and fraud, and has resulted in the entire loss of the paid-up capital and the whole of the deposits, and, after allowing for all that can be extracted from the shareholders on their double liability, a loss amounting to no less than $1,806,437, making a record unparalleled in the history of any bank in Canada, or, as far as I am aware, in any country."

The two chief lessons to be learned from this failure, it would seem, are that greater safeguards must be taken at the time of a bank's organization, and that it should be possible for a suspected bad management to be visited by the proper authorities, without notice and without apology. These matters are dealt with by provisions in the proposed bank act, and without doubt should become law. Incidentally, the personnel of a bank cannot be too carefully chosen.