

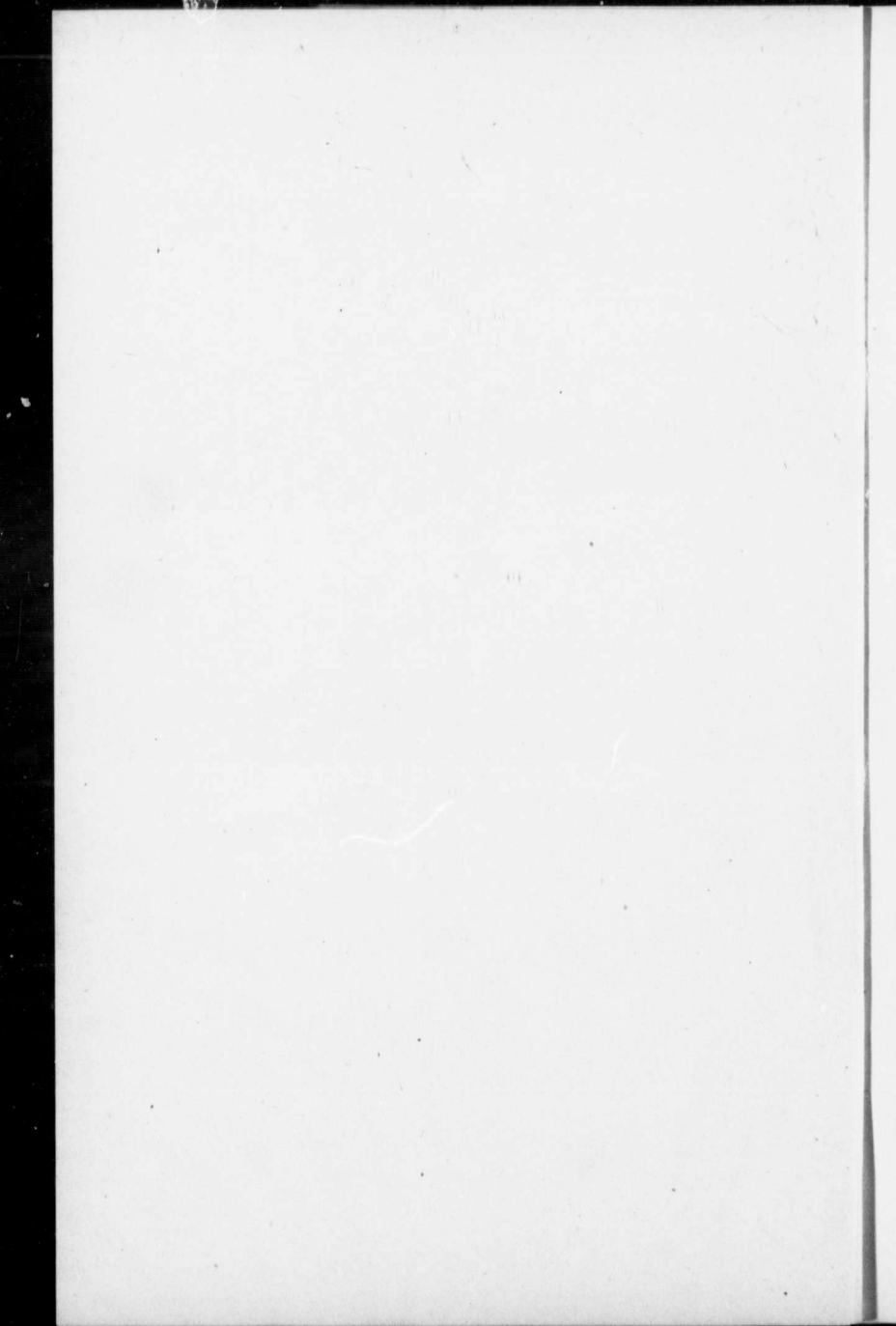
THE WAR and
OUR BANKS



J. P. BUSCHLEN.



332 Can.



THE WAR and OUR BANKS

By

J. P. BUSCHLEN

President

"The Associated Bankclerks of Canada"

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"A CANADIAN BANKCLERK"

"BEHIND THE WICKET"

"THE DRUMMER"

"THE WORLD WAR"

(POEMS)

ETC.

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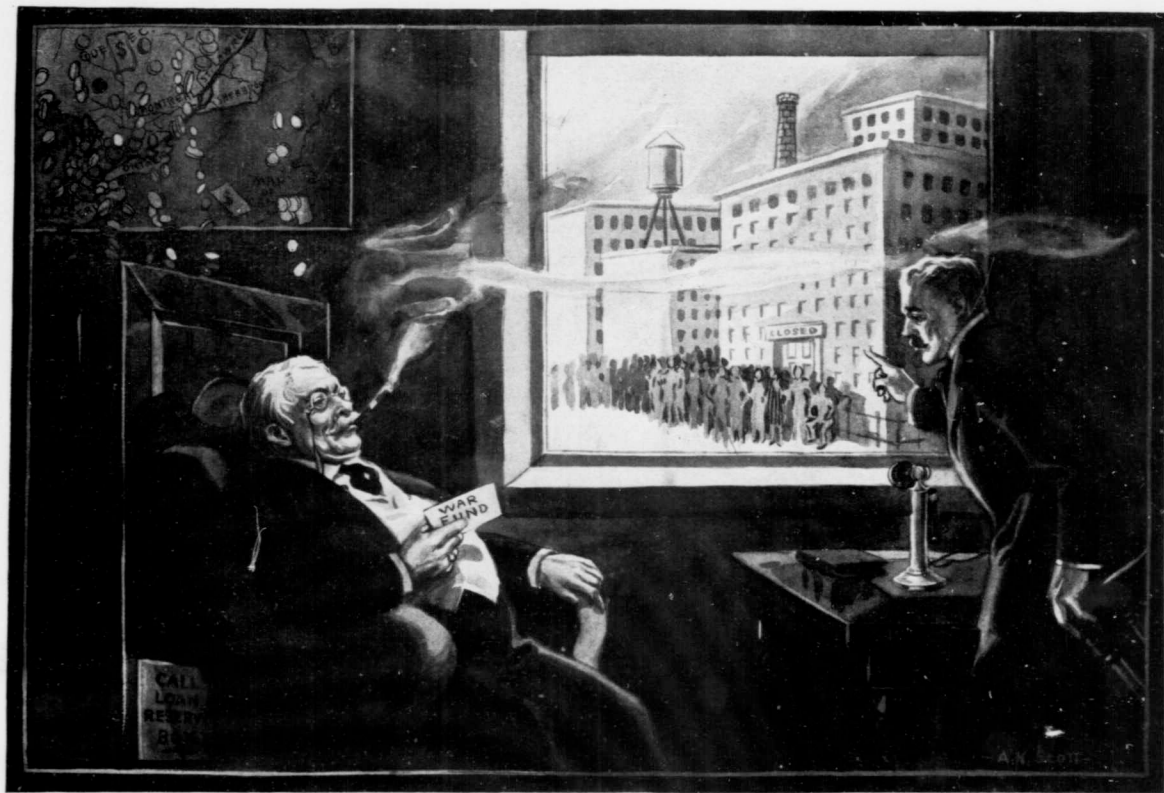
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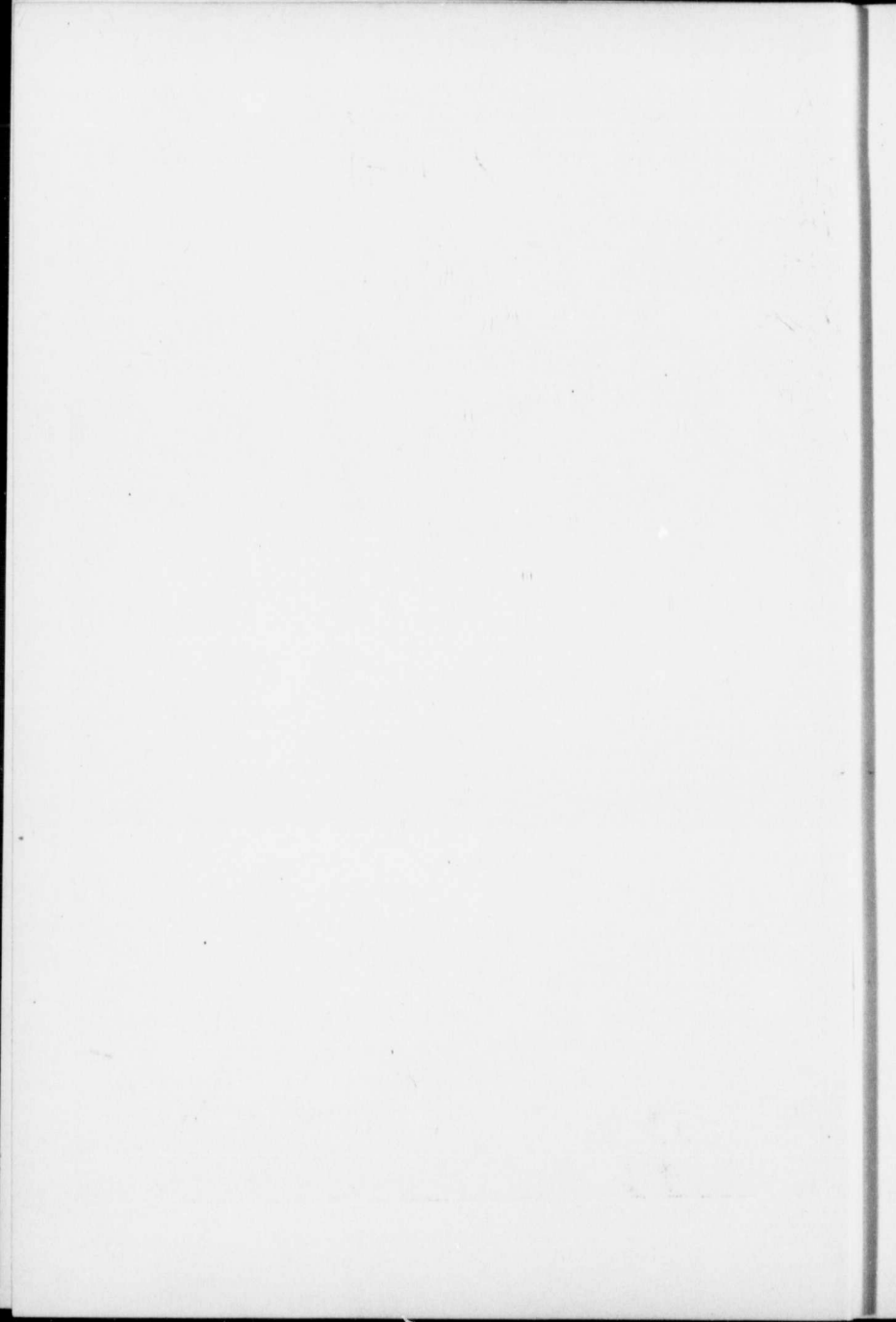
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"CANADA'S OPPORTUNITY"—LOST



Banker : " We really can't let you have anything. Money is too tight. We contributed heavily to the war fund, you know."



The Bankers' Feast

Awake, oh businessman, and see your great
immediate chance

To take a hand in operating national finance!
The men to whom you've given power to cow and
bully you

Are struggling now against the tide and don't know
what to do.

They never felt like this before, so sure of might
were they,

So sure of getting favors in the old established way:
But now they know the people and the businessmen
are wise

To slighted obligations and an oven full of pies.
The time is here to speak your mind and make a
fair demand ;

You own the country and the banks—so wherefore
speechless stand ?

If you the little businessman will raise your little
voice

You'll knock the "big" man off his egotistic equipoise,
For yours will summon other voices, wave will
grow on wave,

And warned by stormy weather signs the Hoarders
will behave.

It really is a silly thing to sit as we have done
And watch the bankers cut and chew and swallow
up the bun.

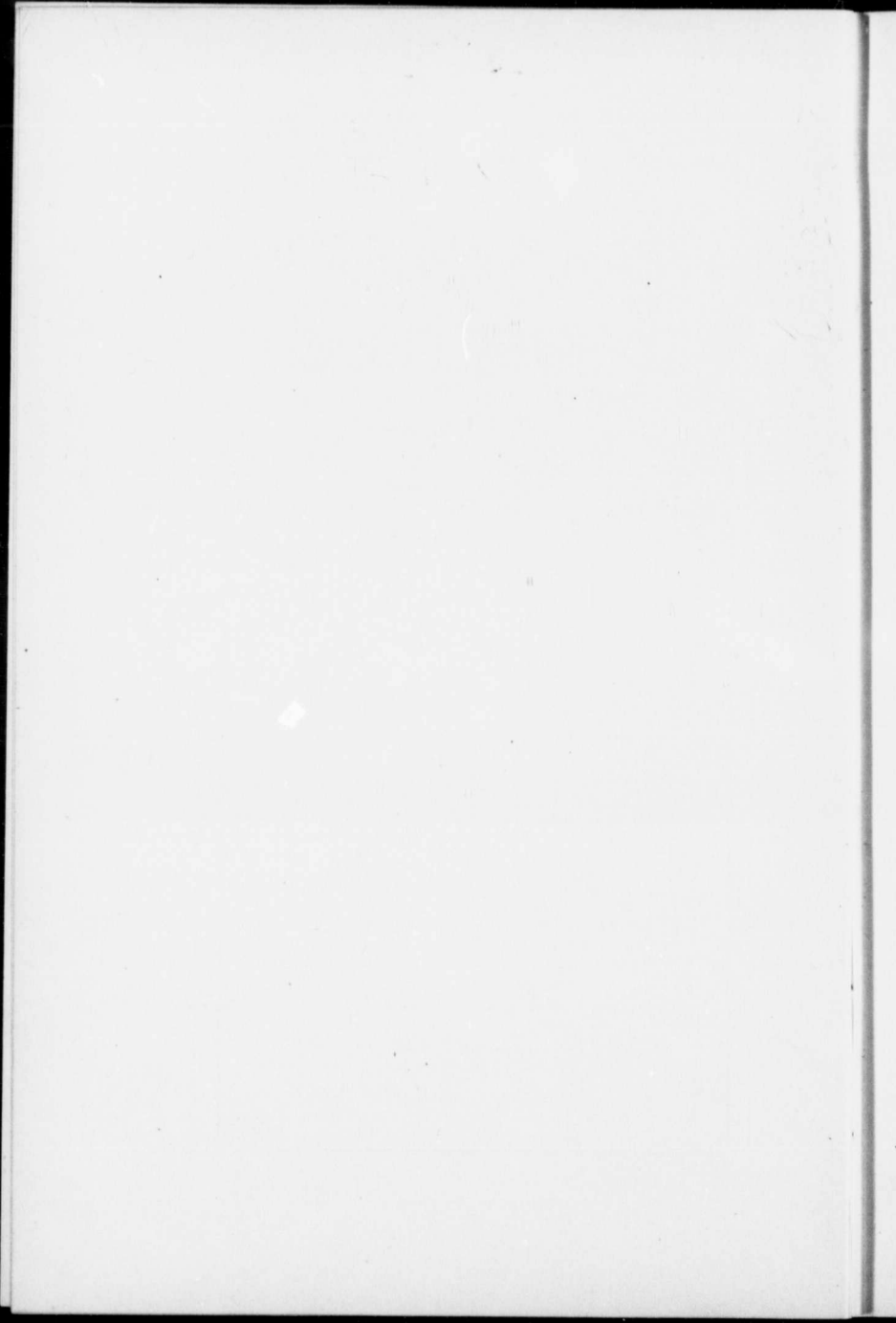
If they had raised the wheat that made the flour
of the same

Or lit the fire that baked it, they would hardly
be to blame;

But seeing that they labored not, except to grab
the dough,

We cannot quite appreciate their feasting, don't
you know.

J. P. BUSCHLEN



An Appeal to Business Men

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THE average Canadian businessman sinks into a state of mental awe, when you begin talking national business to him. He has a gigantic conception of his own ignorance and lack of power. You speak of the mismanagement of the country's finances and he closes his eyes in a species of paralysis. He will not allow himself to doubt the powers that be, for such a doubt makes him fear the toppling over of his own business. When you mention reform he runs away from you and buries his head in the sand, ostrich-wise, rather than face the illusion of failure that always haunts his mind when anything out of the ordinary is suggested.

An Australian of note recently commented on Canada as follows: "The most conservative country in the world." We were a shock to him. No doubt we are also a shock to such men in the old world as David Lloyd George.

Right at this moment we are face to face with a great emergency and a greater opportunity. What are we going to do about it? You ask this question of the man in the street or average office and he immediately becomes panicky. He expostulates on all sorts of matters beside the point, but fails to come to the point itself, i.e., how can the people of Canada **compel** those who control the country's finances to do, quickly and effectively, the great work now developing upon us—**support and promote industry in the face of discouragement?**

But why does the average man get panicky over this problem? Because he thinks finance is a highly complicated thing about which he is supposed to know nothing; something to be left in the hands of a few bankers and politicians.

The "little" man has been taught to believe that he needs someone to look after his interests "at the bank" and "at Ottawa," and is borne down with the inference that even though he had the opportunity he hasn't the business ability to regulate national matters to his own and his fellow-businessman's advantage—only bankers and political experts can do that.

This is a disastrous condition of affairs, for it leaves the country at the mercy of a few "big" men, who may or may not be big enough to care anything about the public weal.

You do meet men who see the danger of our oligarchic financial system, but they are usually under such heavy obligations to one or another of the existing "powers" that they can do nothing, not even say anything.

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I am aware of the fact that I am making serious charges against an established system; but I am like many others, reckless in my disgust with unprofitable forbearance, tired of seeing good industries, promising manufacturers, ruined on account of what—to be diplomatic—I will call the conservatism of the banks. In the final analysis, what is this "conservatism?" Let us work out the definition.

You are, we will say, running a legitimate and useful business in a city or town. Without you a certain number of citizens would either suffer want of an article or get it elsewhere, probably in a foreign country. The people you are serving have savings to deposit somewhere. If your business had a big name and vaults, they would just as lieve place their money with you as with a bank. They want safety more than the small rate of interest—(It is because of their reputation for security that the banks are able to get these savings at such a low rate; and this reputation for security has been conferred on them, without charge, by the people of the country themselves. Now, if these same depositors felt as much confidence in you as in the banks' big vaults, and in addition knew what you were up against in trying to finance your business so necessary to them, they would **rather** let you have their savings than the banks. They would realize that besides ensuring safety to their money and getting interest they were **doing something for the country**. As matters stand, the depositor is benefiting himself and the banks, but not the industries of the country; these are at the mercy of the latter.

The situation might be stated thus:—A depositor looking for safety, a manufacturer or other supporter of industry and labor looking for existence, both of them looking to the banks, and the banks looking after themselves.

