

# The Chronicle

## Banking, Insurance and Finance

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### OUR BANKS AND THE FINANCIAL SITUATION.

What made the recent slump in the New York stock market so exceedingly bad was the involvement in distrust of the credit of certain important banks. The financial markets in the States and here have shown pretty well before this their ability to stand very severe breaks in security prices so long as the credit of the banks and other great financial institutions is maintained unimpaired. On this especial occasion, however, after confidence had been generally weakened by a long and severe decline in security prices, a bank of considerable importance in New York city had to confess one morning its inability to meet its clearing house obligations; and besides, the Clearing House bankers stated officially that the affairs of certain other banks were under their scrutiny and that they might require assistance, and after that came the fierce attacks on the big trust companies. Naturally such unusual developments struck panic into the hearts of holders of stocks and of bank depositors. The crisis in New York is being safely surmounted because the able bankers at the head of the Clearing House struck right to the root of the trouble in their remedial measures. Before they would lend the assistance that was required to save the Mercantile National from failure, they insisted on the resignation of the men who had got it into trouble.

The importance of this episode can hardly be overestimated. It means that the great banks of New York city have come out flat-footedly to stop the trafficking in banks that has been going on there for some years. The people of the country have been somewhat confused on this subject. A great many held the notion that the big New York banks were hand-and-glove with the men whose activities in buying up control of banks were noised all over the country. The New York bankers have shown, without a shadow of doubt, that such methods are as repugnant to them as they are to the country

bankers. By their action they have taken a long stride upwards in the estimation of the whole country, and they have done something that will, in time, have an effect in lessening the suspicious hostility with which the plain people have regarded the metropolitan bankers for a long time.

So far as the situation in Canada is concerned it is of the greatest importance that people should bear in mind that Canada is entirely free from the practices that have been working mischief in New York during the last few years. The spectacle of millionaire adventurers going round buying up control of our banks is something we have not seen, and which we are not likely to see. All our banks, great and small, are owned and run as they have been for many years. The small stockholder, with his odd lot holding of 5, 6, or 7 shares, has the indisputable majority. And the managements are the identical ones that have built up, through the course of years, solid and confidence-inspiring institutions.

The special circumstances of the past year have not at all impaired the general faith of the country in the banks. The people of Canada are shrewd enough to know that the stringent conditions here are in nowise due to weakness in the banks. Despite what misinformed politicians, or other interested parties, tell them, they are quite well aware that the whole civilized world is suffering from the same trouble. All through the summer the banks have been slowly but steadily gaining strength. The September statement as noted in THE CHRONICLE of last week, is the sixth consecutive monthly showing of gain in percentage of cash assets to net liabilities. The money is being provided to handle the Western crops, and there is every indication that that operation will be managed without trouble.

The local stock market upsets were plainly due to outside causes. The first resulted from the disappointment and loss inflicted on the holders of the Detroit and Toledo street railway shares. The second was the result of the New York panic. The behaviour of the home Canadian stocks was very satisfactory. Canadian Pacific especially held well in the face of great demoralization in two markets. No doubt the good showing made by our stocks will have its proper effect in inducing our own people to prefer Canada in their future investments.

In connection with such events as the great Heinz-United Copper slump in New York, and the Detroit United collapse here, it should be remembered that the banks, as well as the stock speculators, are liable to panic. There can be no question but that ruthless and hasty calls for margin by the banks on such occasions do much to aggravate the crisis. The older and cooler headed bankers are