

IS THERE TO BE RELIEF FOR THE MONEY STRINGENCY OF THE WAR?

An unparalleled money stringency prevails throughout Canada as a result of the war. Extraordinary legislation was passed in an emergency session of parliament last week to help over this stringency. But the initiative in using this relief legislation was put absolutely in the hands of the banks—the government carefully "fenced themselves out" of exercising on their own motion the relief authorized. The title is "An Act to Conserve the Commercial and Financial Interests of Canada."

The question of the hour is, will the banks take advantage of the act and afford the relief that parliament contemplated, and for which there seems the most pressing need? And if not, will parliament reassemble and find some instrument other than the banks to use the powers of relief created?

It may not be amiss to observe that the Dominion Government by its legislation has taken no power to issue national currency against collateral other than gold, except by way of loans to chartered banks. No person or corporation (other than a chartered bank) can apply for Dominion notes upon the faith of securities in his possession, no matter how valuable they may be. What he may do is go to a bank with his collateral and the bank may redempt his paper, and if the securities are sufficient, obtain national currency therefor by way of loan. But the bank is primarily liable to the government and virtually guarantees the securities. For not only must the borrower persuade his own bank that he is good and that his securities are ample, but that bank must get the fiscal agents of the government, who may be the managers of rival banks, to recommend the securities offered, and after that the securities must be approved by the treasury board. Some process!

In short, if we read the Dominion Notes Act, as amended at the recent session in connection with the act passed at that session, entitled, "An Act to Conserve the Commercial and Financial Interests of Canada," we find that Dominion notes, or national currency, may be issued by the Dominion Government:

1. To the extent of \$50,000,000 upon a gold reserve of 25 per cent.
2. To any amount that the government may decide in excess of \$50,000,000 upon a gold reserve of 100 per cent.
3. To an unlimited amount upon securities to be approved by the treasury board and its agents.

Now it must be apparent that any considerable increase in the volume of our national currency must come under the third head. It is government money, to be issued against high-grade securities and prime commercial paper, which must help out and stimulate business if the business of the country is to be conserved and stimulated by the loan of the national credit. The clause in the law which permits the lending of the nation's credit thru the issue of the nation's currency provides that the governor-in-council may in time of war, or upon other occasions specified, by proclamation authorize:

The making of advances to the chartered banks and to the savings banks to which the Quebec Savings Bank Act, 1913, applies, by the issue of Dominion notes upon the pledge of securities deposited with the minister, of such kind and amount as may be approved by the treasury board; such advances to be repayable at such times as the board may determine, with interest at a rate likewise determined by the board of not less than five per cent. per annum.

Now it seems to be clear from the wording of the statute and from the discussion in the house last Friday that the issuing of national currency against commercial paper and other securities, except gold, will depend not alone upon the governor-in-council, but also and more intimately upon the chartered banks taking some affirmative action. The government will lend only to a bank, and will issue Dominion notes only against securities deposited by a bank.

The borrower must get a bank to apply to the government and become the primary debtor. If the bank refuses to act, he is powerless, and so, apparently, is the government. But, even if the bank does act, the securities offered must run in the opinion of the government's fiscal agents. If these agents, who will be officers of the "biggest" banks, turn down the securities, that will be the end of the matter; if they recommend the securities, the treasury board must still approve.

Will the banks encourage the issue of national currency, or will they put a silent veto upon the law and cause it to become stillborn?

Such is the law now; let us try to work out its application; and let us begin with the case of the Canadian Northern Railway and the Grand Trunk Pacific, two enterprises, in order to secure the completion of which, the government guaranteed in the one case forty-five millions of bonds, and in the other sixteen millions of bonds. The two railways have been unable to realize on these issues because of the condition of the money market. Now, in the case of the Grand Trunk, it does its business with the Bank of Montreal. Can the company go to the Bank of Montreal and will that institution take the company's bonds, guaranteed by the Dominion Government, and agree to endorse them—for that is what it is practically called upon to do, provided the fiscal agents of the government, in this particular case, a board of bankers in Montreal, approve of them, and that their report after approval is further endorsed by the treasury board at Ottawa, made up of three ministers? And after all these preliminaries are complied with, will Dominion notes or government money to the amount of the loan be deposited to the credit of the railway so that it can finance the things it undertook to do in the agreement made with the government when the guarantee was voted by parliament? And, in the same way, will the Bank of Commerce, bankers for the Canadian Northern, do the same thing?