We vitally need better co-operation of capital and industry. The people of the country supply the capital and should therefore reap the major benefits of industries supported thereby. But they frequently profit least; and the reason for this is that while they create the capital they do not **control** it. They do not feel clever enough for that, not realizing that it is a very simple matter. The banker takes pains to impress them with a sense of their incompetence, and they weakly submit to the bluff. Where is the business sense in it? Why let the man of special privilege go on forever dazzling the misinformed depositors of the country with his brass plate and big front, and quashing industry after industry that deserves assistance?

The answer is: "Conservatism" (the kind that carries quotation marks). "Business," we are told, with a sage nod of the head, "must be conducted on a conservative and profitable basis to ensure safety." Fiddlesticks! The cry of the apologist for graft.

Mr. Businessman, don't let them fool you with their meaningless

terminology. **True** conservatism is all right, but the kind they preach is bogus, it means profits.

It is time we Canadians rubbed our eyes; we the common men of affairs, we the depositors and voters. We have been asleep for a long time, but surely this present dislocation in the old world is going to waken us. We have Krupps and Kaisers in **this** country, preaching doctrines destructive of prosperity and progress. Why continue to put up with them?

We don't have to; we only **think** we do. Let us get out of that subservient state of mind!

This is a time of sacrifice, of men, money and ideas. We Canadians have pet notions that should be given up. We have trenches to climb out of, and the bright light of a new era to face.

"Little" man, it is up to you now. Those who style themselves your masters have failed to demonstrate their superiority. Take a hand yourself; assert your own conception of things.

We have been bulldozed and humbugged. Many of us have been ruined. Our national development has been hampered, in many directions destroyed, by the selfishness and insincerity of those on whom we have conferred the power. Let us take it away from them and do things for ourselves. Coming to brass tacks, let us force our banks to come to our aid in this time of trial—and opportunity.

You can do it, Mr. Businessman, whether you understand the intricacies of finance or not. You don't need to be a high-financier—there are too many of them now. All you need is a little courage and energy. Don't stand back and let the other fellow run you into the street. He laughs at you at board-meetings and chews his cigar with a cynical relish when he condescends to think of you.

You need nothing but a little common sense at this time to realize that a great opportunity knocks at your door. The old land is in the throes of war and many of its industries are out of business. Can you not see that this opens up new avenues of industrial effort for United States and Canada? Are we going to let the Yankees beat us to it, as usual? Some of them think we are easy victims in situations like this; are we?

Mr. Manufacturer and Mr. Businessman. I have a suggestion to offer you. If you are not in spirit bound to the banks you will consider it, particularly if you know what it is to be at the mercy of a bank manager who specializes in cutting down loans. Give a party at your home some night and invite some of your business confreres. Form the nucleus of an organization whose purpose shall be to rouse the businessmen of this country, irrespective of political partizanship, to a realization of present conditions, favorable and unfavorable.

Print a mass of literature, start petitions—make a noise. It is

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the only way to disturb the cynical calm of the powerful egotists who dominate the country.

Advocate the establishment of a national bank, such as they have in United States. Advocate everything and anything that will benefit your cause.

You may not accomplish all you set out to do, but you will work a revolution in public thought, and pave the way for badly needed legislation. Also you will frighten the banks into loosening up. They are more sensitive to sane criticism than you perhaps imagine. Start investigations, and see how soon facts will come out to prove the bank's cry of "no money" a big bluff. Don't be afraid to knock them off the pedestals they have been unworthily occupying in the elementary public mind.

Don't let them get away with the idea that picturesque contributions to a war fund will suffice in lieu of more expensive and less attractive obligations. Get after them, all of them. You have more power than you think—especially if you don't think very deeply or very widely.



Cannon Balls and Plain Talk

THE noise of battle has a tendency to rouse us from slumber. The superficialities of life are lost in war smoke, and we get down to realities. We lose much of our culture, discretion, love of the sophisticated, and so forth.

When we read of the way men are jumping at each other's throats we rub our eyes and begin putting questions to the universe. The little world in which we live becomes a thing insignificant; far from appalling it disgusts us. The creature in it appears almost loathsome to us, and their actions diabolic.

The cloth is stripped from man and we see himself, instead of his phylacteries. And so it is with truth; she bears herself to us, and we stand dumfounded.

In this series of articles we are trying to assist in awakening public thought to some of the evils around us. We are shooting cannonballs at images that have been set in high places. When we hit them there is a great noise and chatter, and a great cloud of dust. We are called iconoclasts, knockers, socialists, anything that makes a mouthfull.

If we talked in a now-on-the-other-hand tone there would be very little noise and dust; those gently aimed at would smile indulgently and wink at their comrades, and those not aimed at would sit down with a magnifying glass looking for the point.

Now that might be tolerable in times of peace, with business good and the public spirit optimistic; but with the bang of cannons in our ears and the skeleton of starvation looming on the eastern horizon, we simply have not the hardihood to juggle with words.



Patriotism and the Banks

THE banks, some of them, have given contributions to the war fund. But that does not relieve them of their obligations to the country. It is patriotic to make one donation to a national cause, but it is more patriotic to be making continuous donations, of money and of service.

The patriotism Canada demands of its banks right now is an expression of confidence, and action in harmony with that expression. We demand a sacrifice on the part of those who can best afford to make it.

The people of Canada have loyally supported the chartered banks since they began doing business. That support has meant millions of dollars in profits to the banks. Now when the people themselves require support the banks refuse to give it. How is this for patriotism? The word means "love of country." How much do our financiers love our country? It is our duty to find out.

This is a testing time for everybody. Fortunes are being lost every day, parents are losing their children, names are losing their dignity. It is a time for investigation and criticism, for revolution and reconstruction. The banks of Canada cannot expect to be left as they were. They are in the crucible, and squirm as they may, the fire will do its work.

They have proclaimed their patriotism, a few of them. But it has to be tested. Words don't count when the atmosphere is pregnant with gun-powder. Deeds alone are of value.



A Letter to Canadian Producers

Gentlemen:—

As a former clerk in two Canadian banks, and one who knows, therefore, the power they possess and the use they make of it, I introduce myself to the Canadian producer, the non-parasitic businessman, and ask him to note the complaints I make against our banks.

Beginning from the inside, beside the clerk, let me object to their abuse of power manifested in the intimidating methods that prevail behind the wicket. The great majority of bank employees (I speak from experience) are in constant fear of the power that holds their fate in its hands. As an instance of this: When we organized our Bankclerk's Association and established club rooms in Toronto, over 50% of the boys were afraid to accept membership cards giving them free access to the rooms for two weeks; afraid even to come in and see our quarters, which had been generally advertised as being nicely furnished and provided with piano, victrola, library, telephones, etc., and situated on the corner of Yonge and Adelaide Sts.

One manager voiced the attitude of the banks toward our club. He said to me: "Our clerks will not do themselves any good by associating after hours. They see each other enough through the day. It is better for them to mix with men in other walks of life."—(And I mentally added: "—whom they can make believe that their salaries are adequate, because of the proverbial respectability of the institution for which they—the clerks—work!")

The fact of the matter is that the banks are afraid their employees will collectively try to do something for themselves; get their heads together and as a body waken up to the fact that they are the slaves of a ridiculous system, which public ignorance continues to tolerate. As individuals they cannot do anything; they can't "get a line on themselves," to use one of the boys' expression. Their heads are under water and so they can't see what is going on upon the surface. Only by discussing their affairs, fearlessly and openly, by making comparisons and sharing opinions can they hope to realize their true condition.

Mr. Businessman, you may find it hard to believe that the average bank clerk of four or five years' experience is working on a salary of less than \$15.00 per week—sometimes as low as \$12 and \$10. But this is the truth, and I challenge the banks to contravert it. They have replied to me in the papers at various times with a lot of high-sounding talk, but they have never yet come out and disproven my statements. Let them call my bluff by publishing a list of salaries. Such an act would forever clear (or convict) them in the eyes of the public;

and is it not coming to the public? Bank clerks may be the employees of the banks, but they are the Sons of the public, and the public has a right to know how they are being treated.

A year ago, I brought out a book entitled "A Canadian Bank-clerk," exposing some of the evils of the Canadian banking business as it affects the employee, and I know that in many quarters the boys were forbidden to read that book. Many a clerk refused to give me a cheque for it, because he was afraid his head office would see my endorsement on the cheque.

When I made an effort to organize the bank clerks of Toronto into a protective business association, the cry of "Socialist" and "knocker" was raised. Afraid to do otherwise, a host of the boys took up the cry. A few brave and reckless ones followed me along and worked against terrific odds; but the majority hung back, saying: "As soon as it is past the experimental stage we will join."

After a fair effort I gave up the work in disgust, and took a certain satisfaction in leaving bankclerks to dig themselves out of their difficulties; but by and by I recovered from my disgust and got busy again. This time I succeeded in working up a membership and establishing club rooms.

Now, we are here to stay; but without thanks to the head offices, or very many of the clerks. Efforts have been made at every step to block us, but they have not succeeded. We are on the job now, and I believe the day that every dog, however scrawny, may look forward to, has dawned for us.

I am not writing to you, Mr. Businessman, with the object of loading you up with bankclerk troubles; I mention the clerk and his affairs merely to illustrate the attitude of our banks toward those who depend upon them. If they treat their own employees meanly, what sort of treatment can the public expect? To assist you in answering this question, I submit the matter that follows:—

I am taking it for granted that you recognize the necessity of finding an answer. If you do not now, you will before the present war is over. I believe you will very soon have to rise up, together with your business associates and contemporaries, and demand of the banks greater service in return for their great privileges.

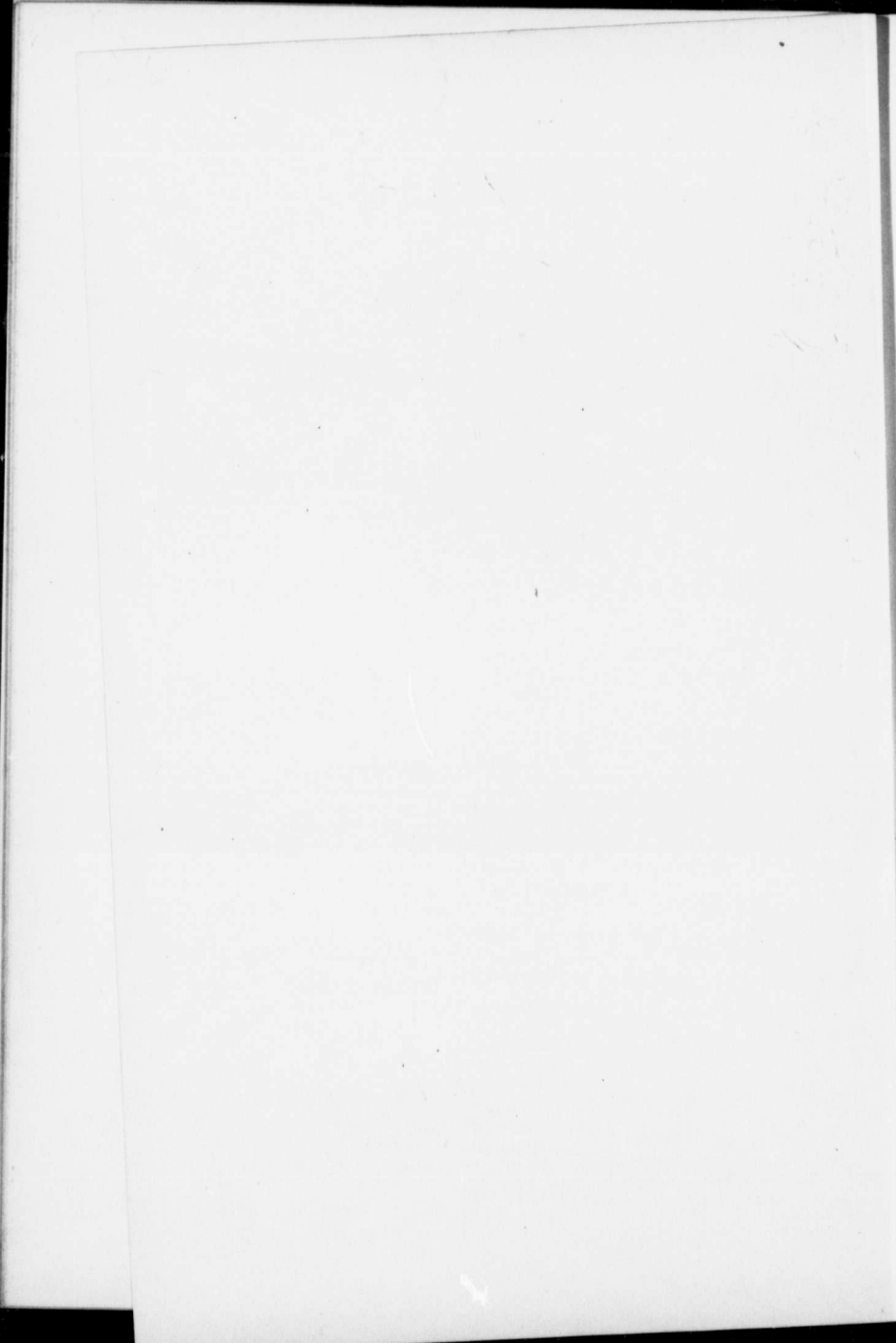
TIGHT MONEY

The present money stringency is chiefly due to the "conservatism" in other words the greed, of the banks. It could be immediately relieved by various simple means, two of which are: (1) The recognition by the banks of each other's notes in the clearing house, and (2) by the utilization of the privilege recently granted by the government, to the banks, of increasing their note circulation.



Uncle Steve : " I reckon our money's safe in there, Josh."

Uncle Josh : " Too *durn* safe, I'm thinkin'. We need some of it back home."



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The "clearing house," as you know, is the place of settlement between banks. The notes and cheques on the A— Bank are handed over to it by all the other banks, just as the A— Bank transfers their notes and cheques to them. These transfers necessitate "settlements," which the banks demand in gold or government currency, and will not accept in each other's notes. Consequently, each bank must keep a reserve of gold and legal tender on hand to redeem its own bills and notes in the clearing house; that is to say, a lot of money is constantly tied up which might be put in circulation if the banks would have as much faith in each other's notes as they expect the public to have.

Are the notes of the banks "good"? If so, why don't the banks themselves accept them in the clearing house? If not, why is not the public informed?

As a matter of fact, all Canadian bank notes are good; and the action of the banks in refusing to recognize them in the clearing house can only be interpreted as greed for individual advertisement and profit on the circulation already out. It looks as though they considered the circulation of bank currency a necessary evil, but one out of which they might as well derive any profit there was. As for the public, and the necessity the public is under of employing bank notes as a medium of exchange in business,—it seems to be left out of consideration entirely. The public occupies the role of a small boy hovering around the tempestuous outskirts of a scrambling match, and casting longing eyes at the candy, but afraid to run the risk of grabbing for it.

We quote two clauses (b and c) of a recent government enactment, calculated to relieve the present money stringency. The Act was entitled, "an Act to conserve the commercial and financial interests of Canada . . . in case of war or in case of any real or apprehended financial crisis."

(b) "The chartered banks be authorized, subject to the provisions and limitations set forth in the said Act, to make payments in the bank notes issued by such banks instead of in gold or Dominion notes;

(c) "The several chartered banks be authorized to issue excess circulation as in the said Act defined from and including the first day of March, 1915, to and including the last day of August, 1915."

The payments authorized in Clause (b), of bank notes instead of Dominion notes or gold, have not as yet (Sept. 22nd, 1914) been made between banks. Why? Only the banks know. But the public ought to know, too. One thing the public does know, however: that the refusal on the part of the banks to take advantage of the authority conferred in Clause (b) has kept hundreds of thousands of dollars in bank vaults, where it might have been in circulation.

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But this is not all. The banks have also failed to take advantage of the privilege (in this case an obligation) conferred in Clause (c): to issue excess circulation. If all of them had availed themselves of this privilege there would have been about \$40,000,000 more money put in circulation. Would not this have been a great stimulus to business? Undoubtedly,—but the banks are more concerned about their own affairs, about the cost of issuing excess circulation and otherwise accommodating the country, for instance, than about the country's prosperity. I suppose they figure that we ought to be able to look out for ourselves. And so we should, Mr. Businessman, and must. So long as we tolerate privilege it will exist and thrive even in the midst of hard times.

Without question, our banking should be conducted by the government itself. That is the ideal condition. Unfortunately it cannot be brought about in a day, however. We must proceed step by step.

The first thing we must do is to investigate and criticise. If the banks are doing their duty they should welcome investigation; if they do not welcome it, but accuse us of butting in, we are justified in becoming suspicious. They have no right to deal high-handedly with us. They don't own us—we own them, and have a perfect right to make them serve us fully. We are entitled to take a hand in their affairs, for their affairs are ours. If they do not recognize that right they are dangerous to the country.

I am aware that the banks control the country's bank account, including that of many quaking individuals; but I dispute their right to the privilege. It is a mystery to many of us how they ever got it. But now that they enjoy it, this great privilege of controlling over \$1,000,000,000 of deposits, is it not a wonder that they do not feel under greater obligations to us? One would think that they would consent to make us such small accommodations as the use of a paltry \$40,000,000 excess circulation!

But pleading, it seems, is of little avail. We will have to use coercion. Having come out in the open and opposed the policy of the banks, the second step is to take action that will **compel** them to act in harmony with our judgment. We are the arbiters of our affairs and must be recognized as such.

I submit to you, Mr. Businessman of Canada, that it is criminal negligence on our part to stand for the abuse of power that has helped, more than anything else, to bring about the present sorry condition of affairs throughout the country. It may be argued that United States and Great Britain are also suffering greatly. So they are, but not to the extent that Canada is. In the case of the former, the President has taken matters in his own hands, recognizing the irresponsibility of the banking trusts; and in the case of Great Britain, the

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Government has intervened, through the Chancellor, to the salvation of the country.

Our country is far, far behind both the United States and Great Britain, in the matter of controlling those who control our finances. But as I am writing to the businessmen of the British Empire, I will confine my eulogisms to Mr. Lloyd George, the indefatigable Welshman. All honor to him and to those democrats who have invested him with such power! He set the Canadian Government an example in patriotic initiative, when he threatened to name those banks in his country which refused to finance business in a perilous situation. And his threat brought them to time. We need a Lloyd George or two in Canada.

GOLD RESERVES

Our banks don't compare at all favorably with British banks as financiers of business in a time of stress. In the matter of gold reserves, for instance: the cash reserves of the Bank of England fell from 50 to 13% (37 points) in August and September, as a result of that bank's efforts to "finance business;" whereas the cash reserve of the Canadian banks remained normal, or strengthened a little, if anything. The British banks, either of their own accord or by reason of pressure from the Chancellor, rushed to the support of tottering business; whereas the Canadian banks rushed to cover and stayed there, and are still staying there.

The explanation of this miserable situation, as I see it, lies in the habits of privilege and power to which we have accustomed our banks. They have been pampered, spoiled. They have been so completely our masters in times of peace that to bully us in war-times seems the natural thing to do. The fault lies as much in ourselves as in the bankers, perhaps: we should never have allowed them to attain such mastery, or having attained it we should have assailed them more liberally.

