

TURNING OUT MONEY TO ORDER

Dr. Adam Shortt, of Ottawa, Tells Why Government Machines and Banks Cannot Do It

The policy and functions of the Canadian banks were discussed by Dr. Adam Shortt, in his recent address to the Canadian Club, Toronto. "Someone says," he remarked, "If it is true that borrowings from Britain are falling, and we cannot keep up all our industries, cities, and so on in Canada, what is the matter with our own banks? Cannot they lend the cash, as they applied for the necessary power to suspend specie payments? There is nothing to prevent the banks from advancing moneys, and handing out Dominion notes to the extent of hundreds of millions to take the place of this borrowed money from Britain, and so let ourselves down very easily."

"But what would be the effect of this?" asked Dr. Shortt. "Let me first give you figures of the reaction that had taken place up to the outbreak of the war in the month of July. For the month of July, our imports declined \$16,000,000, and for the year ended with July, \$123,000,000. The revenues of Canada declined \$3,000,000 in July, and in the year ended with July, \$20,500,000. Our exports increased in July \$8,000,000, and during the year, \$66,250,000. When there comes a stoppage, a crisis,—while not a very severe crisis, but a slowing down,—while we cannot pay out lavishly to carry out our enterprises, we give our production in the cities a chance to catch up on us. We have not the money to bring in imports as we did before. We have not the money to pay for the consumption here in Canada of all we produce. So our imports are cut down, and our exports are increased. This is a spontaneous adjusting of our affairs, and if that goes on, we shall get to a stage when we shall not be running our heads, at any rate, any more into debt, but preparing to get out of it."

Of the Trade Balance.

"You say, 'What about the banks? Cannot they hand the stuff out?' Let me first point out this. If the banks could come to the rescue of the situation, and could maintain production and all that city building, railroad building, and all that expenditure of capital, and by this means we would maintain the situation produced by our borrowing hundreds of millions in England, and keep our importation at the enormous difference of three or four hundred million dollars above our exportation, do you expect that the people of Britain are going to take Canadian bank notes or Dominion Treasury notes for that? No, indeed! They want the interest and payment for their lendings, and unless you can furnish it in bills of exchange or coin they are not going to take it."

"It is foolish, therefore, for us to attempt to keep things going in that way. But beyond that, what is the sense in perverting the function of the banks? What is the function of the banks? To facilitate exchange. There have been bankers in this country who did not know the difference between a mortgage and a note? In other words, they invested their money where they could not get it easily, in mortgages. They had not invested it where the people could get it. If the banks could not collect, they would not lend."

Might be a Bank Run.

"Take an ordinary bank sheet; you find a million or two of capital subscribed, and paid in, and another million or two of rest fund. Beyond that a bank has nothing but what is paid into it and what is paid out; that is, its deposits and discounts. Now it is perfectly sound banking for banks not to guarantee anybody, because they have to protect every depositor. If they did not, there would be a run on the bank. But the notes will come back on them, and they have to pay discount. Just such a thing was experienced in the Southern States. During the war, it is said, a man took his money to the bank in his pocket, and brought back notes for it in a wheelbarrow. But at the close of the war the thing was reversed, he took his notes back in a wheelbarrow, and brought back his money in his pockets."

Cannot Work Paper Machines.

"You cannot by manipulation of the banking system create one more mouthful of food. One real function of the banks is to move the crops, to enable a man to purchase a large amount of grain in the West, ship it to Winnipeg or Fort William, there to sell it, either loading it into cars or placing it in storage, send it to the Old Country, where the bank pays for it, and he can start all over again. The Dominion Government is simply there to facilitate that by

doing the same thing. The Dominion Government cannot pay its debts out of its paper machines. Simply as it facilitates exchange and furnishes a convenient medium of finance to help while adjusting things, does it perform its function. It is utterly nonsense to criticize the Government for not handing out more money by setting its paper machines to making hundreds of millions in notes. The majority of managers of banks have kept to dealing in notes, not mortgages; but some did not keep to that, and have come down. The history of banking is strewn, indeed, with wrecks of that kind—trying to carry manufacturers because the manufacturers could not pay their debts. All this nonsense, therefore, that is sometimes talked in the papers, is sapping the vitals of Canada and our sound finance."

AID FOR THE WOUNDED

Have you done your best for those who are doing their best for you?

Money is the first and most urgent need of the Canadian Red Cross Society. It can at any moment be converted into the most necessary supplies and can be easily sent to any place.

The Red Cross Society is organized to collect money and goods for the relief of the sick and wounded in war. Its head office and receiving warehouse is located at 77 King Street East, Toronto. Fight or pay.

NOW IS THE TIME FOR LIFE INSURANCE

We have never known a time when the outlook of the life insurance business was so encouraging as at the present time. This is a candid talk between intimates, so we need not shut our eyes to the fact that cash is scarce just now and mighty cautious. But that very caution is a good thing for life insurance. Squandering-time is over, caution-time is here and here to stay. And life insurance is caution signed and sealed! A life policy is the corner-stone of all caution. This is part of a recent message of the Great West Life Assurance Company to its men in the field.

Men who once pooh-poohed at life insurance are now dipping around to see "what it will cost to take a little—not wanted now of course, too hard-up—but what about it anyway?" We wish you could see the scores of enquiries we have by mail from men who obviously have never stayed around when the life agent came along. If you could see how men who can't raise a dollar elsewhere are creeping out of holes through their policy loans, getting cash and a heartier respect for life insurance than they have ever had before. If you could hear the way men talk who do carry life insurance and would be fretting themselves grey just now if they didn't. And if you could read the letters that we read from beneficiaries and others.

The fact is, that life men and the farmers are facing the chance of their lives. The farmers know it and are ploughing "like demons possessed." Not a single man of them will get a solitary grain from the field till next spring, but what of that? They will get it and work early and late, cheerful in the prospect. Some of you are in the same boat. You won't get your crop till later—but will you ever get it if you don't work like demons possessed in ploughing up the ground?

When the tide will completely turn is not our business. What we do know is that the attitude of mind towards life insurance has already turned. Men have always needed life insurance. Now they want it. It will not be long before they realize that if they can somehow pay for bread and butter they can pay for life insurance.

While reading the war news, which almost monopolizes attention now, you are missing much of financial and business interest. You can catch up by getting *The Monetary Times Annual* at the end of the year—the best record of the most eventful year in finance, business and commerce.

Mr. C. Schnell, of Paterson, N.J., has visited Kingston, Ont., on business connected with the establishing of a feldspar plant there. He is a German-American, and understands the reduction of potash from feldspar, of which there is a large amount close to Kingston.