

The Chronicle

Banking, Insurance and Finance

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THE GENERAL FINANCIAL SITUATION.

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necessarily reduced activity and from the returning army.

The December bank statement published this week is, on the whole, a satisfactory document, although one of the leading changes, that of a decrease of practically \$10,500,000 in the note circulation suggests a rather marked contraction in industrial activity. Evidently, the falling-off of payrolls due to the closing during the month of munition shops, together with the hiatus in grain shipments were much more than sufficient to offset the seasonal demands for circulation caused by the activity of the holiday period. Notice deposits made a gratifying recovery from their low level of November caused by the flotation of the Victory Loan, their total of \$958,473,557 showing a growth of \$19,144,286 in comparison with the end of November. Demand deposits were up by \$44,667,701 to \$711,034,060, as a result doubtless in part of preparations for the large interest payments made on the 1st January. Current loans show only a slight retrogression of \$7,069,652 from their very high November level and at \$1,075,640,003, are no less than \$217,106,75 higher than at the 31st December 1917. Call loans expanded by \$3,445,360 to \$89,120,123, probably as a result of financing in connection with various new bond issues, while call loans abroad were sharply decreased by \$20,787,410 to \$150,248,322. It will be recalled that a year ago, the flotation of the first Victory Loan was followed by a steady and even rapid rise in notice deposits. Whether under the altered conditions there will be a similar movement during the coming months seems doubtful, unless conditions are adjusted to the new circumstances more rapidly than seems at present likely.

In connection with the British financing which has been put through in the New York market this week, attention is being drawn to the interesting possibilities disclosed of a return to their original owners of a considerable proportion of the American, Canadian and other securities formerly held in Europe and pledged in New York

during the war. This week's operation consisted of the finding of some \$143,000,000 2-year 5½ notes, of which about 50 per cent. had been converted into 20-year 5% per cent. bonds of the United Kingdom, while a group of bankers assumed responsibility of the conversion of the whole residue. This issue of notes was secured by deposit of collateral, and it is noted that it has been the policy of the British Treasury to keep in the United States a large volume of unpledged securities to meet whatever obligations might arise unexpectedly. It is stated that at times the total of pledged and unpledged issues of this kind could not have been far short of a billion dollars. Such an aggregate, along with the \$2,000,000 or more repurchased outright on American markets during the war, throws a good deal of light on the success of the British and other Governments in mobilising these securities for war purposes.

The proposal by a committee of western farmers for a system of small provincially incorporated banks is another variation of the demand which has been heard from time to time from the West for years past. Whether any success will be met with by those responsible for this new variation of an old idea remains to be seen. It may be said, however, that to the outside unbiased observer, the dangers inherent in a system of small, locally managed banks are painfully obvious. Furthermore, it has yet to be proved that such a system is capable of working. While within the last two or three years, the proportion of deposits to loans at Western branch banks has probably increased, it is still by no means certain that depositors in the proposed new banks would be able to keep pace with borrowers. It is to be strongly suspected that in the great majority of cases the latter would be decidedly more numerous. And in that case, where are the funds to come from which will keep them all happy and satisfied. Moreover, the proposal would apparently introduce an undesirable division of control. If the Dominion Government is to delegate its powers in this respect to provincial governments, it can hardly be expected to take the same responsibilities in the safeguarding of the public as it now assumes under the Bank Act. But, if there were any trouble, it is not difficult to imagine that the aggrieved or disappointed ones would not be satisfied to stop on the doorstep at Regina or Edmonton, but would hie to Ottawa without delay. To make haste slowly is a good rule with proposals of the kind in question.

CANADIAN BANKING PRACTICE

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