However, the past cannot be changed. The best we can do is to begin now, and take measures that will eventually revolutionize the business; not leave it to them to do, but do it ourselves. An effort will be made to howl us down, and men will join in the fight against us of necessity perhaps more than of choice; but if there ever was a psychological moment for asserting our rights as manufacturers, businessmen, farmers, producers—that moment is now.

Mr. Businessman, are you for better public service or for continued and enlarged monopoly? Are you for the man who does the producing or the man who merely handles the country's cash? As a patriotic citizen, which do you think you can better afford to support?

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I appeal to you to get at the facts underlying the present paralysis of business, and use those facts to help better industrial conditions. I appeal to you to take a stand, like a man, for what you know to be right, even though you are running a risk. It is a time of risk and of great accomplishments, is it not?

You may not be able to go and fight against the evils of fanatical militarism in Europe, but you can stand up like a man right here at home and fight for the economic rights of our citizens, and against the evils of privilege. It will require courage and in many cases entail sacrifice; but concerted effort will bring results, greater than the powers that be would have us believe possible.

As an ex-clerk, one who knows something about the banks' power but has also discovered their vulnerable point—fear of publicity—I appeal to you, and assure you that courage is all that is necessary to dislodge the enemies of national progress whom we have discovered entrenched here in our home land.

Let us hear from you and co-operate with you in freeing Canada from the bondage of ancient custom and respected privilege.

Yours faithfully,

J. P. BUSCHLEN,
of the "Associated Bankclerks of Canada"



A Letter to the Merchant and the Farmer

Toronto, September, 1914.

Dear Sir:—

You have had dealings, more or less, with the chartered banks of Canada, in one or more of their branches. You have at some time or other put money on deposit; and occasionally you have borrowed or tried to borrow.

When you first opened a savings account with your bank, did you ask any questions, aside from enquiring about the rate of interest? Or were you too deeply awed by the iron rails to be so impertinent? Did it not occur to you that you knew absolutely nothing about the use to which your money would be put? Or were you so ignorant of banking as to think that your deposit laid in the vault at that particular branch until such time as you might demand it?

While making a deposit in the bank have you ever seen the teller wrapping up parcels of bills and getting them ready for the mail? Did it not occur to you that that might be your money? And did you not wonder where and why it was going? If so, did you not ask a few questions, if only for the sake of information?

The probabilities are that you did not ask questions, and for the reason that you felt it was none of your business. Once the money was out of your hands and you had a promise of 3% interest, you felt that the matter was disposed of to everybody's satisfaction. If curiosity, or let us say a desire for information, troubled your mind, you dismissed it as unworthy of a good customer.

Your courtesy was very much appreciated, no doubt, and probably gave the manager a laugh when you went out; but it was very poor business on your part. If you had acted as though the other fellow was getting the accommodation, taken pains to learn something about the workings of the machine you were feeding with money, and talked to the manager as though he were a salaried servant and not a tin god, you would have been doing business in the way modern businessmen find themselves compelled to do. You would have impressed the bank manager, and he would have said to the teller:

"Now, this fellow's different from the average depositor. We've got to be careful how we treat him. He asks questions."

As a result, you would have laid up for yourself a reserve fund of professional respect and business accommodation.

If knowledge and a fair amount of nerve helps the depositor, it also, and to a much greater extent, helps the borrower.

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Have you ever stood before your banker with a statement of all your earthly goods and been refused a loan because "Head Office has instructed us to cut down our credits?" In desperation have you ever demanded to know what was at the bottom of that trite excuse, and still heard only a repetition of the phrase?

Probably not; most likely you considered his mere statement sufficient, and sadly withdrew from his office, to have hard thoughts against Europe or some United States trust. Or maybe you did find courage to criticize—after you had reached the street and found a fellow sufferer. The two of you become eloquent on the subject of unsatisfactory banking, but instead of going back to the bank manager you dropped into a hotel and gave your ideas to the bartender.

Well, what else was there to do?—you ask. Many, many things. A very good course of procedure would have been to write to some outspoken newspaper, or several of them, and ask for facts concerning the financial situation and standing of the banks. You would have gathered material for an argument with your banker; material he could not counterhandle.

For instance, you might have learned that there is over a billion dollars on deposit in the chartered banks of Canada. Over a thousand millions!

A "talking point" like this should have some influence upon a bank manager, don't you think? The mere fact of his knowing that you knew about this people's treasure would have put him on his guard against the quibbling which his head office has forced him to employ, and he would talk to you as one man of business talks to another, not as a master talks to a servant.

What I am trying to suggest, Mr. Merchant and Mr. Farmer, is that you must get hold of information about the banking business, and use that information to bring the banks into line. They are not supreme or invincible. There is a way of making them at least compromise with the public viewpoint, and the public viewpoint is that the people's money is being unreasonably hoarded, to the country's detriment.

The facts are easily available. The editor of the Toronto World, for one, has them at his fingers' ends and will be only too glad to supply you with them. They go to prove that for the amount of money on deposit, the sum loaned back to agriculture and industry and even the sum put in circulation, is shamefully miserly. Individual or collective greed should not be allowed to hamper and ruin the country, put merchants out of business and leave crops to rot.

Educate the Depositor

NO one can make you believe, Mr. Businessman, that conditions are satisfactory in this country. You know differently. You know in your heart, whether you are ready to admit it or not, that the bankers of Canada have not done their duty. They have made a lot of fuss over the service they have rendered, and bully-ragged their dependents into affirming that it has been adequate; but the fact remains that our country is suffering from lack of money, which the banks control. Thousands of good businessmen have been ruined, or if not ruined, sorely handicapped. The country has been impoverished; its development, agricultural and industrial, stultified.

You know this is a fact, man of business. You know it in a thousand ways, through the medium of your own trade. You know it from contact with other businessmen. No amount of high-sounding talk from behind a desk is going to convince you to the contrary, either.

Well, what are you going to do about it? That is the point. What can you do about it?

Let me offer a suggestion: Firstly, believe in yourself; secondly, think for yourself; thirdly, act for yourself. And get busy. Have courage. Have some confidence in the business sense of your conferees. Set them an example in initiative. You have their support, you know you have; they are waiting, like you, for some man or combination of men to lead out.

Don't let brass plates dazzle you. I remember the time as a bank clerk in a small bank, when the tellers and accountants of the bigger banks wouldn't speak to us juniors on the street. That was about the time the Sovereign Bank was injecting some democracy into the business. It is gratifying to note the progress in a liberal direction that has been made since then; but when we realize how deeply-rooted in ancient custom and tradition the banks still are, it is discouraging.

The banks used to consider they were bestowing a favor upon a clerk to admit him to service, and upon his parents for allowing them to support him in so genteel and aristocratic a calling. They felt the same about the public. If you didn't like the way you were treated by a blue-blooded "officer" of the bank's, you could take your account somewhere else. Very impressive and all that, but not business.

The banks have been moving away from this sort of thing, chiefly through the instrumentality of small, competitive institutions,—but very slowly; for while the small institutions have had their liberalizing

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effect, they have been largely dominated and intimidated by the stronger power. There is far too much plutocracy in the business yet.

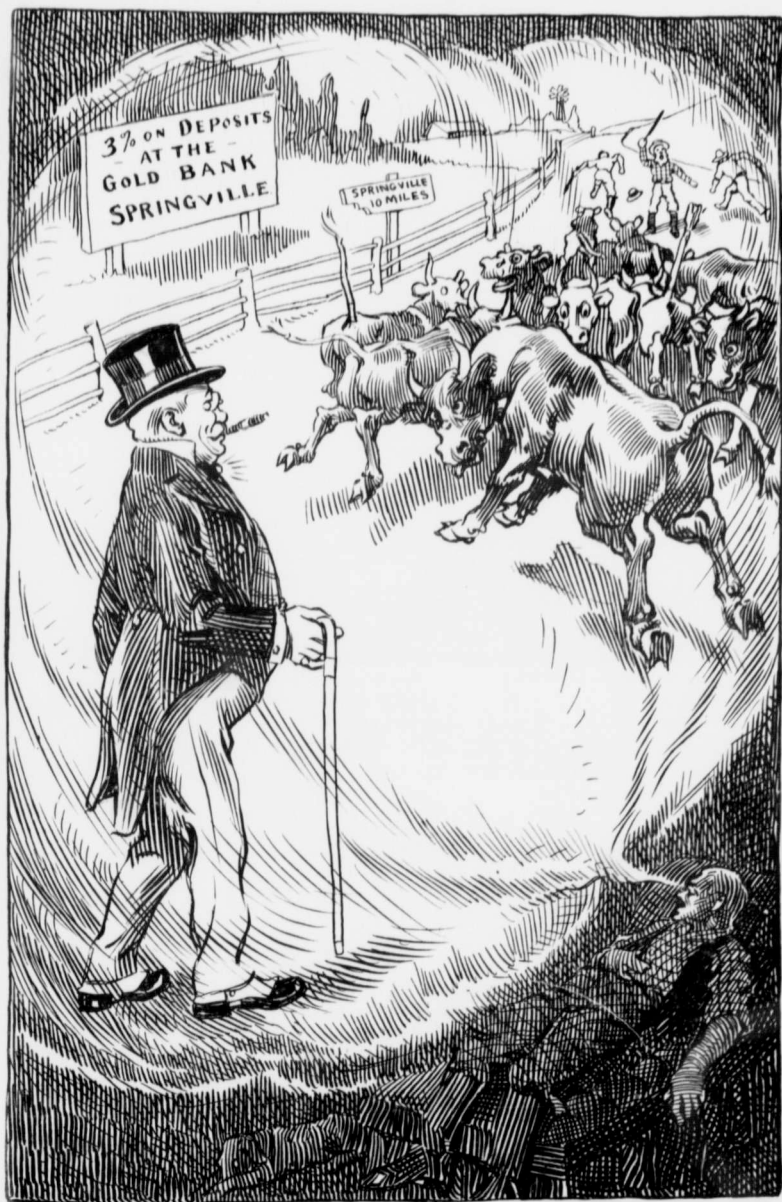
The banks ought to climb down off their high horse; invite investigation, even tolerate criticism; they should appreciate the fact that they are our servants instead of the contrary; that we, the people, are entitled to think and say what we choose about them, even though it contradict the favorite dogmas they would and do perpetrate upon the easy-going masses. What right have they to denounce us for honestly expressing ourselves, and treat us as the big tellers and accountants used to?—aye, and take away our credit if we show too much courage! Is it not our privilege to acquaint ourselves with their affairs: are not their affairs *ours*? It is not our money that is on deposit?

And let me submit to you, Mr. Businessman, that since the people of Canada own the money on deposit in the Canadian banks, they, more than salaried servants, are entitled to say to what extent that money should be loaned back for purposes of industry and agriculture. It is suicidal negligence on our part to allow any general manager or set of general managers to dictate in matters that concern them only in so far as to increase or decrease their salary, and that concern the country to such an extent as to determine either prosperity or hard times. We don't *have* to put up with such slipshod national financing, but we *do* put up with it. And why? Because we have not the courage, or initiative, or self-confidence to rise up and take a stand for the right.

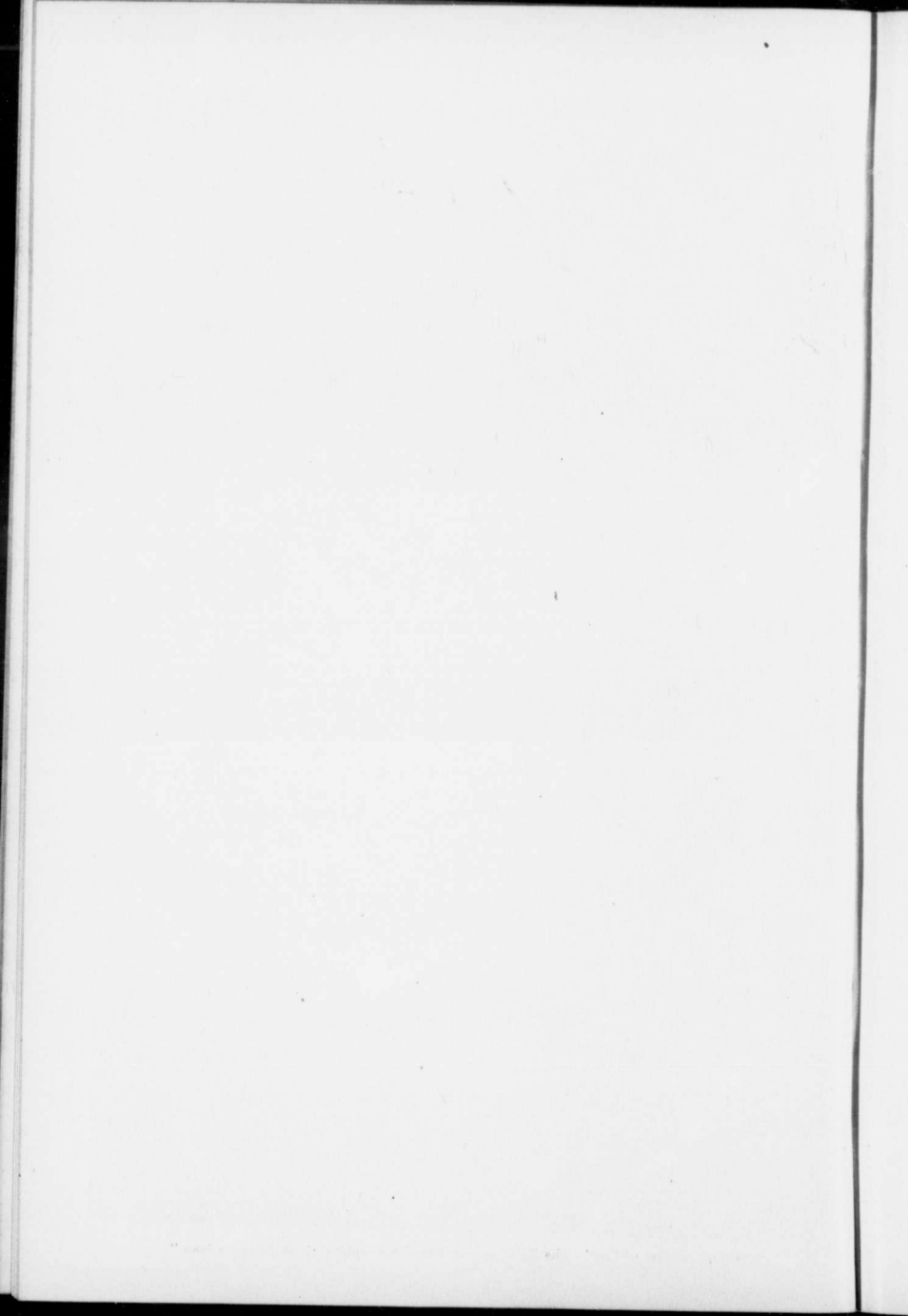
I appeal to you, man of affairs, who have seen and known the handicap of our financial system to *do* something, and do it immediately. Don't consult your banker: make him consult you. You know more than he does about the actual condition of affairs, because he is compelled to look through the eyes of his head office. If he doesn't he will be considered a poor servant for the bank and will not be sure of his job. He is bound to argue from the bank's viewpoint. Ignore him, and think and act for yourself.

If you are afraid to launch out alone (and by launching out I mean hiring someone to write and print your ideas for circulation, or otherwise extending the influence of those facts that have fastened upon your brain), get some of your confreres together and mutually undertake the establishment of a more rational system than the present one. Start municipal banks, then advocate provincial banks, or national banks. If individuals can go out and sell stock and get a charter from the Government, start a bank and make it pay—as so many of them have done—why cannot a collection of individuals, or a municipality? They can. And what a strong appeal such a bank must have for deposits! Don't you suppose that John Jones is going

THE DROVER'S DREAM



Village Banker: "Fine! The Bull has saved me from making those fellows a loan."



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to draw his money out of a privately controlled bank and put it in a municipal bank **when he understands why he is asked to do it?** Surely.

But John Jones must first understand. He has had it instilled into him that all sorts of banks are apt to fail except the Bank of England and the Chartered Banks of Canada. He is told about the millions (more or less) of American banks that have gone under, and cited to failures in his own locality, (often caused, by the way, by the steam-roller operations of the present power), to prove that his money is safe nowhere but in the big vaults of Toronto or Montreal head offices, where it is periodically transferred; vaults patterned after those of the Bank of England, and so on: The Bank of England being dragged into the argument as often as is considered advisable.

John is filled up with a lot of this talk, and he spreads it on even more thickly when boasting to his neighbor of the security he has discovered. The inference he leaves is that an old boot isn't in it at all, and he advises his neighbor to think of safety first.

John is terribly flattered and sorely bluffed, but feels happy over it all. And he feels that his money is certainly in the right spot. His interest in the moral side of the matter is nil: he doesn't know it has any moral side. He is thinking of himself.

Joneses will always do that—think of themselves. And so be it. But you and I, Mr. Canadian Businessman, whose interests depend upon the prosperity of the country, must see to it that while acting for himself John Jones will also be acting for his country—and us. Make him comprehend the simple circumstances of the present hard times and he will see that if he used more intelligence in the matter of depositing, he would be making for conditions much more desirable than the present. If he put his money into a provincial or national bank, for instance, he would be lending it to the most responsible party in the world, who would be bound to lend it back to him and his neighbors in times of need. Make him realize this, and half the battle is over. The other half of the battle consists in fortifying him against the misrepresentations, intentional or unintentional, of the local banker, whose duty is to get deposits, keep down loans and otherwise make his own institution pay.

Even supposing we shall never see provincial or national banks, it is still greatly to our advantage to advocate them and the principles that will eventually lead up to their establishment. We can, for instance, urge the depositor to leave his savings where they will be utilized to the greatest local or national advantage. Where there are two or more banks in the one town, let him find out where the farmers and businessmen get the best accommodation, and there keep his savings account. He must be taught to ignore the old talk about the

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comparative strength of banks, and keep his mind on their comparative value to a community.

Let the businessman of town and village form business associations to look after the interests of local trade. No bank manager can stand out against such organizations, and no head office can refuse their legitimate demands.

It is up to us city businessmen, to begin a financial-education movement; publish pamphlets, send out facts, appeal to the common-sense and business sense of the depositing public. We will not alter present conditions in a day, but we will do a far greater work than some of our pessimistic stand-patters can realize. I suggest some such poster as the following, to be tacked up in towns and villages, whence comes the money the banks will not lend us:—

LEND YOUR FRIENDS MONEY

Have you a savings account in one of the local banks? If so, have you any idea how that money is used? If not, why don't you take the trouble to find out? It is **your** money. Can your neighbors and your neighborhood get that money? If not, don't you realize that you and your business are going to suffer—in spite of your deposit at the bank?

Do you know that your own prosperity depends upon that of your neighbors and neighborhood?

