

The Government as a Bank Customer in War Time

How Government Business with the Banks has Expanded since the Outbreak of War

By H. M. P. ECKARDT.

Since the outbreak of war in August, 1914, many of the Canadian banks have had practically their first opportunity of carrying large or substantial government balances. The last two monthly returns contained a new heading "Balances due to the Imperial Government"; in April all of the banks excepting two, and in May all of them without exception, reported balances at credit of the British Government. In April these balances ranged from \$29,750 in case of the small Weyburn Security Bank, up to \$4,108,500 in the case of the Bank of Montreal; and in May the amounts ranged from \$29,625 up to \$1,841,250. These balances were created through crediting the proceeds of the loans granted by the banks to the Imperial Munitions Board for the purpose of facilitating purchases in Canada. Apparently the banks purchased outright the British treasury bills on which the loans were based; and the effect was to increase their holdings of securities as between March 31st and May 31st by roundly \$65,000,000.

Financing the Munition Business.

In view of its close connection with Canadian trade and industry, this large increase in security holdings should be considered conjointly with the movement of the ordinary commercial loans and discounts in Canada. In other words it might be taken as in some respects similar to expansion of the home commercial loans, this being recorded in a different form, however, in the monthly return. No announcement has been made regarding the exact rate of interest borne by the loans, but the general understanding is that the banks get at least 5 per cent on their money. Then they might perhaps increase their net returns by a fraction of 1 per cent through the use of government balances prior to withdrawal or disbursement; but the additional or collateral profit thus realized will be much smaller than generally thought — for, owing to the imminence of the liability it is rarely possible to make anything of consequence out of such balances as these. The bankers find it necessary to carry practically the whole amount in the form of cash reserves.

Glancing through the list of balances one notices that all of them are in round amounts. The natural inference from this is that the Imperial Government's accounts in Canada are worked in the same way as the Anglo-French commissioners last year handled the proceeds of the \$500,000,000 loan in the United States. In that case the funds were left at the outset with the banks that took the bonds; and then the commissioners at intervals directed the depository banks to transfer a certain percentage into the joint central account in the National City Bank, New York — the funds being checked out to the payees from this central account.

Participation in Government Business.

All of this business with the Imperial Government is entirely new for most of the banks. With reference to the enlargement of the Dominion Government's banking transactions, the case is somewhat different. The monthly Government returns prior to 1914 show that nearly all of the banks have been accustomed to carry a certain amount of deposits at credit of the Dominion Treasury, but with the exception of four or five banks the amounts involved were small. In ordinary times these balances are created through the receipt of Dominion revenue in the various parts of the country. The bank branches most conveniently located receive the monies collected by the Dominion officials, and transfer them to Ottawa for credit of account. As a rule disbursements are made from the Government's main accounts in the Bank of Montreal. Thus, from time to time as the balances accumulate, the funds are transferred by the different departments from the other banks to the Bank of Montreal. The principle generally followed is to transact the Government business in each province through the bank or bankers first established. The Bank of Montreal has much of the Dominion Government's business in Ontario, Quebec, New Brunswick, Nova Scotia and Saskatchewan. In Nova Scotia the Royal and the Bank of Nova Scotia participate extensively; and in Prince Edward Island the Bank of Nova Scotia is principal banker for the Dominion Government. In Manitoba the Merchants' Bank of Canada acts prin-

cipally; in Alberta the Imperial has a very considerable share; and in British Columbia the Canadian Bank of Commerce does most of the Dominion Government business.

War Loan Participation.

During the war period, all of the banks have participated in lending to the Dominion Government by means of buying War Loan bonds. Their increased holdings of these were acquired on the pro rata basis — each bank having the opportunity of taking the same fixed percentage of its capital. In this case also the proceeds were left on deposit with the subscribing banks; and not only that but each bank was permitted to carry for the time being the deposit represented by the subscriptions of its customers. The special balances thus carried at credit of the Dominion rose to the highest level in January — this being the month in which subscribers were allowed to discount their unmaturing installments at 4 per cent. Altogether the balances at credit of the Finance Minister in Canada then exceeded \$65,000,000 — the individual banks holding amounts ranging from \$59,527 up to \$13,178,592. The \$65,000,000 here mentioned was \$50,000,000 or so above normal. By the end of May the aggregate of the Dominion Government deposits had receded to \$21,500,000, which sum is only \$10,000,000 or \$12,000,000 above normal. Assuming that the banks take an important part in financing the domestic War Loan of 1916, there will be a further large expansion of the Government deposit balances. In connection with

this enlargement of business with the Dominion Government, the banks get practically 5½ per cent on such amount of the War Loan bonds as they originally subscribed for and still hold; and they would make another little fraction through using a small part of the balances lying in their hands.