If these two banks will undertake to do these things, and if the treasury board also approves, then money in the shape of national notes is in sight for carrying on the completion of the roads and the expenditure of millions of dollars in the way of work, in the labor camps, in rolling mills, and in other directions. This money in wages and in other ways will relieve the stringency.

And now we come to other cases where the legislation might afford relief. Take, for instance, the Province of Ontario. It wants money in order to finance a unit to the empire to help on the war, it also wants money for Hydro-Electric construction, bonds for which purposes were floated, but proceeds for which cannot be realized at the present time. The other provinces also want money; the municipalities also want money, and perhaps the City of Toronto; and many places in this province have either bonds or short-term notes which they can use for special purposes; but the question is can they get banks to guarantee them to the fiscal agents of the government, and can they persuade these agents and the treasury board to approve of them so as to get national notes for the works in question?

Then there are other securities which can be presented in this same way in this carefully guarded plan for conserving the commercial and financial interests. But on they pass the securities? We have already heard of relief having been asked under the new act and the application being stalled. We do not for the moment undertake to vouch for this statement until we make further enquiry.

In a word, whether there is to be relief to the country by way of the emergency legislation of last week absolutely appears to us to depend upon the banks, and if the banks do not think the proposition good enough, or if they do not care to assume any risk in connection with it, it will be almost impossible for the country to obtain any relief whatsoever, notwithstanding the special session and the special act "to conserve the commercial and financial interests of Canada."

But let us pass from the question of relief by way of Dominion notes and come to another measure of relief which occurs in this law "to conserve," etc.

By sub-section "c" of section 4 of the chartered banks are authorized to issue excess circulation to an amount equal to fifteen per centum of combined capital and reserve, at any time between the first day of March and the last day of August. They already had and, of course, still have authority to issue such excess circulation between the first day of September and the last day of February. The legislation dates back to the financial stringency of 1907, when Hon. W. S. Fielding, then minister of finance, issued ten million dollars of Dominion notes as a loan to the chartered banks. His action was validated at the next session, and, as a measure of relief against anything like another currency famine, the banks were authorized to issue excess circulation to the extent of fifteen per centum of their combined capital and reserve during October, November and December. This was to enable them to move the crops, and Hon. Mr. White, when he revised the Bank Act, extended the privilege to five months. By the legislation of last week the banks now have power at any time to increase their circulation. In short, the banks have general authority to increase their circulation, subject, however, to a tax of 5 per cent. upon the circulation in excess of their paid-up capital.

If, under this measure, we take the bank capital as paid up at \$115,000,000 and the rest at over \$115,000,000, we have practically \$230,000,000 on which the banks can issue 15 per cent. of their own notes, or almost an additional \$23,000,000. In this case the initiative is again on the banks. Will they put out this \$23,000,000 not only for the movement of crops, but will they put it out, or a portion of it out, for easing off the war stringency?

For instance, let us take one of the strongest of our Toronto banks, the Imperial, which by the new law is authorized to increase its bank note issue by over \$1,000,000. Will it take advantage of it, or will it rather take the position that the main thing to do in the present situation is to "keep strong" and out in its loans and ask its customers to do with as little accommodation as possible and wait for the times to improve? We can understand a number of banks not caring to take advantage of this emergency banknote power and therefore not helping to conserve the commercial and financial interests of the country.

All, therefore, comes down to this that unless the banks take advantage of the recent legislation there will be little or no relief, and if they fail in acting, then parliament must be reassembled and the whole question be reopened. For this reason we regret that the attitude of the government was to keep parliament in session for only four days and then to have it prorogued. Our idea is that the parliament of Canada, especially in times of stress, ought to be available at any

"This shall not be war upon our women and children"

HUSBANDS and fathers, sons and brothers may go to battle, but all the hordes of warring Europe shall not force them to leave grim privation and terror of want encamped at their hearthstones.