Do you know that lack of money causes hard times, and that it exists, often, where deposits are heaviest?

Why is this the case? Don't you know that it is because the banks will not lend **your** money to **you** and **your** locality?

What do they do with it then? They ship it to Toronto or some other money-centre, and there speculate with it. Millions of it they send down to New York and take a chance with it!

Is there any reason why your money should be so stringently withheld from your locality and sent away off somewhere else on speculation?

No, there is no reason in the world, except that bankers think you and your fellow depositors are asleep. If you would put the matter up to them, collectively, and prove to them that you were wise to the impoverishment that is going on around you, they would begin to change their policy. Can you blame them for getting all they can and giving as little as possible? Surely, you can—but you **don't**. And there's the point.

Depositor, it is up to you to take an interest in your own locality. It is to your advantage to do so. If the banks insist on keeping down

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their loans and shipping the money away on speculation, start a municipal fund for the purpose of financing home industry and agriculture.

Take an interest in your own affairs, but don't forget those of your neighbors, your town and your country. Study banking a little, and talk it. You will be discouraged from doing this, but mark the men who discourage you.

You, not some corporation employer, are the man who makes or mars the country's prosperity. It is time you fully realized your responsibility.



As a Nation Thinketh

AS a man thinketh so is he;" and so we might say, "As a nation thinketh so is it." If a man has little confidence in himself he will accomplish little; he will, moreover, allow himself to be imposed on. So it is with a nation.

We in Canada have been and are being imposed upon. Lacking confidence in our ability to run our financial affairs, we have allowed others to run them, and they have done it to their own advantage.

We are the dumb victims of a money-system that is sapping the country's life. If it had not been for our wonderful natural resources we would have felt the strangulation years ago; we would not have needed to wait for an eye-opening war. Our young vigor has enabled us to stand the strain thus far, but we cannot go on doing so forever.

One has only to visit the villages and farms of Canada to realize the extent of their impoverishment. Old-fashioned farmers have been storing their savings in bank vaults, encouraged by bank managers whose object is to please "Head Office," instead of utilizing that money or allowing it to be utilized for the development of agriculture and local industry. They have been educated to it by a never-satisfied corporation whose chief aim is to amass the people's savings and invest them, or speculate with them, for the benefit of a small minority of stockholders—and bank officials. I include the latter because of the fact that their salaries depend upon their "earning" ability. It is highly to their advantage to make as much money out of the people as possible; or that is to say, to get as many deposits and make as few loans as possible. So far as the development of the country goes—that is a consideration that nobody worries about, since nobody is paid for worrying about it.

The other day I was sitting at a table in one of Toronto's cheap restaurants when a lady beside me discovered she knew the waitress. They started up a conversation, and it was not long before the latter was speaking about the hard times.

"Hilda," she said, (speaking to her daughter) "has been sick. Just yesterday she came back for her old job, which they promised to keep for her, and they told her they hadn't been able to hold it,—on account of the hard times. The manager said he couldn't get money from the banks, and I guess it's a fact. Isn't this war an awful thing?"

The waitress did not doubt the manager's inability to get money any more than he doubted the bank's inability to get it. Both submitted to the supposedly inevitable and fell back on a war lament.

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That they could do so, and find consolation in it, is a great testimony to the cleverness of our bankers. Whatever else may fail, their system of education stands unshaken.

They have succeeded in leading the masses in the way they (the bankers) would have them walk.

If the waitress referred to had gone over her manager's head, if she had had confidence enough in herself and the right to do it, she would undoubtedly have accomplished something. But instead of that, she took her daughter's misfortune as a matter of course, and felt enmity towards Germany. She thought there was no way out, and therefore there was none. "As a man thinketh," even though he be a woman.

Similarly with the manager. He got instructions from the head of the firm to cut down the expenses of his department. He might have gone over the head of his chief and found out the wherefore of the condition supposedly existent, but he did not feel able to do it. He lacked confidence in himself and the right. He had been educated to accept humbly what came from above and to yield unquestioningly to the powers that be.

The head of the firm was in the same mental and moral predicament. He took his instructions from a banker, ostensibly an expert on all matters pertaining to national finance. And no mere merchant can be expected to contradict an expert. The banker said: "A state of war exists. We can't let you have any more money. It would be suicidal on our part."

A mouthful of words, a lot of false education, operating upon souls lacking initiative,—and the doctrine of despair thrives.

Let us throw off the spell of our masters, and believe in our own judgment. Let us not be waitresses!

Let us **think** ourselves capable of handling our own finance and then we **shall** be capable.



Phrase Peddlers

FOR years the Canadian banks have been harping on the scarcity of money. Every would-be borrower, from the farmer to the manufacturer, knows before he enters his bank the sad story he is going to hear from the manager: "Head Office has ordered us to curtail our loans."

But the point is, who has ordered Head Office? Not the Government, and certainly not the people. Head Office has ordered itself to get all the deposits possible, cut loans to a minimum, and in short, do a profitable business.

Now, no one objects to the banks making money within reason: that is their privilege, a prerogative of their charter. But this same charter imposes obligations, the chief of which is to conserve the industrial and commercial interests of the country. We submit that the banks have not lived up to their obligations, and make bold to assign a reason.

Every Canadian chartered bank is managed by an agent, whose duty is to earn money for the bank and whose very natural desire is to earn money for himself. If he can make a good showing at the end of the fiscal year he receives an increase in salary and perhaps a bonus. Who can wonder at his forgetting the needs of the farmer and the manufacturer and remembering the ambitions of his bank and himself? No one, alas, who is human.

No more can anyone blame us, the victims of this irresponsible financial system, for looking after ourselves. If self-preservation is a law of nature, we, the banks' customers should realize the fact; we must, if we would run even chances with the banks and their agents. As a matter of fact, we are beginning to realize the fact, though full realization will only come when our minds are no longer obsessed by the following bank-phrases: "Tight money"; "Cutting down our loans"; "Safe and conservative methods"; "Necessary security"; "National obligations"; etc., etc., even down to the "War fund contribution" excuse.

These phrases have been hurled at the heads of trembling businessmen so constantly and with such force that some of them have stuck, and many of our commerce and industry supporters have even been converted to the banks' selfish doctrines. As for the unbusinesslike rank and file, the depositors for safety's sake, they have accepted the illusion all along, never daring to inspect the polish of a brass plate.

It remained for a war situation to waken public thought, intelligent criticism, on a large scale. And now facts are coming to light that prove beyond a quibble that the banks have miserably failed

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to discharge their greater obligations. They have monopolized the bank-note circulation of the country, speculated in call loans on Wall Street with deposits of slumbering patrons, ruined uncounted struggling businessmen by their loan-cutting, and, in fact, dealt with a high hand and a gigantic bluff.

The remarkable feature of the whole business is not that salaried money-manipulators and a corporation should be so naughty, but that an intelligent public should be so mentally and morally indifferent as to put up with it.

We ought to be somewhat ashamed of ourselves. We, the businessmen of the country, who have sat back in our chairs with a smile and thought of our own little affairs alone; or who have quaked before a bank manager and swallowed his circular talk without question.

But there is hope for us. Without ignorance there would be no such thing as knowledge. We have been credulous, but now we are surely beginning to be skeptical of the soft words and the bottled phraseology.

Let us get our financiers down to facts and keep them there; and ignore the word-peddlers.



The Strength of the Banks

BEFORE publishing this series of articles I showed some of them to a particularly conservative businessman and while he thought there was truth in them he was afraid they might perhaps act too strongly on the public imagination.

"What if you should work depositors up to the point of withdrawing their money in bulk," he said; "causing runs in certain quarters? That would not only hurt the banks but general business as well. You must not interfere with public confidence in the country's financial condition, you know."

I explained to him, of course, that he had misread my articles. Far from lessening public confidence they should strengthen it. I have not even intimated that the banks were shaky. They never were stronger. My contention is that they are too strong.

Power is a good thing, but only when properly used. If the Kaiser had been a weak man the present war would not have developed. And if our banks had been less powerful this country would not have been brought to its present impoverished condition. It has been sapped by the banks and their ramifications; deposits have been drawn from town and village too greedily, leaving localities in need of loans which they cannot get—because the money is being used in other and more profitable investments,—investments more profitable to the banks, not to the country.

Only a strong institution could have done what the Canadian banking system has done. Better for us if we had the weak local institutions, occasional failures and all, of a generation ago. The damage done by failures here and there of private or local banks would be nothing in comparison with the universal harm our present leach system of banking has worked upon the country as a whole. Of the two evils, the present is the worse. We do not have to choose either, however. A national bank is the way out for us.

But let no one think that his deposit is unsafe. It is very safe. But the depositor who allows himself to be bullied into endorsing the present excessive conservatism of the banks, by hints to the effect that any other policy would endanger deposits, is easily hoodwinked, a poor businessman, and a poor citizen of the country.

The time has come when the depositor must consider something else besides his bank's capitalization and the rate of interest, when opening a savings account. He must consider the needs of his locality. Intelligent banking on his part will greatly aid in bringing about a more liberal policy on the part of the banks—assuming that we must put up with them for a while longer.

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And right here I would like to put in a good word for some of the smaller banks. They would be more faithful to their trust if they were not intimidated by the powers above them. If you have been considering only capitalization and outward appearance heretofore, Mr. Depositor, I suggest that you change your policy and consult some of the poorer banks. You will, I think, find them more liberal than the richer. Give them a chance to declare themselves in favor of greater liberality. And don't worry so much about the safety of your deposit. That is an antiquated habit. Get away from the old paths yourself, and the banks will have to follow.



Public Opinion and the Financiers

THE one thing that will drive the bankers out of their trenches is public opinion. They would never have attained their present position of influence had it not been for public indifference.

It is **your** duty, whether you be farmer, merchant, manufacturer or other producer and supporter of the country, to join the attacking forces. Take a fearless, active personal interest in our national finance. It is because you and I have refrained from investigating and criticizing that present conditions exist. You and I and the other fellow have given charters to corporations which exist for the sole purpose of making money and which employ representatives to carry out their purpose. It is to these representatives that you and I have to go for the means to finance our business, and if they are disposed to turn us down we are helpless. We who make the country's wealth and own deposits in the Canadian banks amounting to more than \$1,000,000,000 are subject to the will of salaried men who may not, and it seems do not, have our prosperity or the country's prosperity at heart, but who are bound to get deposits and hold them or sacrifice their means of livelihood.

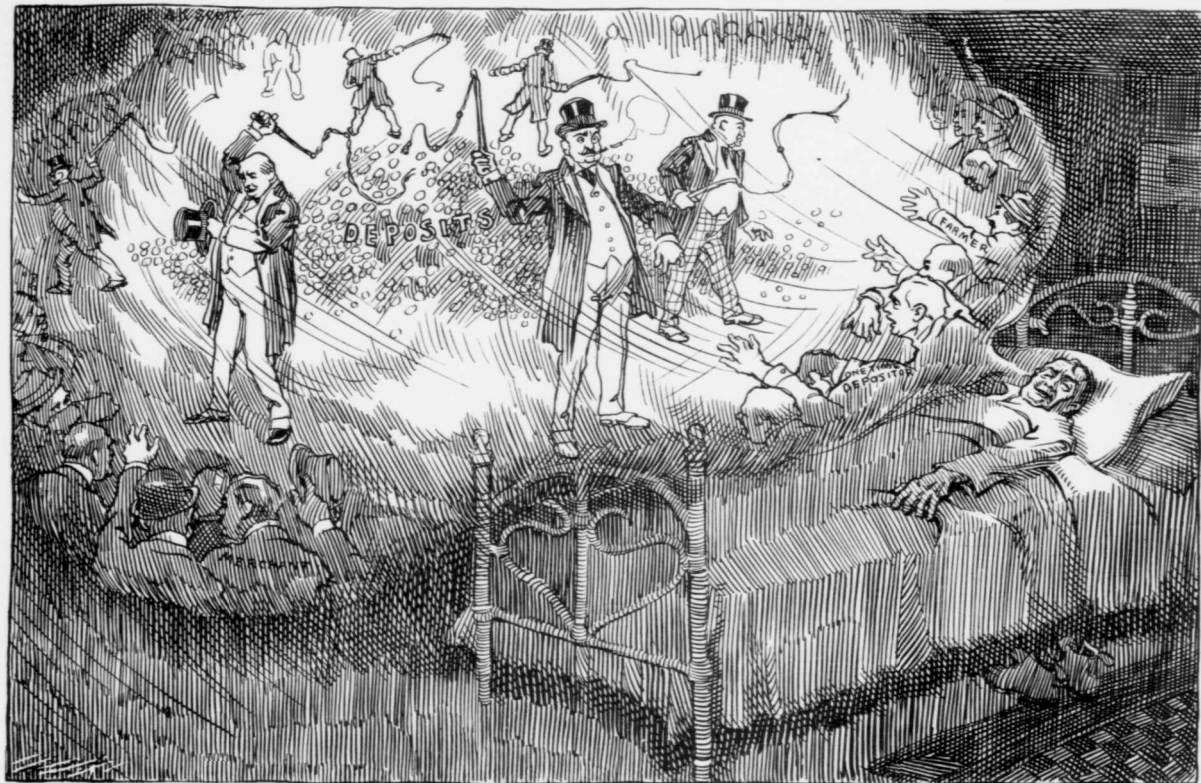
The whole banking business is a system of agents, from the general managers down to the clerks, having the power to give money out on loan or refuse to give it out, as they see fit. It is an unsatisfactory condition of affairs, and must be altered. But how?

By the establishment of a national bank, a bank responsible to the people and whose books are open to public inspection. That is the great object we should work for, even though it be not easily attainable.

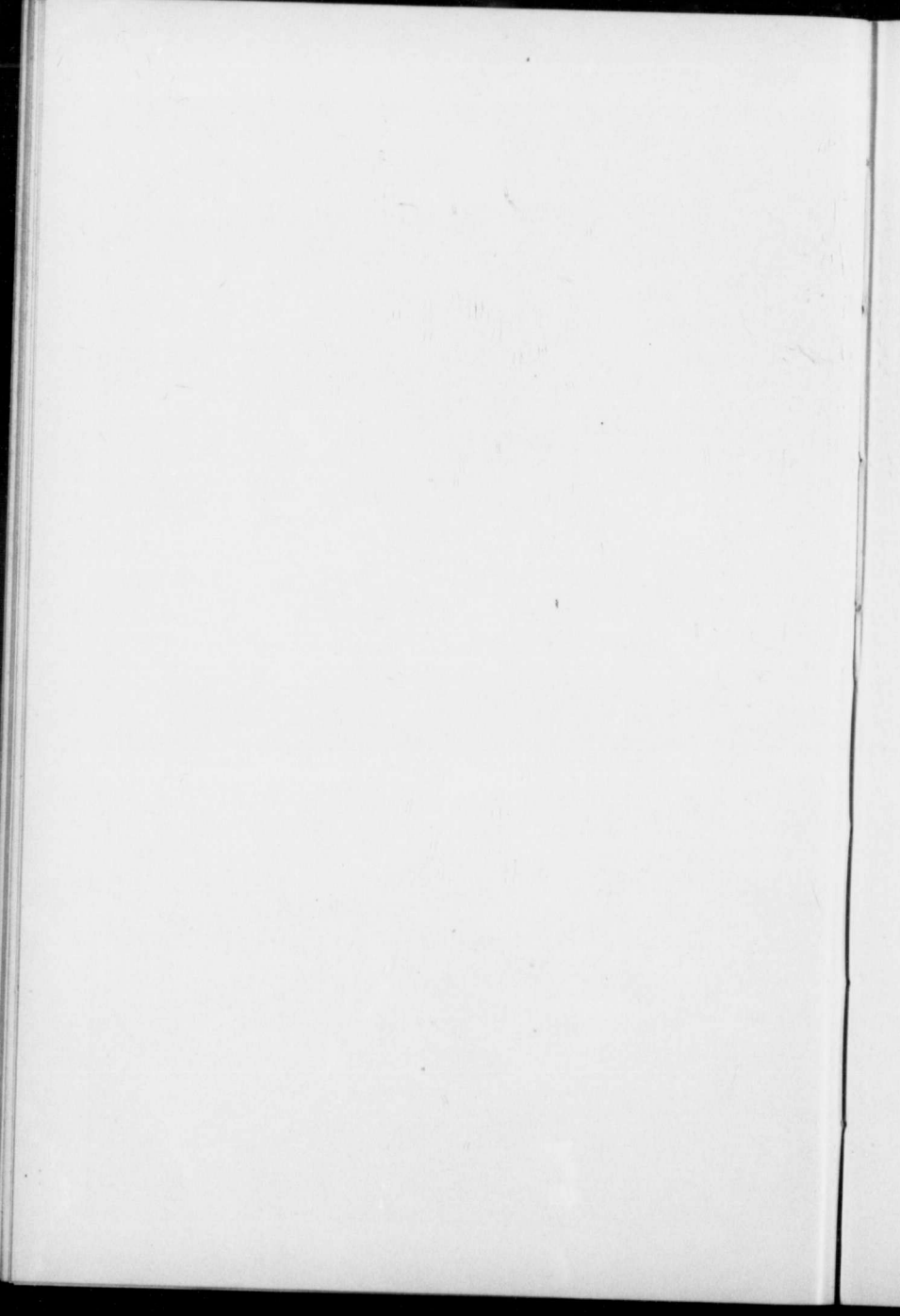
But in the meantime the chartered banks of Canada control our finances, and we need their aid. Right now they are the only power that can help us, and we must find a way to persuade them. From what I know of them I should say the only sure way is to bring public opinion to bear more directly upon them. There is hope in such recourse, for when it comes to a show-down, the public is its own master, no matter what power be arrayed against it. All it needs is a little rousing.

In this present crisis it is the duty of the minority who are awake to the true condition of affairs to rouse the sleepers, the indifferent ones, and set them thinking and **talking** over the situation as it concerns the producers and as it concerns the parasites. I use the last word without sarcasm, recognizing the necessity for a certain number of them in our present civilization; however, I think we could do with

THE RUINED MERCHANT'S NIGHTMARE



He dreams he sees Bank Managers earning their salaries



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fewer of them—fewer of the monopolist type. In any case, public opinion should feel obliged to look their doings over, especially if they object to the inspection.

It is a day of freedom, of thought and speech, the world over; and here in Canada we should be in the very van of the free. But we are not. We are subservient to the will of "bosses" (a nasty name, originating in that frank country of Uncle Sam's) of various sorts. Some of us who talk the most in private are mutest in public, for fear of offending those upon whom we are dependent in one way or another. Structures built upon this flimsy foundation of fear must some day fall. It is time we were built upon the rock. If we are worthy of existence at all, we are worthy of sure and untroubled existence, unhaunted by mines beneath us, and deriving only satisfaction from the splashing of waves of public thought and investigation around us.

