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THE BANKS' CANADIAN LOANS.

Those who have followed closely the development of events in Canada during recent months are well aware that the comparative stability which has prevailed here during a particularly trying and anxious period has been largely due to the long-sighted policy of the banks. Months before some of our outside critics had discovered the mare's nest which set them howling that Canada was on the road to ruin, the bankers, studying the trend of world-wide developments, had foreseen the probability of the present stringency, had noted the development of weak spots in the fabric of Canadian credit and had begun to take measures accordingly. The speculator found his credit withdrawn; municipalities were urged to wipe out their special loans by the flotation of their bonds, all round there was a general tightening up. The task that was in fact undertaken was the gradual re-adjustment of affairs to a new set of conditions. That re-adjustment is still in progress, but so far it may be said that it has been performed in a way which is highly creditable to those concerned, and that by the manner in which it has been carried out, a distinct service to the Dominion has been rendered. Those foreign critics who had been anticipating a panic on the grand scale in Canada have been thus far disappointed and there is no present reason for thinking that their at one time confident expectations are likely to be realised in the immediate future.

However, the action that has been taken does not seem to commend itself to some of our own people. That fact is perhaps not surprising since there is a type of mind which has a temperamental antipathy to financial institutions of all kinds, and is apt to regard bankers' actions as constantly inspired by Machiavellian motives. When, as is not infrequently the case, this temperamental antipathy is united with lack of knowledge regarding the most elementary facts of finance, the result is sometimes not without a touch of humour. As for instance, a Vancouver daily paper complained gravely in its editorial columns the other day that "the banks are holding up their capital at the very time when it should be loosed to tide the people over the world-wide financial stringency." And it goes on to say "if the government intervened between these great monied institutions and the people and insisted that the money which the people of the country contribute to their upkeeping should be returned at reasonable rates of interest, there would be less talk of a money stringency." Would there?

"The money which the people of the country contribute to their upkeeping" is presumably a demagogic synonym, though not a very accurate one, for the banks' deposits. At May 31, which is the latest return at present available, the Canadian deposits of the banks were as follows:—Dominion government, $9,177,632; provincial governments, $30,582,146; demand deposits, $364,159,642; notice deposits, $630,755,603, a total of $1,034,675,023. At the same date the total of the banks' loans in Canada was $981,691,741 made up of the following items:—Loans to provincial governments, $3,739,690; call and short loans on stocks and bonds, $69,982,540; current loans, $898,959,650. Additionally, the banks at the same date held Dominion and provincial government securities totalling $9,009,861, and Canadian municipal and other securities—home and foreign—of above $90,000,000. A very moderate allowance for the purely Canadian securities comprised in the latter total would be $25,000,000—in all probability, they are much more. However, making this exceedingly modest estimate, there is left as a cash reserve a $19,000,000 balance of the banks' Canadian deposits over their Canadian loans and investments in Canadian securities. The figures show conclusively that the banks are employing in Canada at the present time the funds which they receive from Canadian depositors. Moreover, in the twelve months to May 31 last, the banks increased their current loans in Canada by over $61,000,000—which hardly looks as if they were "holding up their capital" in an arbitrary manner. As to whether the funds are lent at "reasonable rates of interest," those who followed the evidence given before the Banking and Commerce Committee know that the banks were able to present an exceedingly good case in defence of their present practises. They were able to show that banking in Canada is not unduly profitable; that last year nineteen Canadian banks gave an average profit on capital and reserve of 8.84 per cent.—one-half the rate of profits made by a number of ordinary industrial concerns, and that, as a matter of fact, capital is deterred from entering the banking business in Canada because it is able to find more profitable employment elsewhere.

The Vancouver criticism overlooks the fairly obvious fact that a bank cannot lend what it has not got to lend. The banks' capacity to lend depends upon the capacity of the Canadian people to make deposits and upon the readiness with which foreign investors send their funds here. It may be argued that at certain times the banks are over-careful, that they should lend a larger proportion of total funds than they do lend. We fancy, however, that the sober common-sense of the country will prefer to leave this matter of policy in the hands of men whose life has been devoted to the study of the problems with which they have to deal, and who have more to lose than any one else by following a rash or indiscreet course of action, rather than commit it to the tender mercies of those whose only qualification for being regarded as possessed of supreme wisdom is the fact that they hold a government job.