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THE BANKS AND BUSINESS.

A good deal of the criticism regarding the banks which is heard from time to time appears to have at the back of it the idea that the banks are not sufficiently willing to support Canadian business by loans, and that, in fact, they do not lend to the extent of their ability. It is perhaps natural that an individual who has failed to convince his banker of the super-excellent quality of proposed collateral, or who has been unable to make his banker share the undiluted enthusiasm which he feels for some pet scheme as a genuine and unparalleled money-maker, should harbour some feelings of this description. But it might be supposed that common-sense would inform others that since the banks are not in business merely for their health, and loans are the chief means by which they secure a revenue, that it is not probable they would designedly lose good opportunities of utilising their funds, and that when they follow a policy of restricting loans or decline to enter upon certain business they are guided by considerations of prudence and not merely following a whim to check Canadian business, or keep down a rising business man. The difficulty in this, as in many other political discussions, is that so many people when they come out to talk, leave their common-sense at home.

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The most effective reply to the captious critics is to be found in the banks' own figures. At November 30th last, the Canadian public deposits of the banks comprised \$406,735,171, demand deposits and \$714,219,286, notice deposits. At the same date, their Canadian loans comprised call loans, \$83,203,787; current loans and discounts, \$777,162,563; loans to Dominion Government, \$5,000,000; to provincial governments, \$4,633,472 and to municipalities, \$41,064,550. The total is over \$911 millions. That is to say the banks had loaned in Canada, an amount equivalent to the whole of their notice deposits and some fifty per cent. of their demand deposits. At the same date,

they held in Canadian securities probably \$75 to \$100 millions—equivalent to another 20 or 25 per cent. of the demand deposits. Considering that it is impossible to employ at all a certain proportion of the demand deposits, while a considerable amount of the notice deposits are only nominally notice deposits and are in fact paid on demand, and that cash reserves must be maintained, it is difficult to see any grounds here for an accusation against the banks of failure to support Canadian business. Against \$1,120 millions in deposits, more than one-third of which are payable on demand, the banks have made Canadian loans and hold Canadian securities of fully a thousand millions. Considering the extremely critical character of the times that have lately been passed through and probably have yet to be passed through, the surprising thing is that the banks have found it possible, consistently with a policy of prudence, to maintain their loans at so high a level.

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In point of fact, the criticisms already referred to usually fail to take into view any question of business policy. No account is taken of financial conditions generally. It is assumed that no matter what happens by way of international financial cataclysms, the borrower here is entitled to his loan as if the sea of international finance were undisturbed even by a ripple. Again, it is forgotten that the banks were constituted only for certain purposes, that they are unable to go outside their powers, and that the limitations other than statutory which they impose upon themselves are the result of many years of experience of what kinds of business may and what may not be safely transacted by a banking institution. A commercial bank is neither a land bank, a mortgage institution or an institution for the financing of any and every agricultural development. These needs, where they exist, must be taken of by other means. What means can only be stated after the most careful investigation and a bearing in mind of the essential differences between conditions in Canada and elsewhere.