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THE SECOND HALF-YEAR.

Under Canadian conditions, it is the second half of the year which always contains the most important financial developments. The annual moving of the crops presents the most far-reaching problem with which those associated with the Dominion's monetary affairs are usually concerned; upon the success with which they solve that problem depends to a remarkable extent the monetary comfort of the country. It is generally agreed by high financial authorities that this year the problem of crop-moving will be a little more difficult than usual; that it will involve somewhat more strain—and this mainly because of exterior economic circumstances over which we have no control.

The fact is important that while these financial authorities recognise the increased difficulty of the task that lies before them, they do not, as is the habit of some pessimistic critics, exaggerate its difficulty. They have that confidence in their own capabilities and resources, which has been given them by successful encounters with grave problems of a similar kind in previous years. They are aware that fundamentally conditions in Canada are sound; that while in our prosperity we have made mistakes lightly and carelessly, that those errors have not been of a vital character; and that, so far from the present period of tight money being due to either our over-enterprise or extravagance, that it is largely the result of world-wide causes which are in a sense normal. That is to say, they grow quite naturally out of a combination of such circumstances as have developed throughout the world during recent years.

It is thus with a good heart that Canadians generally face the difficult problems of the second half of 1913. And for this good heart they can adduce sound reasons. In the first place they are able to point to the sound character of the Canadian banking system—a fact whose importance it is impossible to over-rate at the present time. Had we a banking system whose principles and practise were built on less secure foundations, it is quite possible that ere this under the circumstances of the monetary pressure in Canada during recent months, something like a panic would have developed, and immense dam-

age have resulted. Not only is the banking system of the country based upon sound fundamentals, but the position of the banks at the present time is such as to suggest confidence in their ability to see the country safely through the period of inevitable strain that lies ahead of us. Calculations made by the *Financial Post* last week show that as an actual fact, the cash reserves of all the banks, i.e., specie and Dominion notes, amounted to 10.4 per cent. of their total liabilities at the end of May, against 10.2 per cent. at the end of May, 1912. Similarly, the banks have been steadily increasing the ratio of cash and immediately realizable assets to their liabilities to the public ever since last December. So that they have long been preparing for the coming period of strain. It is true that owing to special loans to manufacturers, municipalities, underwriters and merchants, and the inability of London to relieve that load through purchases of bonds and debentures, they have, so to speak, a less proportionate amount of free money than before, but there are ways and mean of meeting this situation without difficulty. It has been stated that two important London banks have offered to advance £500,000 each to help in the moving of the crops. These advances would be made by means of ninety-day bills of exchange on the security of warehouse receipts and bills of lading, and would be renewable for a second period of ninety days if necessary.

That there should be some apprehensions in regard to the developments of the coming autumn is natural. But so far as our domestic arrangements are concerned, there is, we suggest, little cause for grave concern. It may be, of course, that the position may be yet further complicated by unfavorable developments abroad. And in view of that possibility, a general tendency to shut down entirely on new ventures involving a speculative element or the locking-up for a considerable time of large quantities of funds would not be amiss. There is no doubt that the banks' efforts in this direction during recent months—efforts which have quite naturally brought them a certain amount of unpopularity among thoughtless people—have been of great service to Canada, and the general recognition by business men of what is necessary for the time being in the common interest should be of great value.