Carrying this analogy to nature further:—The earth is subject to periodical upheavals; new islands are formed and sandy wastes disappear. Civilization knows similar changes. I believe we are in the midst of one at this moment. A great work of destruction and reconstruction is in progress. Idols are being smashed, and ideals are being realized. Coming down to cases, Europe is being re-made.

Why not take advantage of the strategic moment to do a little remoulding here in Canada? Have a shot at some of the images that have been casting their ominous shadows over us! They are built in the sand and are easily undermined. If we with the white cuffs have not strength to dig beneath them, call in the man with the spade and he will do it. He has capital to finance the work, too: over a billion dollars of it on deposit in the banks!



Courage and the Truth

MY object in writing the articles, and having illustrated the cartoon-ideas, of this book is not so much to enlighten the public as to inspire it with a desire to investigate. I do not claim to be a banking expert: in fact, I don't exactly know what the term means. The knowledge of those who set themselves up as such seems to be largely uncommunicable. But I do claim to understand the general principles followed in Canadian banking and many of the means employed to make the system more and more dominant; and acting upon this imperfect knowledge, feel obliged to speak out, if only to set others an example who know more.

I do claim to know, however, that the banks are conscious of their power and fully appreciate the wrong its full exercise works upon the country, but are willing to continue in the way they have been going, indefinitely, for the sake of profits; that they are aware of the fact that they treat their employees miserably, but seeing that the latter are not in a position to advertise their grievances, allow the imposition to remain, for the sake of profits; that they recognize the value of a big front and high-sounding talk, and are glad to let that pass in lieu of truth,—for the sake of profits.

But how am I to communicate my knowledge to others? I can hardly do so. The best I can do is to encourage others to ascertain facts for themselves; and having fastened upon them, make use of them, loyally and fearlessly.

In my opinion, what the people of Canada need most right now is courage. Given that, the truth will come almost unsought.

As a bank clerk I found that fear, among the clerks, was mistaken by the public for loyalty to a generous employer. I believe the same illusion surrounds the relationship between the banks and the public, in the minds, say, of the depositors. The banks enjoy their great franchise because the public fears them. This, I think, is the cold truth; and very cold it is, indeed, to the tottering businessman.

"But," comes a voice, "if the depositor fears the banks, why does he deposit his money with them?"

The depositor's fear rather takes the form of awe. Not being actually under obligations to the banks he has no direct cause for alarm; but their patronizing airs inspire in him a feeling of awe, which, if his bank-balance ever fades and he needs a little accommodation, immediately transforms itself into fear. There is really no difference between the two states of mind; and both are superinduced by the

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high-and-mighty attitude of the banks toward the country and its people.

The very fact that our banks can patronize us shows how deeply entrenched they are in positions of privilege and we in subserviency. It should be the other way round: we should be doing **them** odd little favors and patting ourselves on the back for it.

I happen to have true stories in my possession that illustrate the despotism the banks have been accustomed to enjoy. One of them concerns an ex-bank clerk author, who wrote a novel setting forth some of the miseries of a bank clerk's existence, and was notified over the telephone that he was expected to suppress publication of the book, but would, "of course, be remunerated in consideration of the favor," etc.

Bulldozing didn't work in this case, of course, as the writer of the book was no longer an employee; but had he been a clerk or in a business that required occasional accommodation from one of the chartered banks of Canada (presumably owned by the people, but whose ownership is merely nominal), he would have had to compromise, at best, or probably give way entirely to the will of "head office." Unfortunately, he showed some spirit in his reply over the 'phone, and thus forestalled any written communications on the subject.

Sometimes a number of us boys "behind the wicket" used to get our heads together and discuss what we felt was an injustice; and occasionally we made bold to criticise the methods employed by our employers in making money out of the public. But there was always someone among us to take the bank's part; prate about its strength, and hark back to the good old days when it was given its charter. And usually, before the discussion was finished, a few of the "kickers" would be won over to the other side,—finding it easier to agree than to disagree and get away with it.

So it is, I'm afraid, with debaters on the outside; the public. Those who have the courage to object are assailed firstly by boosters for a system on which they are pitifully dependent, and secondly by fears within themselves, fears born of traditions that originated when Canada was young and easily financed.

There should be no fear of failures in a country like Canada, on the part of those who conduct legitimate businesses; but there is, and this stands as a testimony against those whose duty is to look after the country's prosperity.

Looking at it unbiasedly, the situation appears ridiculous to us. We have the producer (farmer, manufacturer, drover, et al) in fear of and at the mercy of the non-producer—the manipulator of capital, who sets himself up as the great and only conservator of the country's wealth, and claims that without him, the country would go to ruin.

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Just what he means we cannot quite ascertain. He deals in generalities, verbal statements, chiefly to which he finds a certain class—the depositing class—peculiarly susceptible. This is as he would have it; whether it be a condition advantageous to the country or not.

I am speaking of no man in particular, but of the composite money-creature our Canadian banking system has developed. He may not have reached perfection in any one body, but his chief characteristics certainly dominate many a man—probably sometimes against the man's will. If we changed the system, this money-creature would disappear, having no office to fill. For instance, if we had national banks, whose main object was to support commerce and industry, and whose profits went to the bank itself—that is, to the Government—no man or set of men would find it advantageous to do many of the things that our banks now do.

Not to be too insultingly specific, I might just mention the matter of call loans. These are loans made on speculative propositions at a high rate of interest, and the majority of them are placed in Wall Street. The security for them is about as bad as the interest rate is good, but the money-man of whom we have been speaking is willing to take a chance on them with the depositors' money, for the sake of profits. He claims they are sure and subject to "call"; but the present war has demonstrated the absurdity of his claims.

When the war broke out and the financial crash came, our banks had over \$130,000,000 out on call loans; and yet they had been telling the public—farmers, cattle men, merchants, manufacturers,—for months, that loans must be cut down on account of the increasing scarcity of money.

If instead of speculating with this \$130,000,000 of the people's money and tying it up where it is of no use to anyone except the banks, they had let it out on Canadian agricultural and commercial security in small amounts distributed over a large area, the country would have been in a far better condition than the war has found it.

How many businessmen do we know to whom the loan of \$500 or \$1,000 during the past six months or a year would have meant salvation? How many farmers do we know whose stock and implements would have been saved by a similar accommodation? With the call loans out at the beginning of the war, 250,000 Canadian farmers and businessmen could have been accommodated with \$500 each! These figures give us an idea of the extent to which our financiers are demoralizing the prosperity of our country with their speculations.

Surely the time has come to stop this business and change the system that thrives on it. We need all the Canadian money available, at home; our farmers, drovers, grain-growers, and manufacturers need it—particularly the latter, to whom Germany's error has opened the door of opportunity wider than it was ever open before. The

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moment is here to boost our own country; not the financiers—who are more of an encumbrance than anything else to any country,—but the country itself, its agriculture, its manufactures. And we must have the capital to do it; all the capital available—including the amount bankers would like to keep speculating with in call loans.

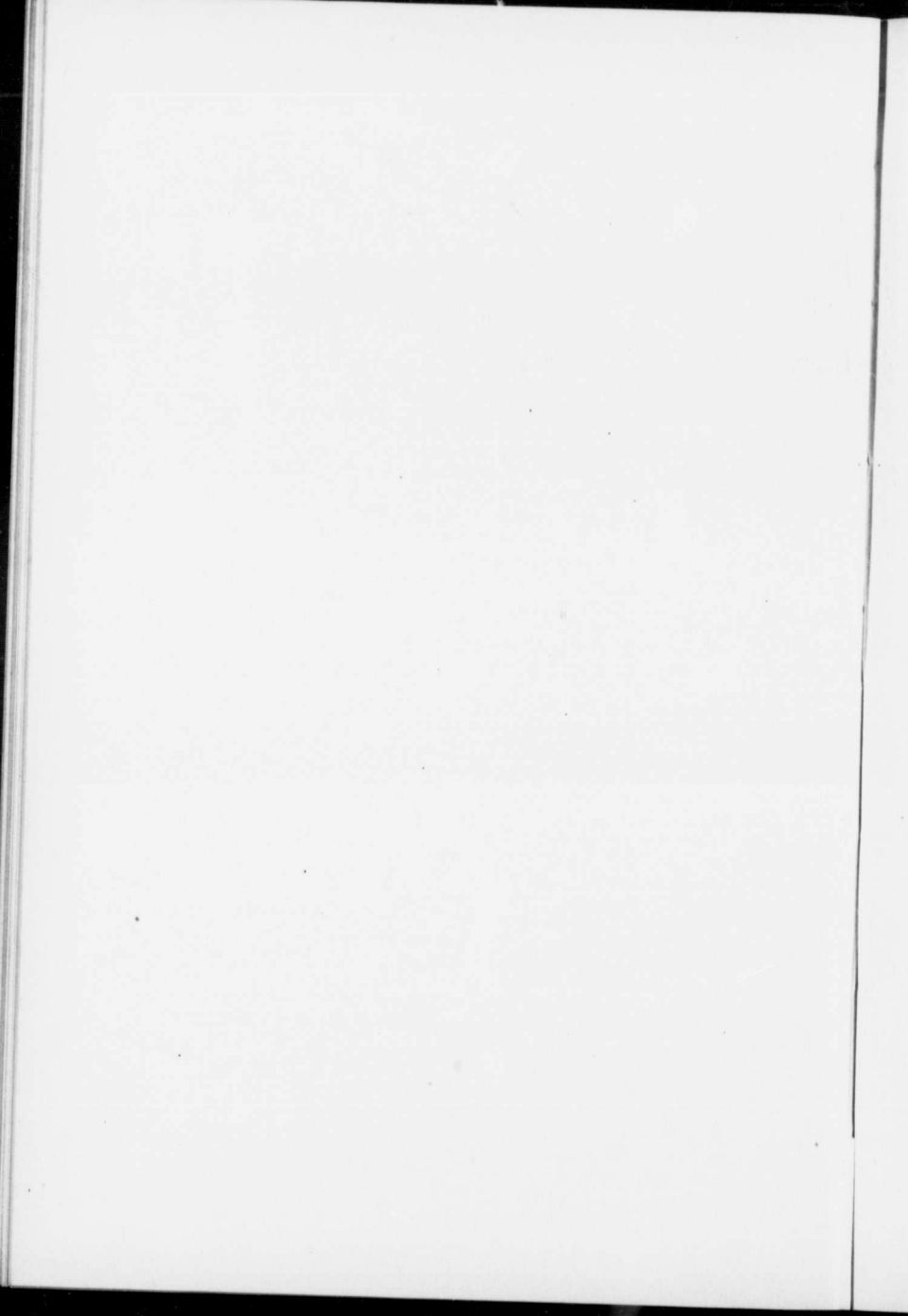
We need more than capital; something without which we can never secure the co-operation of capital. We need courage and we need the truth! The businessmen of Canada must shake off the yoke of fear, and, confident of their right to manage the affairs of their own country, demand of those who occupy positions of trust, an adequate account of their stewardship: for stewards they are—servants of the people—no matter by what means they have acquired the controlling power they now exercise. They must open up their books to us and stand by the record, leaving us to judge whether or not they are entitled to operate longer. They call themselves the servants, the bookkeepers of the public: let them act consistently with their profession, and submit to our inspection. That is the test! And if they protest; if they argue about the rights of a business corporation let us tell them that we have made a few changes in our national system of accounting, our business policy as a nation, and that will suffice. Undoubtedly, for we are the master; and what the master says goes. No good servant stands to argue with him.

For a long time I have been preaching to the members of our Bankclerks Association the doctrine that they are free men, in spite of the fact that they work for a salary; I have been trying to prove to them that if they would get out of their subservient state of mind their employers would have more respect for them. My doctrines have made the very mention of my name objectionable to some of the head office men; but have benefitted, I think, quite a number of hard-working clerks and resulted in the establishment of an organization which, I hope, will do a lot for bank employees as time goes on.

As a member of this Association, I address myself to those who read this book of articles and announce my intention of continuing to speak what I believe to be the truth about our banks, whether they like it or not. And I would like to see the public universally adopt this policy, and take a chance on consequences—as the Associated Bankclerks are doing.

We all want to exist, and to prosper; but if our existence and prosperity are dependent upon the sacrifice of our rights, let us have failure—with freedom.

But I have too much confidence in the common sense of the public, the master, to fear that courage and the truth are going to bring us—the Bankclerks Association and the struggling businessman—to defeat. If we demand what is just of the banks, (the servants) and courageously follow up our demands, the public, (the master) is eventually going to arise and take final, sufficient action.

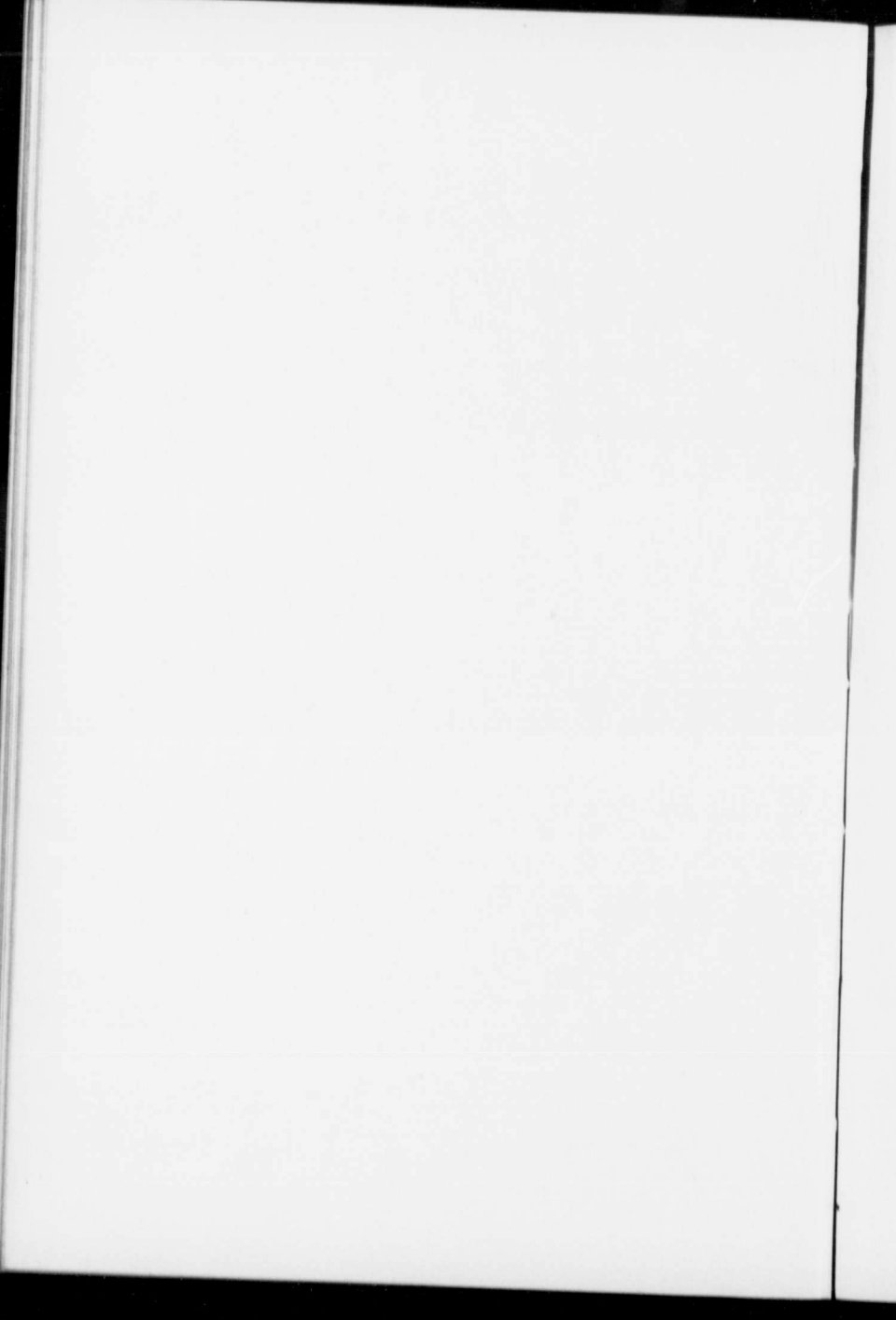


Mr. McLean's Articles

WE reprint the following articles from "The Toronto World" not only because our viewpoint is the same as the writer's, but because they are the fearless expression of an honest opinion on a matter concerning which our Canadian Press is strikingly dumb.

We think Mr. McLean's articles deserve better preservation than is possible in a scrap-book, or in the place of consignment of a daily newspaper; so we have bound them up in a cloth cover, with our own editorials.

It is to be hoped that when other individuals and newspapers see how bold Canadians can safely be in revealing their honest convictions, they will "yield to that impulse," and say a few frank things themselves.



An Open Letter to the Minister of Finance

Sir: Yesterday we had a heart-to-heart talk in print with the president of the Bankers' Association—you, doubtless, are more in contact with him than are we—to the end that we might get from him some explanation of the course of that body in refusing to recognize bank notes in clearing-house settlements as legal tender; and thereby, as we were able to show, to more or less block the operation of those generous provisions of Parliament to tide over the prevailing widespread money stringency. The act containing these relief measures was carried through the house in rapid style by yourself and is now entered up on the law books as "an Act to Conserve the Commercial and Financial Interests of Canada" in time of war or when a financial crisis impends.

We do not know that our written conversation has yet reached him, or that he will pay any attention to it; men busy with banking these days have little time for public concern, unless, indeed a banker thinks he owes something to the people who have, by way of parliament, made him and his co-bankers, and given them great privileges also; for not only to issue one hundred millions in bank notes, but, "in case of war," or even "apprehended financial crisis," to have these promises-to-pay made current everywhere and, legal tender in settlement of every obligation; though, as a usual thing, the holder is entitled to demand gold.

And yet somehow we think that a bank manager and a railway president are public officials, subject to question, bound to make answer as public representatives. But not everyone agrees with us in this proposition. But the right honorable gentleman who occupies in England a similar position to the one you do in Canada thinks so, too; he threatened the other day "to name" in parliament some bankers that have not a fourth of the privileges and much less pedestulatory prominence than have our bankers. And so we still think that a newspaper is entitled to ask a banker a question. Few of our newspapers are thus affected—though some of them hasten to answer for the banks! They even beat "the poor relatives of the banks," known as the financial press.

