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SMALL BONDS AND SAVINGS

Mr. E. N. Lewis, the member for West Huron, Ontario, in the Dominion Parliament is much exercised in mind about the hoarded wealth that exists in Canada stowed away more or less safely in teapots and old stockings. In order to tempt out this hoarded wealth into circulation, Mr. Lewis is asking the Government to issue bonds in sums of \$10 and multiples thereof bearing interest at 4 per cent., redeemable on demand, and place these for sale at every money order post office.

It would be interesting to know if enthusiasm in the cause of practical economics is the only motive that leads Mr. Lewis to take such a keen interest in the humble teapot and the ancient stocking. Remarks of his elsewhere suggest that the scheme is partly one for the lowering of the banks' profits which Mr. Lewis considers are large. However that may be, the proposal of Mr. Lewis is worth discussing on its merits. But we are not particularly enamoured of it. There is a good deal of sentimental talk about the advantages of making Government bonds available in very small amounts, but the facts show that the mere provision of these bonds does not create a demand for them. The Canadian Government several years ago tried the plan of issuing baby bonds of \$50 and upwards in England. The result was not very encouraging. A number of applications for bonds of less than \$500 were received, but there was no indication that any widespread demand was met by the issue of these small bonds. In time, no doubt, something could be done. But it would need a very long process of education before the demand would be anything more than occasional. Those who adduce in this discussion the classic example of the holdings of French Government bonds by the peasantry of that country, forget that the present condition of things in this connection is not the creation of yesterday, but has been built up only over a prolonged period of years and under political circumstances which have had an important influence.

Mr. Lewis seems to think that the teapot and stocking hoardings of Canada are very considerable. They may be, but we should doubt it. There are few countries where the banks collect deposits so diligently and where banking facilities of the ordinary type are so largely availed of as in Can-

ada. Both their energy in pushing branches and their reputation among the people are factors tending to increase the banks' deposits and to reduce the teapot and stocking hoards. Here and there, instances are no doubt to be met with, of persons who are entirely ignorant of the methods of dealing with a bank, and others who are suspicious of them for some reason or other, or more probably, none at all except ignorance, like the individual who some time ago wrote to a Toronto weekly journal which hands out financial advice, to ask if the Bank of Montreal was a safe deposit for ten dollars. But in the case of these ignorant and suspicious small capitalists, if government bonds such as Mr. Lewis suggests were issued, they would probably do nothing more than has been done by the banks to get hoarded money into circulation. People who distrust the banks would equally distrust government bonds; the bonds, when they were heard of, would probably be imagined to be some new kind of device for taxation. Moreover, it is certain that people would not purchase bonds of this kind at local post offices. Country-folk so suspicious of others as to hoard their savings in teapots are not likely to take those savings to the post office to have them, as they will imagine, and perhaps rightly imagine, gossiped about through the whole community.

If Mr. Lewis really wants to encourage thrift (and in Canada it wants a deal of encouragement) he should try some other scheme which does not run counter to the prejudices of country-folk. He might, for instance, encourage all the school children in his constituency to open a savings account at their local bank, and if it does not come within the meaning of bribery and corruption, provide each of them with a money-box to hoard coins until such time as they get the necessary dollar for a savings account. In doing this, Mr. Lewis will have the satisfaction of knowing that not only is he encouraging thrift, but that he is following sound economic lines. For the economic authorities universally agree that it would be bad policy for the Canadian Government to endeavor to supply its need of borrowed money at home and that the really economical and thrifty policy to follow is for the Government to borrow abroad and leave local savings available for our commercial necessities.