

# The Chronicle

**Banking, Insurance and Finance**

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY.

R. WILSON-SMITH, *Proprietor.*

GUARDIAN BUILDING, MONTREAL.

Annual Subscription, \$2.00. Single Copy, 10 cents.

**MONTREAL, FRIDAY, NOVEMBER 15, 1907.**

## **PROTECTIVE BANKING MEASURES: HOW CANADA HAS BEEN PREPARING.**

It would not become us in Canada at this time, when the banking affairs of the neighboring country are in a state of confusion, to speak boastfully of our superiority, and to declare that such troubles as other peoples are suffering will not come nigh us. So far as we can judge from the past—from 1893 in particular—we have little reason to fear that the acute phase of the United States financial upset will be experienced here. It is well known that New York's troubles sprang from causes which are not existent in Canada. It has already been pointed out that nobody in the Dominion has been able to acquire control of any Canadian bank by purchases of its stock on margin; and so nobody could dictate to a Canadian bank, as Heinze, Morse, *et al* dictated to the banks under their control, that it devote its resources to the special purpose of bolstering up the financial deals and speculations of a particular clique. This abortion of banking functions it was that resulted in starting the runs on the Morse chain of banks—the beginning of the trouble. This was followed by the runs on particular trust companies, and by the shade of distrust falling on trust companies in general, because it was so well known that they held enormous deposits with slender cash reserves. It cannot be too often repeated that in neither of these respects is there any similarity in the Canadian situation. There are a few Canadian trust companies that advertise for deposits, but they are not, as they have been in the States, formidable competitors of the banks. The total of the deposits held by all the trust companies here possibly would not exceed \$25,000,000. And in New York the Knickerbocker had \$60,000,000, the Trust Company of America, \$60,000,000. In Canada virtually the whole deposit fund is controlled and held by the chartered banks and the Dominion Government. An eminent English financial authority, speaking of the situation in the States and the prospect of

its spreading to England, said: "In England we do not put our money in sham banks." The same might be said of Canada; and in that circumstance lies our chief justification for hoping that we shall escape serious trouble.

But it would, obviously, be folly for our banks and financial institutions to go their way as usual without adapting their policy in some degree to the prevailing conditions in the States. The public mind is now keenly interested in banking matters; people are very watchful of the developments. It is matter for deep thankfulness that the Ontario Bank failure and the banking reorganization in Toronto last June are over and done with. Happening when they did, with the people not excited, the events were invested with only their proper significance. Had both or either of them been delayed they would have furnished an element of danger to the present situation. But happily they are out of the way.

As remarked, it would be a source of danger if the banks in Canada underrated or ignored the events in New York. The news coming from all parts of the country proves convincingly that they are not underrating those events. If the Canadian bankers had had a foreknowledge of the New York panic they could hardly have better shaped their course to meet it. Since early in the present year a heavy hand has been laid on land speculation in the West; speculation in stocks has been discouraged for nearly a year; commercial borrowers have been cautioned to go slow, their lines of credit kept down. So when the storm struck our neighbours, the financial ship in Canada was running with sails reduced. As a result of the repressive measures the position of the banks has been getting stronger month by month. Their cash and available assets stand comfortably at a high ratio. In bringing this to pass it was inevitable that borrowers should complain. Quite probably a check would be administered, in a number of directions, to the legitimate development of the country. In the last week complaints have been heard that enough money was not being furnished by the banks to handle the western crop, and stories come down of vessels not able to get cargoes at Fort William and Port Arthur because banks will not loan for the term of the voyage. No doubt there is some exaggeration here. The bankers say they are providing what is needed to market and export the crop, but that they are giving no money to enable the grain buyers to sit down, holding their purchases, for rises in price.

Even granting that hardship is entailed on many business men by the banking course of action, granting that the country's proper development,