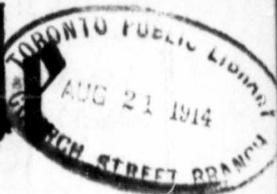


The Chronicle

Banking, Insurance & Finance.



ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIV. No. 34

MONTREAL, AUGUST 21, 1914.

Single Copy 10c
Annual Subscription \$5.00

THE BANKS AND THE CRISIS.

Thanks to a strongly conservative policy diligently pursued, the breaking of the storm of war in Europe found the Canadian banks well prepared to meet the crisis. The storm broke with a suddenness that would have been fatal to financial institutions managed without care or with little attention to the canons of conservative finance. It says much for the strength of the Canadian banks, for the discretion which guides them and for the confidence which they inspire that Canada has weathered so successfully the confusion and alarm of these last two or three weeks. That times are hard and that many of our people will find at the end of the year a balance on the wrong side of their balance sheet—particularly where speculative transactions have been engaged in—goes without saying. The important point is, however, that there has been no sign of panic, as there might well have been; were public confidence in the ability and discretion of those who control Canadian credit less marked. The effects of the first stunning blow having passed, business men, assured of the steadiness and solidity of the credit structure, are settling down to work under war conditions.

* * * *

The latest return of the position of the banks at present available is that for the end of June when the present war-storm had not begun to take shape. But the figures then published show that even at that time and in order to meet quite ordinary contingencies of a period of relative depression, the banks had placed themselves in a strong position, as a result of a consistent policy of conservatism, which has been particularly in evidence since the bankers with wise foresight began to prepare for the end of the boom period which closed in 1912. At the end of June the banks held in cash \$147,941,008 or practically ten per cent. of their total liabilities including capital; and call money, etc., aggregating \$242,326,854 or 16.3 of total liabilities. This call money is practically equal to cash, so that over 26.0 per cent. of the banks' total liabilities were at the end of June in the most readily available form to meet every emergency. In the case of some of the

larger banks, of course, the proportion is much larger than the average of all the banks. Moreover, immediately on the appearance of the war-storm, the banks took rapid steps to strengthen further their position and it is to be presumed that the July return, when it makes its appearance, will confirm the prevalent impression that the banks were successful in yet further fortifying their position, both by turning part of their easily realisable assets into actual cash and also to a certain extent by the calling-in of outstanding loans.

* * * *

With regard to the immediate future, no doubt the banks will be called upon to play an important part in connection with the new loan of 50 million dollars which will be floated by the Dominion Government to meet its war expenditure. Obviously it is impossible to borrow this amount in Europe at the present time and as the United States market is apparently also to be closed to loans of this character, the task will be given the banks of devising ways and means in conjunction with the Government of taking care of this issue until such time as it can be disposed of abroad. Other possible eventualities have been already covered by the special provisions for dealing with the financial situation which were announced immediately on the outbreak of war. The immediate position is as yet complicated by the uncertainties of seaborne trade and the abnormal position in regard to foreign exchange. But apparently there need be little fear but that in due course the shipping of this year's crop will be proceeded with, possibly not on normal lines, but probably enough under circumstances which will be found satisfactory.

* * * *

It is clear in fact that thanks to the vigilance displayed by the guardians of Canada's credit, the business community can settle down to work calmly in the knowledge that the Canadian credit system is in excellent position to meet all the stress of the next few months. No one would be so foolish as to suppose that Canada will escape entirely the after-effects of this titanic struggle, which will be felt all over the world. But the main point at present is that there need be no fears of an actual financial panic in Canada.