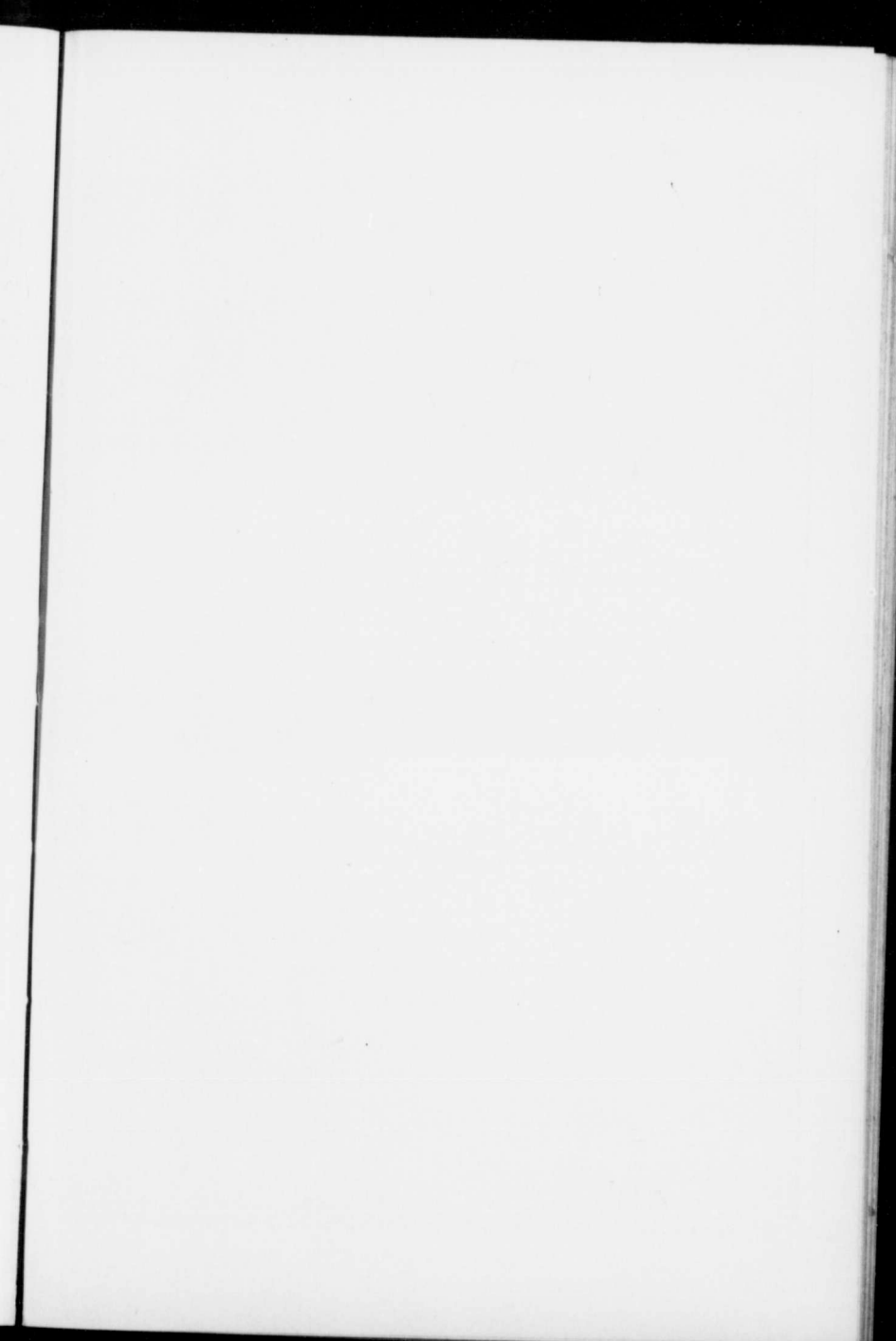
But let us come to the point of this special letter to you, namely: Have you found out, as we have found out, that though a very pronounced money stringency still prevails all over Canada, and while the public are beginning to feel the benefit of your legislation, there is no great relief yet in sight unless in some way the measures you passed are stimulated into activity? For instance, your well considered measure for "excess issue" by the banks seems to be dead; and the

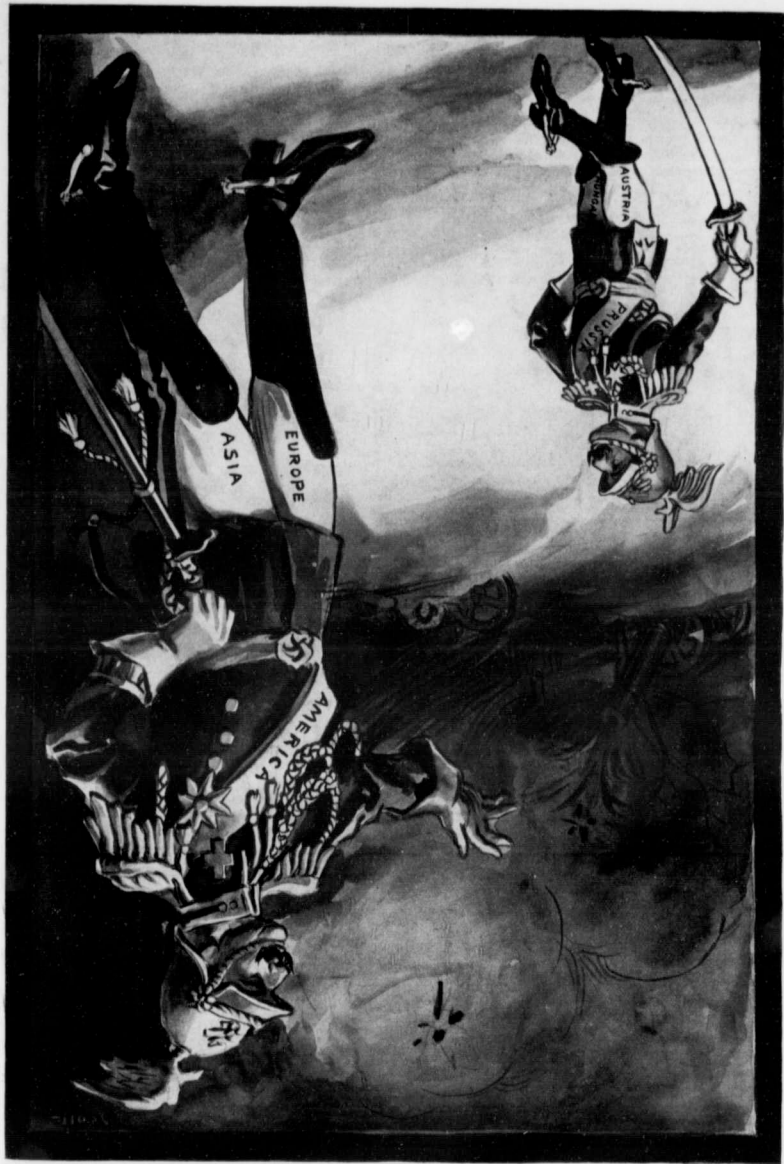
reason that we get for it is that some of the banks, especially those who dominate the Bankers' Association, are able, as long as they can prevent legal-tender settlements in the clearing house, to prevent other banks from putting out the excess issue that they are authorized to do. For if banks have to settle in the clearing house every day for notes of this character it will keep them busy providing gold to meet them, as is the present practice. But if they can put out their excess issue now and the public take them, and we know they will gladly take them, and if they will go through the clearing house as legal tender—they are entitled to do this by law to-day—then any such issue will remain in circulation and be more or less a standing stimulus to business.

If, therefore, you can see your way, following the example of Lloyd George, the Chancellor of the Exchequer of England, and "name" the Bankers' Association into an appreciation of duty, they would have to come off their perch and accept bank notes as legal clearings between banks. For instance, of the \$114,000,000 of paid-up bank capital, it has come to our knowledge within the last three or four days, that banks in the group representing \$40,000,000 of this paid-up capital are anxious to see bank clearings effected with bank notes in order that these banks may be of service to the public; and there must be still others; and yet, as far as we can make out, about five of the banks who profess to be very "strong" and who wish to make no more commitments, **and who wish to take no more risks**, notwithstanding the duties to the public that are supposed to go with their franchise, are taking what we call an unpatriotic stand in blocking the useful employment of the excess issue. Why do you not deal with these big bank managers as Lloyd George has dealt with them, and tell them that because of the increased privileges they lately got from Parliament they, too, must take risks as the government has taken risks and "do something to finance business?"

If these gentlemen stand out against using excess circulation you can still insist on other bank notes passing in the clearing house. But there is another and greater thing that you can do, and this is what we would like to see you do, viz., **announce that you will convert the excess bank-note issue of banks into Dominion notes under the recent law passed by you**; and that, inasmuch as these Dominion notes are as good as gold, the banks, once they are in possession of them, will have no trouble with them in the clearing house. They need never to go into the clearing house, they will remain in circulation and be a source of strength to the business of the country! That's something worth doing.

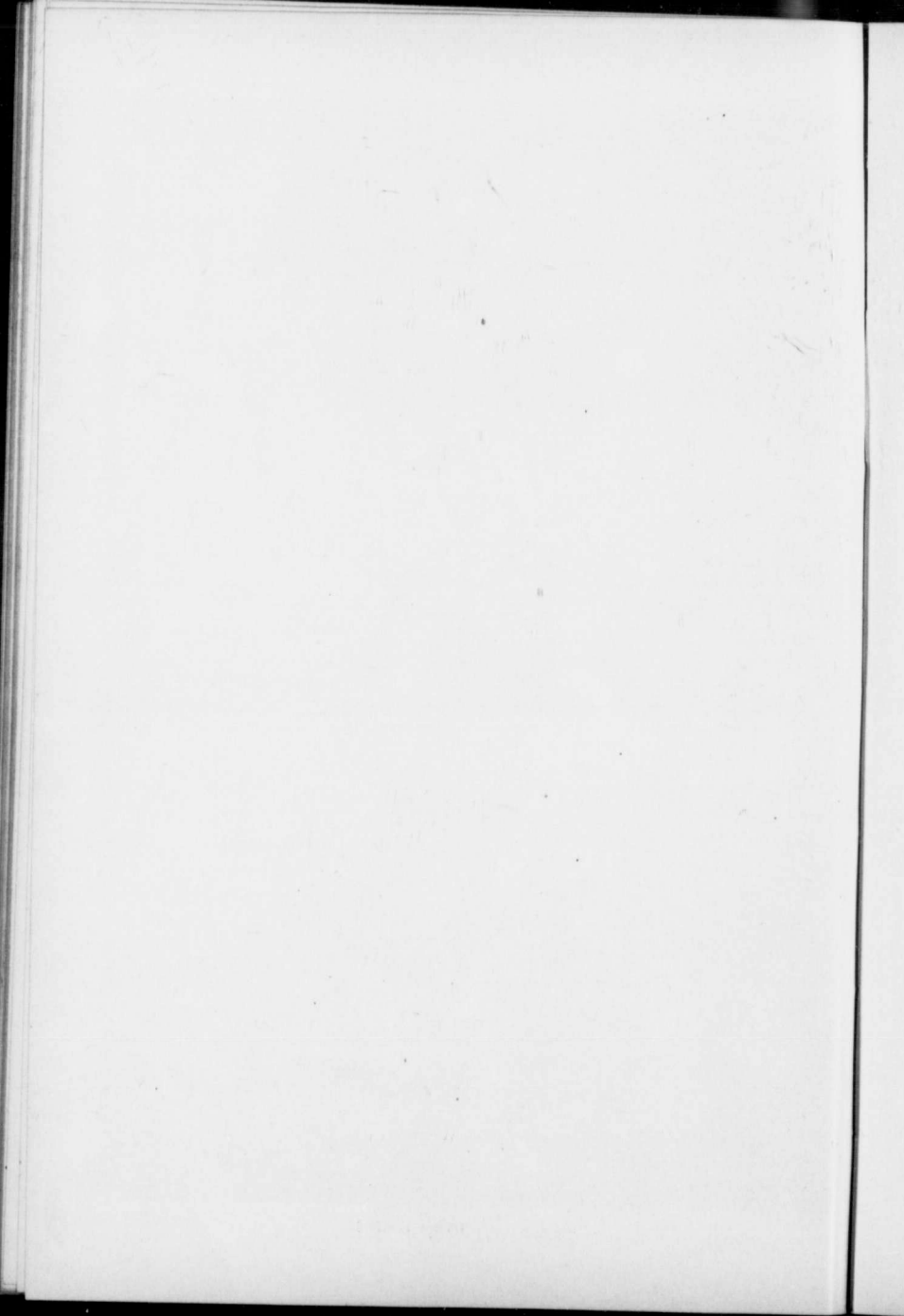
And allow us to remind you that there is another gentleman on this continent, occupant of a position similar to yours, and that is the secretary of the treasury at Washington, McAdoo by name, a worthy member of the Wilson cabinet. **This gentleman has been**







"Me and Gott" (Home Edition)



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empowered by congress to issue \$500,000,000 of national notes of the United States and to lend them to any of the banks of the country wishing the use of this money in order to move the crops! Now, we are about to move the crops in this country, and if you take the excess issue of our banks—and the excess issue was mainly created in the first place to move the crops—and turn it into Dominion notes, it will be the most efficacious currency that ever came into use in this country; and once it came into use it would never go out of use. Have you the courage to do this, Mr. Minister?

But if you do this, you will have to print your Dominion notes in all denominations, like the banks do, and once you have this issue out anybody receiving money at the banks will be entitled to get it in Dominion notes; and gradually bank notes will give place to national notes; and the banks will have to make some reasonable arrangement with the government to get a supply of national notes. We said the other day that as a start-off we would give Dominion notes to the banks up to the amount of their paid-up capital at an annual tax of 1 per cent. Here is your opportunity. You can follow Mr. McAdoo, and you can follow Mr. Lloyd George, and you may become a great factor in the life of this country. Be a George, be a McAdoo, be a White.

In fact, we are so confident that you will do this, that we propose to send you a message by wire to-morrow, especially in view of the fact that you will not then have received this letter; but a wire will reach you, and our wire to you will read something like the following:

"Hon. W. T. White, Minister of Finance, Ottawa: Would you, under the new legislation, convert the excess note issue of the banks into Dominion notes, say, at the 5 per cent. rate provided by law in the clause authorizing the issue of an amount of Dominion notes, as against approved securities? The banks pay 5 per cent. on excess issue, so it comes out even. "Toronto World."

We have heard a man who suggested a thing like this called by an important personage at Ottawa a John the Baptist, as you may know. But it is a good thing sometimes to be a John the Baptist, and take the consequences that attended on that great precursor and pioneer in good work. No one need ever be ashamed of John the Baptist, of Lloyd George, or McAdoo. If you delay your action, or if success of the allies improves conditions, or if things get worse, you will have lost a great opportunity, and one of the few things that come to the high or the low is a great opportunity. When it comes you should meet it on the doorstep with a welcome.

Extending to you our very best appreciation and respect,
"The Toronto World."

An Open Letter to the President of the Bankers' Association of Canada

Sir: In The Canada Gazette of Sept. 5th, there is printed an order-in-council based on other orders-in-council and on an Act of Parliament passed at the recent session (entitled "an Act to conserve the commercial and financial interests of Canada,") legalizing "in case of war or in case of any real or apprehended financial crisis," the following things in this country because of the existence of such a state of war:

(a) The making of advances to the chartered banks, and to the savings banks to which the Quebec Savings Banks Act, 1913, applies, by the issue of Dominion notes upon the pledge of securities as provided in the said Act, be authorized:

(b) The chartered banks be authorized, subject to the provisions and limitations set forth in the said Act, to make payments in the bank notes issued by such banks instead of in gold or Dominion notes;

(c) The several chartered banks be authorized to issue excess circulation as in the said Act defined from and including the first day of March, 1915, to and including the last day of August, 1915; and

(d) The redemption in gold of Dominion notes by the Receiver-General of Canada be suspended, subject to the provisions of the said Act from the date of the publication of this our proclamation in The Canada Gazette.

What we would like to know in connection with paragraph "b" is: if the chartered banks are thus authorized to make payments in bank notes instead of gold or Dominion notes, why are not these bank notes used to make payments in the clearing houses organized in this country under the direction of your Association?

We are informed that several of the member banks in these clearing houses are anxious to have bank notes accepted in daily settlements, instead of as the practice was and is still, of settlements in what is known as "bank legals," that is gold certificates issued by the Dominion against gold deposited in the national treasury by the banks. If bank notes are legal tender, and **the public must take them, including depositors, who have over a billion of dollars of their money in banks, why should not banks take them as between themselves?**

Already, as you know, banks have got rid of this liability of paying a billion dollars in gold to depositors; the greatest concession that

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was ever given to any private monopoly in this country was conceded to the banks when this was done. Notwithstanding this enormous favor, or, to put it in another way, this most valuable privilege was given to the banks, why do they not live up to it between themselves? **If the law is good enough to make the public take bank notes for settlement, why should a bank not follow the same practice when dealing with another bank?** What is sauce for the public goose is sauce for the gander banker. What do you think, Mr. President? Don't you think so?

And now let us come to paragraph "c" in regard to excess circulation. Some of the banks, as we know for a fact, are most anxious to take advantage of this provision, which, if taken advantage of by all the banks, would add upwards of \$40,000,000 of available bank notes for the relief of the existing stringency caused by war; and if you read the act this privilege was granted because of "a state of war."

As we say, this \$40,000,000 could have gone to the relief of the public; yet these banks who wished to use this excess currency for the relief of the public are daily prevented from doing so because of the determination of the dominant men of the Bankers' Association to refuse legal tender in the clearing house settlements as between banks. We do not need to tell you what this means in the clearing house, where the most rigorous discipline is accorded any single wolf who does not run with the pack. Over \$40,000,000 of money not having to be settled for every morning in the clearing house, the bank notes representative thereof would go from hand to hand, as Dominion notes go, and would not come up for daily or weekly redemption. A great public help in time of trouble.

If a bank wished to use this excess circulation, we contend that it should be allowed to do so; and settlement in bank notes is the only means that will allow them at this time to come to the support of the public. In these times of war, **who are the members of your Association who take this unpatriotic position?** It may be that some of the banks, for reasons best known to themselves, and whose policy is to keep strong in war times, may not wish to take the risk of accommodating customers or public. Although our contention is that, given the franchise of doing a banking business and of issuing their own notes to the public based on gold payments, and having the gold payment thereof suspended, and having many other privileges, they owe some kind of duty to the public who gave them these charters and privileges; that on them are imposed reasonable duties. Can you tell us why you take the cream and refuse to churn?

It is all very fine for the Dominion Government to give themselves a moratorium in regard to suspending payment in gold for its own notes, and for the government to give a moratorium suspending

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payment in gold for bank notes; but getting these great privileges, you not only oppose a public moratorium, and perhaps you have good reason for that; but what reason have you for denying the full enjoyment of the excess circulation provisions, as we know you have been doing? We know bank managers prepared to say you have obstructed in this case.

But we are not discussing so much the law of the pack as it concerns its different members, but we are protesting against the pack turning against the public and denying the public what it is entitled to in time of war

The members of the Bankers' Association have a fine record for contributions to the Patriotic Fund, and we take off our hat to the gallant and knightly band. But the greatest fund in Canada is the wages and business fund in the banks wherewith "to conserve the commercial and financial interests of the country." **Are the Bankers' Association, as a body, proving their patriotism in this respect?** And why, if individual members are anxious to wear the red cross badge of excess circulation for the succor of the public prostrated by war, why do other members seek to restrain them in the mission?

