

by the main force of millions of borrowed money. That description of affairs in Wall Street may be found ultimately to apply, with certain modifications, to our own stock market boom in Canada.

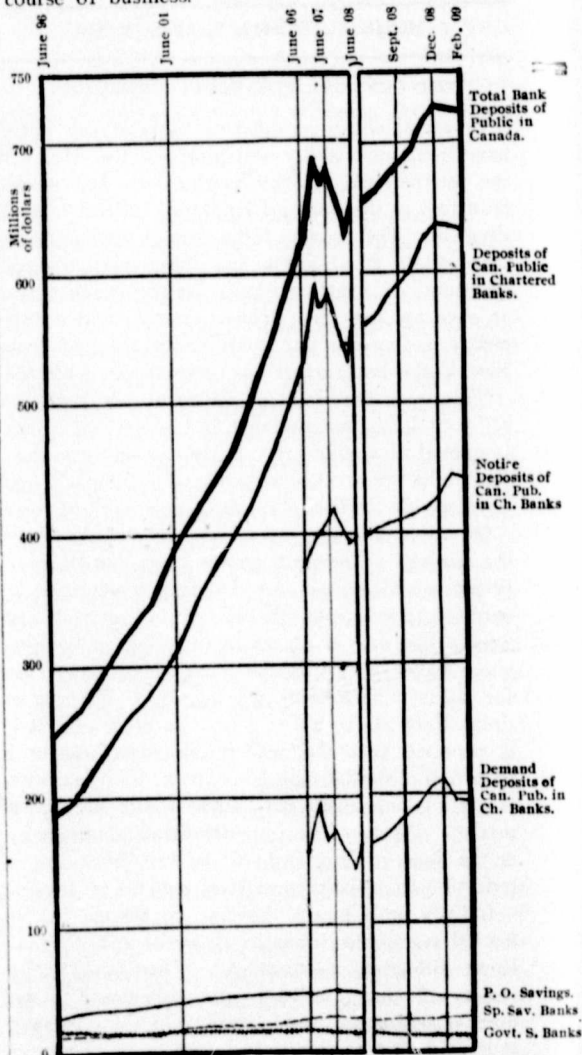
SOME BANKING DEVELOPMENTS IN CANADA— III: SAVINGS ACCOUNTS AND CURRENT BALANCES OF THE PUBLIC.

Rapid expansion of deposits, in the chartered banks of Canada, characterized the decade ending with December, 1906. This expansion was, in the main, concurrent with an unprecedented growth in commercial loans. As pointed out a week ago, deposits—especially of the demand class—originate largely as contra entries in the banks' books. When loans and discounts are granted, the borrower leaves a large part of his loan as an available balance to be drawn upon in the ordinary course of business. Early in 1907, the banks recognized the desirability of crying halt to business and speculative expansion. Fresh borrowings were thus increasingly difficult to obtain. Manufacturers and dealers began, therefore, to draw more closely than usual upon their credit balances with the banks. The result was that, while current loans in Canada continued to increase during the first half of 1907, demand deposits showed a net decrease—thus reversing the normal course of concurrent growth. Though demand deposits (as composing the more immediate banking balances of business men) were first affected by this movement, the decreasing trend was soon observable for all deposits in the chartered banks. Then, too, during the latter half of 1907 and the opening months of 1908, the application of the brakes had brought about marked decreasing of loan accommodation—a trend which is only lately beginning to show signs of reversal. But deposits in the chartered banks increased again steadily from March to the close of 1908. In January, 1909, came the first decrease, after many months, in deposits in the chartered banks—a decrease which was continued in February, so far as deposits by the Canadian public were concerned. As has been hitherto noted, deposits abroad increased considerably during February—largely as a result of funds obtained abroad from proceeds of Canadian security flotations.

The effect of changing business conditions upon savings accounts pure and simple, is impossible to ascertain from a consideration of the deposits of the public in chartered banks. It has to be remembered that all notice deposits there are by no means savings deposits, in the sense in which the latter term is generally understood. Among them are many large special balances kept by rich individuals or corporations. At times of special business need, or when investment market offerings are

attractive, such funds may be more or less rapidly withdrawn—tending, it may be, to swell demand deposits for the time being.

Nor are the accounts with the special savings banks (aside from Post Office and other Government Savings Banks) entirely made up of savings deposits. Many tradesmen in the cities of Montreal and Quebec keep their current balances with the City and District Savings Bank and the Caisse d'Economie; and their deposits, while nominally at notice, are in practice drawn upon in the daily course of business.



It is, therefore, to the Post Office and other Government Savings Banks that we must look in gauging the effect of good times and hard times upon the 'accumulations of the thrifty,' among the wage-earning class more particularly. These two forms of institutions should be considered together; because of late years the closing of offices of the