

CANADA'S REMARKABLE BANKING RECORD

Canadian Banks Have Fully Justified Themselves—Status as Commercial Institutions is Maintained

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To those who have given attention to the question, Canada's record in the sphere of banking and finance presents a wonderful achievement. The chartered banks proved their adequacy to meet the responsibilities and obligations of supporting commerce and agriculture in days of peace, but no one knew what power they would show in grappling with the serious problems confronting them in such a testing time as we have had during the past four hard years. The record of the Canadian banks during this time is not merely an achievement—it is a veritable triumph.

Probably 90 per cent. of the business transactions of Canada are carried on through the use of credit furnished by the banks. Government currency plays an insignificant role in business affairs; and it will thus be seen what a heavy responsibility is placed upon our financial institutions. By means of the banks the future products of labor and capital are coined into a present means of payment, thus permitting the economic life of the nation to function efficiently and smoothly. For, contrary to general opinion, the banks do not accept deposits and loan accumulated funds, but rather accept the securities and notes of their customers to create a credit fund, and open up deposit accounts. At bottom, the business of banking is that of insurance; for the banks assume all the risk of the products of commerce and agriculture coming to the market, from the proceeds of the sale of which obligations are finally met. We are prone to accept this all as a matter of course; but it is obvious that the business of banking is of fundamental and vital import in the economic life of the nation.

Recently Mr. Pease issued a warning against the danger of making loans to non-productive and non-essential enterprises. He properly emphasized the necessity of taking care, first of all, of war requirements, and then of the really essential industries. A too rapid extension of credit carries with it the danger of inflation, and the menace of a future financial crisis. It is imperatively important to see that the assets of the banks are kept in liquid form, and that no speculative interests are promoted by them during the course of this struggle. Should one of our great banks make any misstep in this direction, it might imperil the entire structure of Canada's business life. Mr. Lloyd George, before the Canadian editors in London, stated that Canada had taken a quite phenomenal part in the munitioning of the allied armies, contributing not less than 55,000,000 shells and 45,000,000 cartridge cases, beside huge supplies of clothing and other essential war materials. It goes without saying—although it is all too frequently overlooked—that this remarkable work of Canadian manufacturers was made possible only by careful and efficient and daring banking. The chartered banks of Canada have lent loyal and undaunted support to the winning of the war.

One of the ablest governors of the Bank of England stated some time since, that the test of efficient and sound banking was to be found in the ability to differentiate between notes and mortgages. Canadian bankers have shown that capacity both before and during the war. As already remarked, it is a sine qua non of sound banking that assets be kept liquid. American National Banks indulged much more in financial, as distinct from commercial, banking than our own institutions in days gone by. They took part in purely speculative promotions, while our chartered banks have made it a practice to lend their support to productive enterprise, and the stimulation of commerce and agriculture. So careful have they been in drawing a sharp line of demarcation between financial and commercial banking, that the outbreak of hostilities found them in a strong position for meeting the hardest test ever given to a nation still in the pioneer stage of economic development.

While our banks have come to the support of every war loan, and are undoubtedly prepared to do so again and again, yet it should be realized that the business interests, as well as the agricultural community as a whole, should relieve them as far as possible of this necessity. We believe that Canadian government securities are as sound an investment, all things considered, as is to be found in the world to-day; but nevertheless, these securities are mortgages, and not

liquid assets, in the same sense as are commercial notes. To protect investors and our national finances, it would be folly to permit these securities to be offered freely on the investing market. Our banks, therefore, should not have their funds tied up in such obligations, but should have all their resources left free to support productive enterprise. It is a matter of pride to all Canadians to know that sanity, efficiency and boldness have been the watchwords of the men who have achieved such telling results in the field of Canadian finance.

SHIPPING GROWTH IS SLOW

The September letter of the Alexander Hamilton Institute says:—

Despite new construction, British tonnage now amounts to only 15,000,000 tons against 18,500,000 tons before the war.

On both sides of the Atlantic the gain in ship construction over losses is slow. In July there was a decline in deliveries of completed ships and an increase in submarine losses as compared with June. The deliveries of new ships, however, were 85,000 tons more than losses. The reason there is disappointment over the shipping situation is that the public has been thinking in terms of the large launchings reported, whereas the figures below relate only to ships completely equipped.

Ship Deliveries versus Losses, in Gross Tons.

1918.	Allied and neutral losses.	Allied and neutral ship deliveries.	Net gain or loss.
January	354,715	156,734	— 197,951
February	386,637	243,273	— 143,364
March	401,463	368,997	— 32,466
April	313,415	291,188	— 22,227
May	357,534	493,469	+ 135,935
June	275,629	428,124	+ 152,295
July	313,011	398,176	+ 85,165

There is a considerable wait between the launching and delivery of a ship, and United States shipbuilders have been experiencing difficulty in getting valves, boilers and other accessories. Owing to this fact and to the shortage of labor and materials generally, Mr. Schwab argues strongly against building concrete ships and advocates large steel ships. He says:—

A hull is only about 60 per cent. of a ship, and the easiest part, too. We have had great difficulty in securing sufficient power. We are beginning to get out of the woods on that phase now, but we are in a desperate plight with regard to fittings. We have many hulls lying at docks or moorings waiting for the thousand and one accessories that we are unable to get.

If we were to build a lot of concrete hulls now we wouldn't have the accessories to fit them out or we would have to take them away from the wooden or steel ships to which we are committed, and so we would be wasting energy and labor without meeting the emergency.

Efficiency gains with size. A 7,500-ton steel boat, for instance, is more than 70 per cent. efficient. Averaging all our vessels up to date, I think the average tonnage will not exceed 6,000 tons. That is too little. From my own experience I would say that we ought not to be building less than 10,000-ton boats for trans-oceanic service.

The Shipping Board states that a ship of 9,000 tons carrying capacity, deadweight, is equivalent to other kinds of tonnage as follows:—

	Tons.
Deadweight, carrying capacity	9,000
Displacement, cargo deadweight	(9,000)
Plus weight of hull	(3,000)
Gross tonnage, cubic contents	12,000
Net registered, deducting 2,000 from gross for crew and machinery space	5,000
	3,000

The British Labor Congress, by a majority of five to one, on September 6th passed a resolution to the effect that the war has not changed the soundness of the principles of free trade, and urging upon the government the danger of imposing tariffs or imposts.