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SAFETY FIRST.

At such a time as the present, it is inevitable that those who are in charge of the machinery of credit should be afflicted with a multitude of would-be counsellors, who make up in noise what they lack in knowledge. Here in Canada, we have certainly a full share of them. There are the fiat money fanatics, who are obsessed with the idea that all that is needed to ensure boundless prosperity is the circulation as "money" of pieces of paper with certain mystic signs printed on them—the more the better. There is the "hurrah" school, much favored in the newspapers at the present time, who imagine that new foreign markets for our products are to be secured for the asking. More numerous than either of these are the excellent people who can't see why public works should be discontinued, factories closed down and considerable distress be allowed to prevail at a time when in the general interests of the community it would seem almost imperative and certainly highly desirable that they should be carried on.

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Fortunately for Canada, the fiat money fanatics, noisy as they are, are not likely to make any impression on the sober commonsense of those in authority, and the "hurrah" school can be safely left to find out for themselves that nothing can be achieved without working for it—not even the capture of new foreign markets, made ready for occupation by the hazard of war. The third class of malcontents deserve much more attention. Their views are extraordinarily widespread, and unless they are persistently and effectively controverted, they will through their apparent reasonableness and moderation, eventually develop dangerous proportions.

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The fundamental fallacy of those who hold this view is that at a time like the present the primary duty of the banks which are the controlling credit institutions of the country is to finance trade and industry so that it can as far as possible be conducted on normal lines, and thus a measure of economic well-being be preserved

to all classes of the community. The fallacy is plausible, but it is, in fact, nothing more than a fallacy. The primary duty of the banks at such times as the present is to maintain unimpaired their own stability, and to that they must subordinate every other duty that is normally theirs. If the banks' safety becomes impaired, then the whole structure of credit goes at once; there is a cataclysm. If the banks can maintain their own stability and at the same time finance trade and industry well and good; if they cannot do both, then trade and industry must wait until the crisis has been passed, so that the banks can concentrate their efforts on their own stability, and thus preserve the general structure of credit from catastrophe.

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In Great Britain, as in Canada, the fallacy that the primary duty of the banks in the present time is to further commerce and industry has made considerable headway. Even Mr. Lloyd George has succumbed to it. He gave out the other day that the Government guaranteeing of bills had been done, not to strengthen the position of the banks, but to enable them to finance the trade of the country during a difficult period. For this utterance, Mr. Lloyd George is severely taken to task by the *London Economist*, an authority with the weight of whose opinion Mr. Lloyd George can hardly hope to compete. "In times like these, with the Stock Exchange closed, and paper securities practically unsaleable," says the *Economist*, "banks cannot lend freely, certainly not adventurously. Even with the assistance of the Government guarantee of bills, banks cannot be in the same liquid state in which they were before the war, and what is far more important than the question whether a few hundred factories and a few thousand merchants should be financed on borrowed money (to enable them to stock goods in a falling market) is that the safety and security of the banks themselves should remain unimpaired. We should be sorry indeed if the Government were to bring pressure upon the banks to lend money freely on bad security, or on no security. . . . The Chancellor of the Exchequer gives out, in the passage we have quoted, that the Government guarantee was granted,

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