And speaking of clearing house action, in times of trouble, in New York, would you be annoyed if we told you that the men who lead in advocating relief banking measures are always the men of the big and the strong banks? We can point out cases where the head of the City National Bank has said, "We do not need to resort to what has been decided on by the Association, but we propose to use it and by our example set the way for others using it who may have need of the relief measure to help customers and the public." Are our strong banks sitting with clubs to beat back—not the men who are strong—but men who are anxious to be patriotic and "to conserve the Commercial and Financial interests of the country?" Would you, Mr. President, when in New York, boast to the president of the clearing house there how your Association had intimidated the red cross bankers going out to succor business?

As a newspaper paragraph throwing some light on the matter, let us quote an editorial paragraph in The Toronto Daily Star of last night, which very well summarizes the situation in England and emphasizes by contrast the situation here in Canada:

"Now that the government is taking risks," says Chancellor Lloyd George, "and the country is taking risks, the banks must take risks, too, and finance business." He warned the British banks that the government had not come to their aid in order to strengthen their balances or ensure their dividends, but expressly in order to enable them to

finance the industries of the country and keep business going. That is plain talk, and it applies in Canada as well as in England.

What are you all doing, Mr. President, in utilizing the Act of Parliament to finance the industries of the country and to keep business going?

We will be only too glad to publish your reply and to give it all much prominence; because a great many people are asking questions about these things and are asking the newspapers and getting little answer from them; and they soon will be asking members of Parliament; and members of Parliament will be asking one another as to why these things are; and so it is up to you and your associates to make answer to the public; otherwise our Minister of Finance will have to talk as Lloyd George talked to the bankers of England. And we would not like to see Mr. White, the Minister of Finance, calling the bankers into the sinners' pew and beginning to wrestle with them in groups and singly on the great issue which we now present.

Yours in loving reconnaissance,

"The World."

Minister White must Discipline the Clearing House

A PROCLAMATION, dated Sept. 3, and published in The Canada Gazette of Sept. 7, puts in force the Act passed in the recent session of Parliament "to conserve the commercial and financial interests" of Canada; and among other things "authorizes the making of advances to chartered banks by the issuing of Dominion notes upon approved securities, deposited with the Minister of Finance, of such kind and amount as may be approved by the Treasury Board; such advances to be repayable at such times as the Board may determine, with interest at a rate to be likewise determined by the Board of not less than 5 per cent. per annum."

Any bank has now the opportunity of obtaining such assistance on a direct application to the Minister, and on approval of the Treasury Board, which includes the Minister and some of his colleagues. There is to be no reference of the application to one or more bank officials selected by the Minister as an advisory committee, as was the case up to last week. It will be remembered that banks objected to applications going before such Advisory Committee made up of men connected with other banks. The Minister has dispensed therewith, and applica-

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tions now go straight to the Treasury Board, and the securities pledged remain with the Minister. We believe that applications will now be more freely made for such assistance by banks, and the money be used to help over the stringency. We have heard of some of the big banks intending to apply almost immediately for advances.

It is also announced that the Treasury Board will make advances under the Act to Provincial Governments against Provincial securities, which cannot be sold at the present moment, thereby allowing necessary public works to be carried on.

And it is further believed that Loan and Building Companies will be able to get assistance in a similar way. So that it would appear that Mr. White and the Government are doing a lot to tide over the situation.

The Act as proclaimed authorizes chartered banks to make payments in bank notes issued by such banks instead of gold or Dominion notes, but the total amount of any bank in circulation at any time shall not exceed the amount of the notes issuable under the provisions of the Bank Act, and under the excess issue provision, which latter practically amounts to 30 per cent. of the paid-up capital of the banks. As a matter of fact, bank notes have been legal tender ever since the proclamation made on Aug. 3 last, and are now, as stated above, legal tender under the recent Act; and they are legal tender in every place in the country, with the single exception of the Clearing House, where the banks make daily settlements with one another and where each bank has to pay its debit balance in gold and not in its own bank notes, though these have been declared legal tender. As was pointed out in our columns the other day, the banks consider that this arrangement is a matter strictly among themselves; as we stated, we do not accept this explanation, because we know that as long as bank notes are not legal tender in the Clearing House a number of banks will not take advantage of the excess circulation provision, although it has been duly authorized by Parliament to help out the situation. Our contention is that if the Minister of Finance would intimate to the banks that bank notes must be legal tender in the Clearing House, the result would be that the banks would put out anything up to \$40,000,000 of additional circulation to the advantage of business men and other customers of the banks who need money to get over the stringency. The dispute thus created is one of the highest importance, and the Minister and the Government must insist on the change that we have suggested, if they desire the public to get the full benefit of the legislation, both as to legal tender and excess issue. A fuller explanation might take up too much space, but The World knows what it is talking about when it says that a number of banks would help their customers with excess circulation immediately, if they could get away from their

difficulty of taking care of their notes in the Clearing House by putting up gold or its equivalent daily.

Of course, we have pointed out that one way of getting around the action of the obstructing banks, who are standing out against accepting bank notes in the Clearing House, would be for the Minister and the Treasury Board to convert bank notes intended for excess circulation into Dominion notes, and for them to pay 5 per cent. thereon, as they have to pay on their excess circulation. This would remove the difficulty at once as far as excess circulation is concerned, and the bank or banks who are encouraged to do this would set a good example and afford a substantial relief to the business community.

And if the Minister has any intention of ever having a national currency take the place of a bank-note currency, this would be the entering of the wedge. Changes like this in the past have been gradual, and not of a sweeping character, as, for instance, the retirement of a lot of the bank notes in England a good many years ago, and ultimately to the exclusion of all bank notes, except those of the Bank of England.

But we say to Mr. White that if he wants his excess circulation used he must also assist on his other relief proposition, that of making bank notes legal tender, that the banks accept them among themselves as legal tender.

Canada is not the only place where banks have interfered with public needs. Listen to this from *The London Daily News* and *Leader*:

And it is remarkable, that whatever the subject, the emergency exit is always collectivism. Take the question of finance. Walter Besant said long ago that the art of banking consisted in taking other people's money and using it for your own profit. In a general way, we know that the satire was not very extravagant, but the system worked, and there seemed no real conflict between finance, which is the symbol, and commerce, which is the reality.

But the time of stress has brought a swift disillusion. It is found that the private control of the sources of money supply may have disastrous effects upon industry in a crisis—that just when money is most needed for trade it may be withheld for private and even selfish reasons. Many of the banks have behaved well, and others have behaved badly; but the discovery that any of them could hoard not their own money, but other people's money, and keep it out of use at a moment when its use was the most urgent need of society, has shown that the present financial system cannot remain un-reformed. Already the State has had to come to the relief of the situation. Mr. Lloyd George has given the banks the credit of the National Treas-

ury, that is, the security of the whole nation for their operations. But obviously the matter cannot rest there. If the banks are only institutions for making profits for their shareholders in times of prosperity, and close their purses when the pinch comes, only opening them on our collective security, it is clear that the function of the State in the sphere of finance is paramount and that it must exercise that function when times are good as well as when times are bad.

“Strong Banks” Versus Low Cash Reserve Banks

WE are making a lot of headway in the discussion of banking in this country. The mystery about the business is dissipating: it has got quite a selfish air about it when you see the lid lifted and you hear the motives that inspire those who conduct it. There is little patriotism in it, or any real effort to save the country—unless the bank is first saved, and that takes all the time of the management! **But banking can be made national, can be made patriotic, can be made to save “the Commercial and Financial interests of the country”;** and this is why we’ve been writing these articles. The breaking out of the war and the sudden rush to cover of our banks gave the people a chance to see the inside of the works, especially when even a single newspaper has the courage and concern for the public welfare to explain the facts and to blow away the lofty pretensions of serving the community.

Now, what have we seen in this war? Just before it had broken out the price of C.P.R. and other railway stocks began to drop—caused by the selling of German holders—and the tumble-down-tumble in prices ruined hundreds and hundreds of people in Montreal, Toronto, in every Canadian village and town. Men who thought they had—some a fortune, some a nest-egg—found themselves without a dollar. The stocks that they thought as good as ready money cannot be converted into cash on any terms. But these people brought it on themselves. That’s what stock gambling always does.

But what about men of business—farmers, drovers, manufacturers? When the war was on, the banks at once closed down loans to these customers. One prominent bank, through its head office, ordered its local managers to immediately cancel all credits under loan, to refuse new loans, to demand that overdrawn accounts be covered, that loans as they matured be paid or reduced. Customers at some

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banks were told that if they had \$96 at their credit and a check or an accepted bill for \$100 came in, payment would be refused on account of "not sufficient funds."

As a consequence, most customers of banks were suddenly hampered. Factories slowed down because the banks would not mark wages' checks as before; stores were pressed to pay and had to ask extension; sales fell off; men were put on half-time; builders stopped building; grocery stores had to cut credit to housekeepers; men with the best of rating and plenty of assets could not get money. We know of drovers and feeders whose credit at their bank was \$5,000, and who bought lambs and steers to finish and could not get a dollar, and yet this business is more profitable than ever. The best was that customers were helped a little. The banks did something, but a lot less than what they usually did. People who used money in their business found out how hard it was to get it from banks, who pleaded "a state of war."

And here we must draw a sharp distinction between two kinds of banks: those whose motto is to make money, but, above all, to "keep strong" and to take no risk. Save the bank and let the country save itself! We have several of this kind. The bank that told its managers to cancel current loans, to refuse new loans, to call for repayment of loans, was one. They profess whenever the sky lowers to be much concerned about depositors—that they may call for their money, and that, therefore, they must be "strong" and ready to pay. Being strong is having large cash reserves: coin, Dominion notes, balances in other countries, **loans on call!** securities at low interest that can be converted at once into gold or its equivalent. And so the customer is told that the bank has little to loan him; anything the bank has, is for the depositor or other creditor. The phrase that bankers love to use in this respect is "percentage of cash reserve to liability." A "strong bank" has big cash reserves. We'll come back to that phrase.

Then there is another kind of bank, one that is more disposed to help customers; to help factories to keep going, to aid cattle feeders, farmers, builders, business men, storekeepers, merchants. But if they do this they reduce their "percentage of cash reserves to liability." You can't pay a depositor with his money that you let out on a note. And a public-spirited banker—and we have some, thank God!—must also be prudent, and he has to refuse where he might be willing. But how many know that it is the **unpatriotic pride of a manager in having his own bank strong**, and who, therefore, ruthlessly refuses all assistance in times of trouble, that forces the more **generously disposed banker to hold back**. The latter suffers in the eyes of depositors because his cash reserves have not

the high percentage of "the strong banks." The newspapers praise the banker with the big cash reserves: they say little of the bank that does public service by aiding its customers, though at the cost of cash reserves. If we had any more "strong banks" than we have we might as well put up our shutters, if not abandon our cities. They are the bane of the situation to-day. Ask Lloyd George.

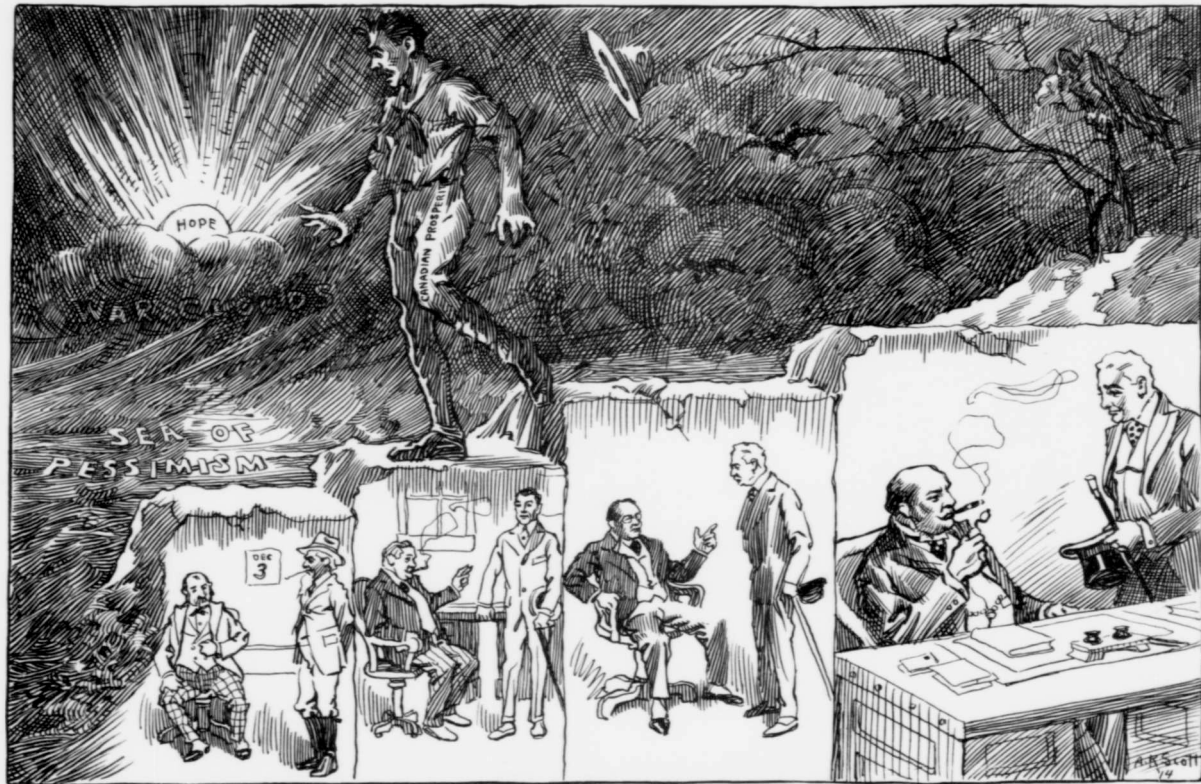
It is these "strong banks," the banks with "the enormous cash reserves," that are insisting on gold settlements in the Clearing House when the law, as amended a few days ago, makes bank notes legal settlement of all and any claim. And by their intimidation—and that is the word for their conduct toward the banks that do not worship strength nor cash reserves, but rather seek to do service to the business community, these latter banks are deterred from taking advantage of the recent amendment and put out excess issue to the extent of 30 per cent. of their paid-up capital—a very tidy sum for the relief of business.

How? If they put out this excess issue and it must next day be met in the clearing house with gold, they must trespass on cash reserves and become less "strong" than they were. If this excess issue was accepted in the Clearing House it would not call on the cash reserves until such time as the war was over, business had again become normal, and the redemption of bank notes in gold was again proclaimed.

And, you ask, why do "the strong banks" object? Because they would not like to see rivals serving the public while they were refusing assistance. For this is the real situation: "the strong bank" distrusts the situation, distrusts his customers and the public, refuses to take any more risk; but keeps boasting about his cash reserves and inviting a contrast with others. He seeks to force the more liberal banks to get in his class, and all be on a par!

There will be no improvement, or rather there will be little advantage to the public, of the proclamation making bank notes legal tender and allowing excess issue if the Minister of Finance does not compel those high and mighty "strong banks" to quit their intimidation and themselves take advantage of the provisions in the recent Act "to conserve the Commercial and Financial interests of Canada" and help the public "in time of war." What did Lloyd George do? He passed relief laws, put the government behind the banks, "took the risk," to use his words, and then called on the banks to share in the risk of the relief measures and "finance business!" If you're a bank do business. And he made them. Our strong banks don't want to finance business these days—just to be strong with the big cash reserves. What is the Hon. William Thomas White going to do? Will he be a George or a McAdoo? Or will he

GOING DOWN!



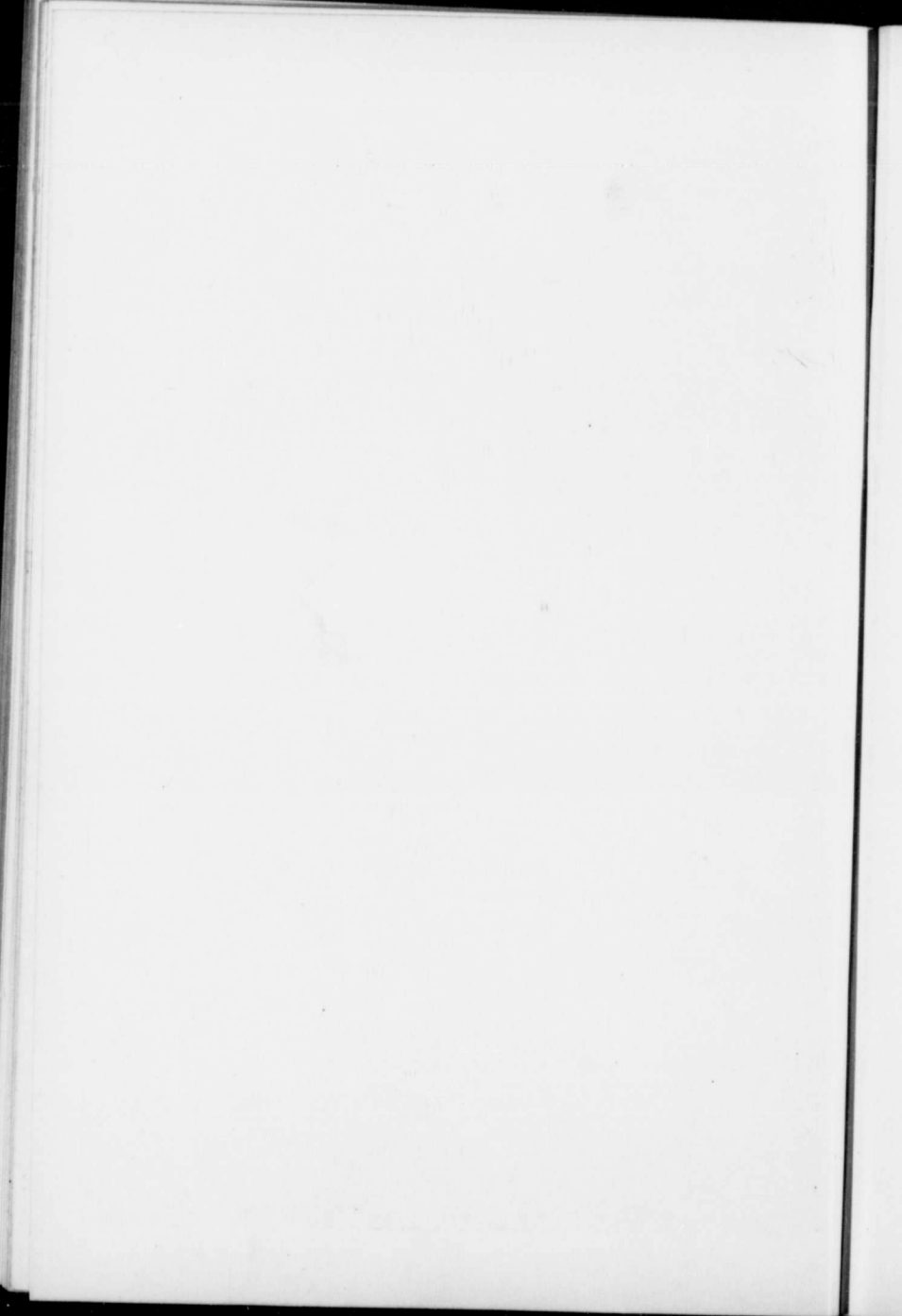
Farmer

Businessman

Manufacturer

Banker

Minister of Finance



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let the strong banks make the bank and currency laws of this country if they think fit to do so? Who had a voice in this legislation but the President of the Bankers' Association.