Business With Provincial Governments.

Although the business of the banks with the provincial governments has enlarged since the outbreak of war, the enlargement here has not been so sensational or important as in the other cases referred to. The provincial balances have been running from \$3,000,000 to \$5,000,000 less, while the loans to the provinces during the early stages of the war showed a considerable increase. Latterly, since our good friends the Americans began to take our Government and municipal bonds freely, the loans to provincial government have subsided again to the normal level. The provincial government business goes mostly to seven or eight of the banks. According to the May bank statement, the Union held the largest amount — \$6,300,000. Its connection is with governments of Manitoba and Saskatchewan. The Merchants' and the Imperial follow with around \$2,800,000 each. The former now has a considerable participation in Manitoba banking business, while the Imperial besides having a share of the Manitoba business carries considerable balances for Alberta. The Commerce acts as banker for British Columbia; the Montreal acts for Quebec, Prince Edward Island, and New Brunswick, sharing the business of the last-named province with the British. Nova Scotia's account is divided between the Royal and the Commerce; Ontario's is split up among a number of banks; and the Northern Crown participates with the Union in Saskatchewan's business.

Altogether, in British, Dominion and Provincial Government balances, the banks held on May 31st, \$56,000,000 at Canadian branches. To this should be added the balance at credit of the Finance Minister in the Bank of Montreal at New York and at London. This would probably bring the total to \$100,000,000.

The Empire's Productive Ability

Industrial Re-organization after the War must, according to our London Correspondent, Recognize Women's Place in Industry

By W. E. DOWDING, London, Eng.

It was one of my constant reflections before the war that everything in commercial and industrial life was being speeded up. This was partly due to the annihilation of distance and the improved methods of transit, but it was also due to a quickening of commercial methods. Progress along these lines is bound to accelerate and its acceleration before the war, though it was immensely gratifying, was no great surprise to students of the world's trade.

The war has given a tremendous impetus to this progress. Never before in the world's history have things been done so quickly. The raising of great armies has shown that we possess in all parts of the Empire men of commanding organizing genius. The conversion of our productive energy to munition work has revealed an adaptability that was almost unsuspected. The transference of men and women from one activity to another has revealed a potentiality whose limits no man can foresee. All this indicates that even when the impelling demands of war have ceased our industrial life ought to remain at a higher standard of speed than it was before.

Women in Industry.

But there will arise the eternal difficulty between the will and the reward. In this country at least, that difficulty will come up for settlement at two points. The first concerns the standard of wages, and the second concerns the continued employment of any large body of women in the new work to which the needs of war have introduced them. In part, the two points may be considered together, for I am afraid our male workers will, with difficulty, be convinced that the permanent occupation of the ground gained by the female workers will be prejudicial. They will probably argue that even if the wages of women are maintained at the war level, the retention of women in their new industrial undertakings will tend to retard the rise in wages which organized labor is always striving for, so that in ten years time, say, the men workers will be worse off than if they had not consented to work side by side with women. That is the way argument will be stated, and looking

at it selfishly from the male industrial workers' point of view, it has force.

On the other hand the productive capacity of all parts of the Empire is being impaired every day by the awful ravages of war. If the labor of women is not retained in some measure we shall enter upon the period of peace worse off in this respect than we were before. The natural acceleration of speed would catch up the leeway in time, but for a while the British Empire would be doing less work in the world than it was doing and ought to be doing. I imagine that the enemy countries will find the means to make up their losses in productive capacity by arranging for the permanent employment of women, and if we are not to fall behind we must do the same. This is a much greater matter in the world of trade than anything that can be done in the direction of tariffs and other artificial stimulants and encouragements.

The Individual Productive Capacity.

The demands of war have also increased the individual productive capacity. The individual is doing more work, and with the aid of modern appliances is working up more material, than at any period in history. I do not forget — the trade unions in this country will not let us forget — that this speeding up is being done on the understanding that when peace returns, industrial life will go back into its old pace. But unless the organizers of labor are exhausted by the strain of these long months of war, they will not allow a return to the old pace without a struggle. It is inconceivable that we should celebrate peace for ever by doing less work than we have proved ourselves capable of doing. I do not mean that we shall work longer hours, but that we should continue to put our backs into it and make every day yield its utmost. It may even be possible to compromise by still further shortening the hours of active labor, and the eight hour day, which is now a reality in some parts of the Empire, and in many industries in all parts of the Empire, might become an established fact.

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