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Criticizing the Chartered Banks

WHENEVER trade depression has come to Canada, criticism of Canadian banks has arrived with it. In past years, many of those who complained of the banks did their full share in helping to crystallize the depression, usually by highly speculative and sometimes improper enterprises. The present position in the Dominion, which is causing inconvenience to everyone from the banker to the bootblack, is due largely to two reasons—to the economic readjustment, which commenced more than a year ago, and to the outbreak of war, which gave a sharp impetus to the readjustment and dislocated business and finance generally.

One of the first group of complaints after the declaration of war in August, arose because the banks would not advance as much credit as borrowers desired. These complaints were heard even before the slightest measure of gratitude had been bestowed upon the bankers, acting in conjunction with the Dominion government, for their remarkably rapid and very desirable action taken early in August to prevent financial disaster.

Complaints respecting the banks almost invariably come indirectly. They reach Mr. Jones through Mr. Smith, who was told the story by Mr. Brown, whose nephew is a bookkeeper in the office of Mr. White, who is a brother to a company director, whose son is president of a corporation which was refused bank accommodation. *The Monetary Times* has endeavored to obtain details of specific instances where bank credit has been refused and, it is alleged, improperly. Of all the gossip heard, we selected three of the most likely cases which looked like strong indictment of the banks. It is obviously impossible to give the confidential details of these cases, such a course being unfair both to the banks and to their clients. *The Monetary Times* has investigated thoroughly, weighed the evidence received and can come only to the conclusion that the banks in each instance took what was the proper and legitimate course. They took action such as any sane business man would take in similar circumstances in running his own business.

Irresponsible critics of the banks could spend their time more profitably by studying the national position. They will find that for some years past much of the prosperity upon which they, with others, have fattened, was due to the constant flow of British and foreign capital to Canada. This has stopped for the time being, and the result is inconvenient. As one banker puts it, "We have to dig down into our own pockets now."

Dr. Adam Shortt, discussing the situation in a public address at Toronto recently, stated that, generally speaking, we have in Canada enough constructive machinery and that what is necessary now is more production from

the plant which has been installed. This is largely true. Our development has been very rapid and practically all upon British and foreign capital. The supply of capital is now stopped on account of the war. We cannot ask the Canadian banks to take its place. That is not their function, besides which it would be bad business for national credit. A curtailment of expenditure was due anyway, as the country had come to the end of an unusually active period of construction, and the beginning of a period of what it is hoped will be heavy production. The transition of the one to the other is involving some hardships. It means the transfer of labor to some extent, of economy in expenditures and of efforts to direct capital into some new and productive channel.

The banks' chief duty is to see that they are prepared against all contingencies. Discussing the position of the banks in the present crisis, Dr. Shortt referred to the popular cry in certain quarters for them to come to the rescue just now and provide money to maintain the city and railway construction which had been going on and had been supported by British capital. "That would be perverting the function of the banks," said he, "which is simply the facilitating of exchange. 'You cannot,'" he continued, "by adjusting the banking system create one more mouthful of food. The money-lenders abroad must be paid by bills of exchange or counter goods, and not by Dominion notes."

Mr. J. W. Flavelle in a recent public speech said: "Let us bear in mind this is not the banks' trouble. A great number of us seem to have the impression that the only reason that we are unable to borrow all the money we need is because the banks are unreasonable and won't lend it. After all, the amount of resources which we have liquid in this country is comparatively limited. What do our friends the bankers have to do? They are trustees to hold these liquid resources of this country available for the need of this country, distributing them as best they may over the largest surface possible to accomplish the best result."

The same point was made in an interview recently given by the general manager of a chartered bank. After stating that the Canadian banks would still stand in most intimate relationship with the manufacturing, agricultural and commercial life of Canada, he added: "Now, the role so long played cannot be cast aside, even if the banks wished to do so; which, as I need not say, they have no desire to do. At the same time, the banks must of necessity be very careful what they do with the people's deposits at this trying time. We must, above all, see to it that we keep our assets liquid. While every aid will be given to legitimate business enterprise, we must be