

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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BANKS MUST CURTAIL CREDIT

BY raising the discount rate from six to seven per cent. on April 15, the Bank of England extended its support to the feeling that the banks must now exert their influence towards restricting the speculation which is so prevalent. Leading bankers in Canada have intimated from time to time during the past few months that money would not be lent so freely this year; more caution is being exercised as the months go by, and seven per cent. is being charged on call loans in many cases. The rate for call money, however, is not the controlling factor in Canada to the extent to which it is in New York, because the whole market here is not a speculative one. The influence of the banks makes itself felt rather in the degree of pressure which is brought to bear upon customers.

The action of the Bank of England was not, of course, entirely voluntary, but was partly the result of difficulty in coping with the demands. Britain's policy of meeting her obligations abroad naturally places a strain upon her gold reserves, and sound banking policy, therefore, required a limitation of credit. Nevertheless, the banks are leaning distinctly towards conservatism. In Canada they are pointing out the danger of customers acquiring large stocks at inflated prices, and of making capital extensions which might prove an excessive burden when business slackens.

A bank which accompanied a period of rising prices and prosperity up to its very climax would not be a safe financial institution, for such crises are invariably strewn with business failures and with debts which cannot be collected. During a time of expansion such as we are experiencing at present our financial institutions must throw their weight on the conservative side, just as in times of depression they must be optimistic. That one industry in particular will be discriminated against in this process of curtailing credit is not probable. The "Grain Growers Guide," complains that "this attitude on the part of the bank amounts to a decision that the development of agriculture, Canada's premier industry, is to be retarded, and large areas of virgin land which ought to be brought under cultivation will

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lie idle. Some explanation is due from the banks as to why this should be, particularly at a time when the world needs increased supplies and every national consideration demands that every man and every acre should produce to the utmost. The banks are the custodians of the people's money, and they are under an obligation to employ the funds entrusted to them in the interest of the people. No reasonable person expects the banks to lend money to the farmers or anyone else, unless they can furnish proper security, but reports which have reached us indicate that the curtailment of credit to farmers is general and not confined to cases where insufficient security is offered."

Agriculture, however, will not be exempt from a business depression, and a general policy of contraction on the part of the banks, in anticipation of such a depression, must include a tightening of money to farmers. That there is no discrimination is evident from the fact that similar complaints are being made by merchants and by many manufacturers who are anxious to expand their business at risks which the banks do not care to assume.

DOES SAFETY EDUCATION PAY?

DURING the seven years which have elapsed since the Ontario Safety League began its campaign, the population of Toronto has increased from 410,000 to 499,000, while the number of violent deaths (except murder, suicide, etc.) have decreased. Taking 1912 as a basis of calculation, a total of 333 might have been expected in 1919, whereas the actual number was 241. A comparative table prepared by the league is as follows:—

Year	Population	Deaths	Expected totals
1912	410,000	275	...
1913	446,000	291	300
1914	470,000	241	315
1915	464,000	191	311
1916	460,000	207	308
1917	474,000	229	316
1918	490,000	248	329
1919	499,000	241	333