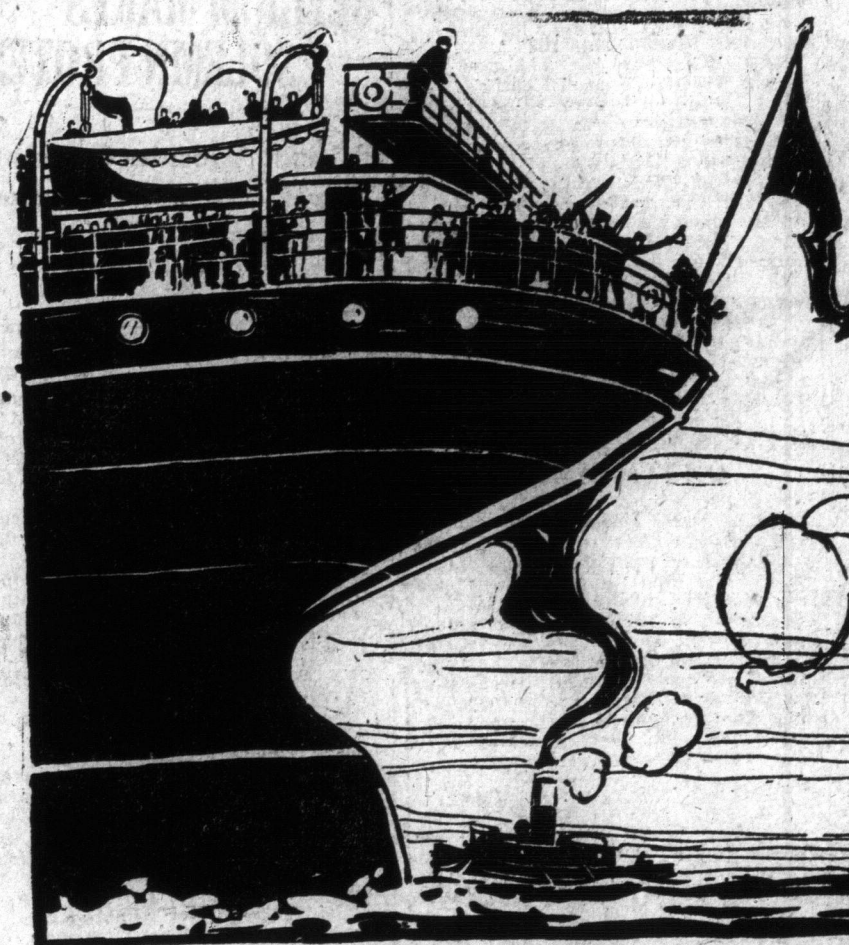
Not while we Britons who remain at home have a dollar left shall the women and children of our soldiers suffer!

Give! Give! Give! to the War Relief Fund

GIVE in the name of our own women and children, fortunately not robbed of their husbands and fathers.

We are face to face with the realities of war, more dreadful than we at home yet understand, but imagination needs no help in picturing what the war means to the women and children whose natural protectors have been taken from them.

With rent to be paid--with Winter coming and no fuel in the house--with the little children crying for warm clothing--with foodstuffs rising in price, war is, indeed, carried to the very hearthstones, unless we defenders at home stand in the way.



P.S. -- GREAT BENEFIT CONCERT
Massey Hall, Friday, 8.15 p.m.

Massed Bands of Royal Grenadiers, 46th Highlanders, Queen's Own, Governor-General's Body Guard, 12th York Rangers, and a splendid lot of soloists and patriotic dancers.
Tickets, 50c, \$1.00 and \$2.00. at FUND HEADQUARTERS and MASSEY HALL.

WATCH ARMY OF ITALY IS TRAVELER'S ADVICE

Every Able-Bodied Man in Naples a Soldier—Which Side Will She Take?

"Watch out for the army of Italy. It is, in my opinion, the only live organization in that country." Such was the comment of Norman A. Douglas of Toronto upon the European situation.

Mr. Douglas has recently returned from the great war theatre. "The thing that impressed me most in Naples," he continued, "was the fine physique of the Italian soldiers. It seemed as if every well built man in Naples was in the army. The first thing I saw on entering the city was a large force of bicycle soldiers. On every street you see detachments of infantry, and there are a host of barracks in the city."

upon the declaration of war. Should Germany force Italy to fight with her, the war situation will become enormously more serious."

FRATERNAL SOCIETIES TO ACT IN UNISON.

A meeting of delegates from all the fraternal societies in Toronto has been called for tomorrow evening at 8 o'clock in the Odd Fellows' hall, 404 Bathurst street, to discuss ways and means of contributing to the Toronto and York Patriotic Fund.