

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881.

PUBLISHED EVERY FRIDAY.

F. WILSON-SMITH,
Proprietor.ARTHUR H. ROWLAND,
Editor.

Office:

406-408 LAKE OF THE WOODS BUILDING,
10 ST. JOHN STREET, MONTREAL.

Annual Subscription, \$3.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, JUNE 16, 1916

BANKS' CAPITALS AND LIABILITIES.

There is an interesting discussion in the current number of the London Bankers' Magazine on the subject of the relation of the capitals (including reserves) of the British banks to their liabilities. It seems that between 1902 and 1915, the capitals and reserves of the British banks were increased only by £3,49,995. Practically all the surplus which remained of the profits after all expenses, including dividends had been paid, has been employed for the last 15 years in writing down the value of the securities held and premises. This writing-off, it is estimated, has amounted in the fifteen years to not less than £30 millions. For a number of years the proportion of capitals and reserves of the British banks to their liabilities has been steadily decreasing. From 1897 to 1904, it was 15 per cent.; in 1915 the proportion had fallen to 9 per cent.

It is interesting to compare these figures with the corresponding figures of the Canadian banks, which show a widely different experience. While during a prolonged period, the British banks have been hampered in the increasing of their capitals through the necessity of writing down securities, the Canadian banks, during the same period, have been able largely to increase their capitals in line with the development of the Dominion and in addition to providing for necessary writings-off. Between December, 1902, and December, 1915, the Canadian banks' paid-up capitals and rests were increased from \$117,313,121 to \$226,444,910 or by \$109 millions as compared with a less than \$17,500,000 increase in the capitals and reserves of the British banks. While the Canadian capitals and reserves have been thus largely increased, their proportion to the liabilities of the banks has fallen considerably, although the proportion is still much higher than in the case of the British banks. At December, 1902, the Canadian banks' liabilities were \$499,508,534 so that paid-up capitals and reserves were then in the proportion to liabilities of 23.5 per cent. At December 31st, 1915, total liabilities

of the Canadian banks were \$1,499,283,690, the proportion of capitals and reserves being accordingly 15.1 per cent. The 1915 proportion of capitals and reserves to liabilities of the Canadian banks was therefore some 66 per cent. greater than in the case of the British banks. It must be remembered that the Canadian banks are now in a period of rapidly expanding deposits, while for the last year or two the necessity of writing-down securities and providing for contingencies has put a stop to the increase in capitals through additions to rests. The effect of a return to normal conditions would probably be a slowing-down of deposits and an increase in capitals through additions to rests, so that the proportion between capitals and liabilities would be again upward. In any case, it is interesting to note that the proportion of capital employed to liabilities is considerably larger in Canadian banking than in British banking.

TRADE AFTER THE WAR.

(Continued from front page.)

marks the *Round Table*, "we feel instinctively the immense effort which every belligerent nation will put forward when peace arrives to be the first to re-establish on firm foundations its economic structure and to outstrip its competitors in production and in trade." It seems to be feared in England that economic recuperation is likely to be hindered by new quarrels between capital and labour, and it is possible that some amount of similar difficulties may be experienced in Canada. Undoubtedly, Canadian manufacturers will be, in many respects, in a considerably better position to handle foreign trade after the war than formerly, owing to the valuable lessons which have been learned in war production. Possibly, however, the greatest prospects for our manufacturers as a whole, apart from certain special lines, lie in a growing and prosperous home market. To secure that, there are four things necessary, the right kind of immigration, capital, the spirit of enterprise (in which the Dominion is certainly not lacking) and the systematic and scientific development of our natural resources at present undeveloped. It is in the rightful solution of the problems that surround these desiderata that our main hopes for the future lie.

More drastic action is needed, so the City thinks, on the part of the Government to compel economy at home, and almost all impartial observers are agreed that what is required is some system of compulsory investment whereby the class now earning such excessively high wages, should be compelled at one and the same time to contribute to the war-loan funds and be laying up a provision for the rainy days after the war.—*London Correspondent, N. Y. Evening Post.*