And now we retrace a bit. We spoke of a willing bank being nevertheless afraid of going beyond the safe limit in depleting (by way of loans) its cash reserves. As we said, you can only pay depositors out of cash reserves—you can't pay them with the note taken by the bank from the person who borrowed the depositor's money. **But when you have a national reserve bank, a national bank of discount, with national notes secured by the credit of the country, as well as by a substantial gold reserve, the banker who still wants to be liberal to customers, knows that he can rediscount the commercial paper or other securities he holds in the national discount bank and pay the depositor at any moment.**

That part of banking which turns on big cash reserves will then go out of boasting. The strong banker will only accept a national bank of discount by sheer force. Nor does he like legal tender bank notes. He wants few banks, strong banks, bank currency, and the whole business an absolute monopoly in private hands. Now banking in these modern days must be a state affair, a national affair, with the private-owned or company-owned bank a junior partner. The State must supply the currency and the credit, and force the ordinary banks "to finance business." And the state must do the rediscounting for banks in national notes so as to do away with the need of excessive cash reserves.

And as a last comment for to-day, on big cash reserve banks, let us remind the reader how rapidly the cash reserves of the Bank of England have been depleted in August and September from 50 per cent. to 13 per cent.; also how the cash reserves of the banks of the United States have fallen below the legal percentage. Some of our banks that would prevent the use of legal tenders in the Clearing House are stronger than ever in cash reserves, and they are consequently doing less than ever "to finance business."

Great Changes Coming in Banking

THE Canadian bank system is up for discussion and will be discussed until it has all been thrashed over again. For years everything was taken for granted; now everything about banking in Canada is to be re-examined, tested, tested even with the acid test. As a result our banking system will be changed, will be re-adjusted to modern experience and practice. That does not mean that our banks are to be injured; but they are to be made more useful. And what will be the fundamental principles that will come into play?

And when we speak of the banking of a country always remember that we have in mind the currency of a country, and by currency we mean the money or circulating medium of the country, and by banking we mean the receiving of deposits and lending of money and the lending of credit; and probably this latter is the greatest of these three. Now then, as to the new principles; what are the ones that will play a part in Canadian banking as thus defined?

First, that the currency absolutely, and banking relatively, are public services and must be regarded as such, and that the State must control the one and regulate the other, and that the public interest in both, overrides any other interest, having always in view that the public service is the chief thing to be achieved. Our parliament, therefore, must make a law in regard to banking, and our Minister of Finance must be the public head of the organizations, and while the shareholders are entitled to reasonable profits and even a reasonable accumulation of rest money, it must always be recognized that the service to the public is the main thing, and especially if the currency to be supplied as a national currency, and if the great bulk of the capital used comes from the public in the way of deposits, or as we prefer to call them, the savings of the people.

And the second principle that will come into more pronounced play in Canada is that inasmuch as that credit which is at the base of all banking rests largely on the collective credit of the nation, and the assets of the nation it ought to be controlled and used for the benefit of the public at large by means of a great national bank which would be in a position to lend this credit of the nation to banks dealing in credit, and the medium of these transactions of rediscount to be national notes. In other words, a national bank is a bank of rediscount, for the use of the public through the agency of chartered banks, and our law must, therefore, provide that the charges for the use of this credit be reasonable to the public and reasonably profitable to the banks, and must be available at all times, and especially in times of stringency.

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As to the currency in this country, that is now issued by the banks. But in the light of experience of our neighbors, the United States, and of all the leading countries of Europe, except that of Great Britain, and even in the light of the experience of Great Britain in the present war, it does seem to be established without contradiction, that the currency of the country must be a national currency, and that bank note currency must be withdrawn. Bank note currency antagonizes a national currency, and we have had a wide experience of that in this country. In less than two years there will be nothing but a national currency in the United States, and we believe that this will be realized in Canada in a very short time also. In other words, banking is to be, as we said above, recognized as a great public service, to be organized, upheld and publicly regulated for the benefits of our industries, our occupations, our products and purposes of government. And as thus defined, there is benefit to the public, a reasonable return to any capital invested in it by shareholders in chartered banks, and a reasonable interest return to depositors who put in their savings.

Now these must be the underlying principles; but there are other matters that have to be discussed and one of the first that will come up is that of centralized banking system as against what is called a local banking system. We do not propose to discuss this question on this occasion, but in order to show that it is a matter of concern, we propose to reprint an editorial from a western paper.

WEAKNESS OF BANKING SYSTEM

(From The Calgary Albertan, Sept. 25.)

The weakness of the Canadian banking system is not that here and there an incompetent bank manager presses some person rather hard for money owing the bank, and thus prevents desirable development. The weakness is in the system of Canadian banks which centralizes the management of all the financial institutions, and places the control thousands of miles away from the point of development.

It cannot be denied that such a system has some advantages. It makes for stability, though possibly that feature is somewhat exaggerated. But the United States system of a series of local banks scattered throughout the entire country is much better for a country in the development period.

Under our system the bank manager in a small western town is no great factor in the banking institution. As a rule his experience is not very great, and his powers are curtailed. He has no particular interest in the town in which he is located. He is working for promotion and hopes some day to be removed to a more important point.

THE WAR AND OUR BANKS

and the sooner the better. If he makes one bad loan, it means a mark against him, and injures his chance of promotion or advancement. He would prefer to turn down twenty men, who should receive money from the bank, than make one small loan to a man who would not pay it back. His superiors regard his value to the bank entirely on a profit and loss basis, and the man who takes any risks is not encouraged or rewarded.

In the United States the banking system is entirely different. There the bank usually has its headquarters in the town in which it is located. Over it the manager or president is a man of experience, whose business is that of loaning money. It is to his very great advantage that the town in which he is located should prosper. He does his part by encouraging industry by loans, and in every possible manner advancing the interests of that town. The result is that the banks across the line are much more generous, particularly to the farmer, than the banks of Canada.

Here the farmer finds great difficulty in getting money. There he has no difficulty if he has the land and his prospects are good. Here a farmer gets but few loans and small ones. There it is not the exception for the banks to finance a promising man. Here the farmer finds certain set rules, which the local bank manager cannot go around. There the bank manager has fewer rules, and looks to the man who asks for a loan. Here, before the banks will do anything to promote such a promising industry as the live stock industry, it must organize society and get the backing of men of money in the cities. There it is the most usual thing for the banks to hand over the money and do the whole thing themselves.

The weakness of the Canadian banking system is that it is centralized in Montreal and Toronto, and banks do not give a hang for the little towns on the prairies or any place else. Their object is to make money, which is quite right. If they can use their money to better advantage than loaning to the farmers, they will not lend to the farmers, which is not surprising.

The United States system is better for the country in the development stage.

We said we would not discuss at this moment the merits of the local systems as against the central system; but we do say the two systems must be thrashed out over again. There may be merits in both practices. In the United States they are not only in favor of big and little banks, central and local banks, but one new feature of the laws now coming into force in the United States is that there will be twelve great national rediscount reserve banks scattered over the United States in place of a collection of powerful, private corporation banks concentrated in New York. The great reserves, the savings

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of the people, are to be more or less distributed among twelve "reserve cities." That means for one thing that the whole of the savings of the nation are not to be stored alongside of the New York Stock Exchange and its questionable practices.



Banks Balk at using Government Aid to Finance Business

IN the United States the banks are withholding assistance to business to the end, so it is charged, that they might run up the rate of interest. The leading paper in the United States is The New York World, and it often speaks for the Wilson administration. The attention of the President and his colleagues has been called to the fact that the banks are not affording relief to business at the present time; and Mr. McAdoo, the Secretary of the Treasury, has intimated to the banks that if they are not more disposed to let out money to help along business, he will be forced to do something, and he says what he will do. He has over one hundred millions of Government funds on deposit with various banks of the United States, and this money he placed there so that the banks might aid customers. He has told the banks that he will withdraw the money from any bank or all the banks if it is shown to him that they refuse to assist business, now more or less dislocated by the great European war. He has also intimated that banks who do not relieve their customers will be deprived of the right of excess circulation. Here is a clear-cut assumption by the Government of the United States to direct the banking and currency of the country. It has not come too soon. Here is the pointed way in which The World deals with the matter:

THEIR LAST INNINGS

Editorial, New York World, Sept. 23.

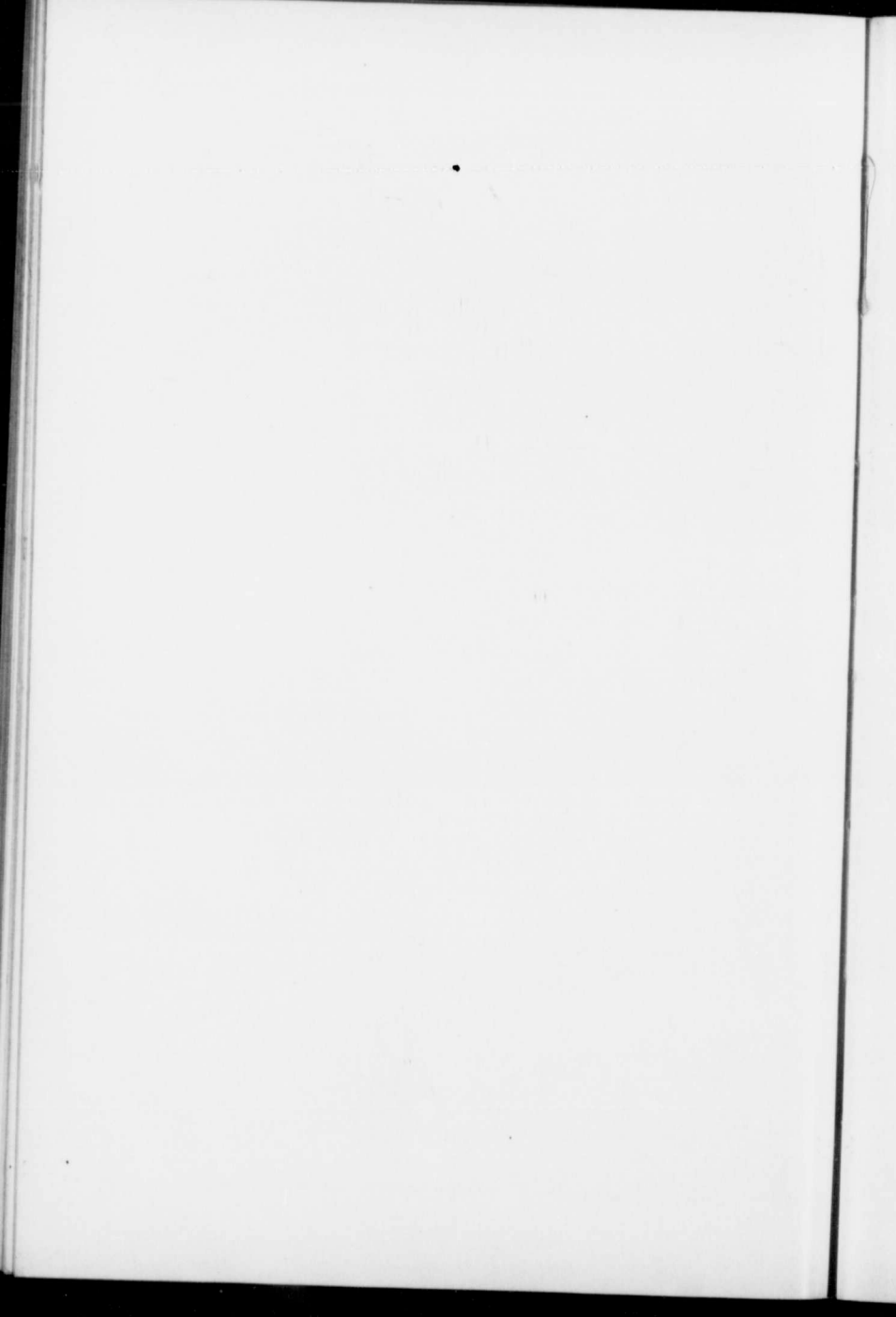
National bankers who have acted on the theory that emergency currency has been issued for their profit alone will do well to heed Secretary McAdoo's warning to the contrary. Emergency currency was designed primarily for the relief of the people at times when for any reason financial stringency was prevalent.

It has happened more than once that what is called a scarcity of money was due to the position taken by some, if not all bankers. There is more than one way to hoard money. It is hoarded when it is locked up in safe-deposit vaults. It is hoarded when loans are called arbitrarily. It is hoarded when credit is refused except at exorbitant rates.

The deposit of public funds in banks and the issue of emergency notes are wholly within the discretion of the Secretary of the Treasury. In both cases he acts in behalf of the people. If through the greed of bankers the currency thus put into circulation and the credit thus made available are to be cornered, it is idle to place any dependence upon

AFTER DUE CONSIDERATION





THE WAR AND OUR BANKS

temporary measures of relief which in other countries work to perfection.

Irritating as the attitude assumed by many bankers has been, it serves a useful purpose in proving anew the wisdom of the new federal reserve banking and currency system. When that goes into operation a few weeks hence, there will be no further monopolization of money and credit in the United States. Those who are playing the old game now are positively having their last innings.

What The New York Herald says of our neighbors can be said with much more force of the Canadian banks who have failed to take advantage of the facilities placed at their disposal by Parliament for "financing business," to use the pointed phrase of Lloyd George. In fact, the governments of England, of the United States and of Canada have been more than willing to help to finance business and have put means at the disposal of the banks of their respective countries; but have in each case found banks not disposed to do what the Governments thought they should do. What happened in the United States was that before the half a billion of emergency currency in the way of national notes was created by Congress, the banks were all in league to put up the rate of interest and to make dear money, and when Congress improved the emergency currency Act and made it effective, there suddenly appeared to be a reduction in the rate and a more generous treatment of the public. But do what he will, the Secretary of the Treasury has found it hard to get the banks to take the emergency currency of the Government and loan it to their customers.

As an illustration of the situation in Canada, we also propose to copy an editorial from a Western Canadian paper:

Regina Province, Sept. 21: To relieve debtors by legislative means (moratorium) practically causes a suspension of business, and it is not that, but stimulation of business, which is required. So long as there is a moderate volume of business transacted, there will be little unemployment, and anything in the nature of a moratorium will not be necessary. Therefore, to stimulate and improve business should be at the present time the chief object of Governments, both municipal, provincial and federal.

Means by which this end can be accomplished are many, and he would be a bold man who would undertake to say which would be the most effective and suitable. The Dominion Government has already recognized this, as is shown by the steps it took to strengthen the position of the banks, with the intention of using the banks to extend

assistance to the people of the country. The Dominion Government's plan miscarried, to some extent at least, by reason of the fact that the banks generally did not carry out the wishes of the Government, but rather were intent on strengthening their own position at the expense, both of the Government and the people. The Government, however, still has the option as to what method it will use of extending assistance to the people, and it can very easily revoke the powers granted to the banks and instead undertake some means of extending direct State aid, to furnish credit and guarantee security until normal conditions are restored.

The Government of Great Britain has taken just that step. In Britain it was not necessary or desirable to use the banks for the purpose, and so it was done direct. In Canada the attempt has been made to use the banks, and we do not believe there is anyone, save the bankers themselves, who will say the attempt has been successful.

Our Minister of Finance should assume the same leadership of the nation's financing as did Lloyd George and McAdoo and tell the banks what they must do. He may not have the direct jurisdiction, but he has the power to do it. Be a McAdoo and be a Lloyd George.

Coming back more specifically to the bank situation in Canada, as illustrated by the bank statement up to the end of August, we find that the call loans outside of Canada were reduced by something like \$29,000,000 in that month, and this covers about the last ten days of the month and includes the time when the Stock Exchange closed down in New York. There was therefore left about \$100,000,000 of Canadian money on call loans on Sept. 1, and the public will patiently wait to hear how much of this \$100,000,000 has been collected during the present month. There is no doubt that the banks are trying to get it in, and they told the Canadian public they could get it in at any time they called it. As money is badly needed in Canada at the present moment, it is to be hoped that most of the \$100,000,000 is now in hand, especially as it is made up of the savings of the Canadian people, and would be most efficient at this moment in helping along the needs of business as felt by our manufacturers, our farmers and those of the general public who are regular customers of the Canadian banks.

The figures also show an increased issue of bank notes to the extent of \$20,000,000, and this amount would raise the total issue to about the legal limit and make no entrenchment on the excess issue, as authorized by Parliament. It may be, however, that the September returns will show that the banks have availed themselves somewhat of the excess issue.

W. F. Maclean and his Programme for Banking and Currency Legislation

By Tom King, Toronto

WHAT are the views of Mr. W. F. Maclean, M.P. for South York, upon the financial question? How does he propose to help the business of the country by recasting the banking and currency laws of Canada?

A good many people who are asking these questions to-day were less interested two years ago, when Mr. Maclean first outlined his proposals in Parliament. We are now face to face with a breakdown which, he declared, was bound to come unless in some way the business men of Canada obtained more credit and more money with which to do business. True, the war was not then in contemplation, but the war has exposed rather than caused the breakdown in our banking and currency system.

The Maclean program is not one brought forth over night to meet an emergency, it is proposed as permanent legislation. At the same time, it will meet the present emergency conditions, indeed, the legislation just put through Parliament amending the Bank Act, the Dominion Notes Act, and authorizing a currency based upon collateral other than gold, follows closely along the lines proposed by Mr. Maclean. That this recent legislation appears to be a machine without motive power, and so far has done nothing to relieve the situation, maybe due to the fact that it departs from the fundamental proposition upon which Mr. Maclean's proposals rest, namely, that all the money of this country should be issued by the Government. It leaves the banks in control of the financial situation, instead of vesting that control in the Dominion Government.

It may, therefore, be interesting to note what is the program which has been presented to Parliament and the people by the member for South York.

ONLY GOVERNMENT MONEY

1. In the first place, Mr. Maclean believes that the Government, and only the Government, should issue money. At present we have in Canada two kinds of currency; one is issued by the State under its sovereign power to emit currency; the other is issued by the chartered banks, to whom has been delegated the power to issue money by the State. All our metallic money is issued by the Government and bears the King's head; practically all of our paper money is issued by the banks.

The Government, it is true, issues paper money to the amount of \$114,000,000, but only about \$20,000,000 of this in the shape of \$1 and \$2 bills gets into circulation. The money used by the everyday man in everyday business is the money furnished by the banks, in bills of the denominations of \$5 and multiples thereof. There is held by the Receiver-General at Ottawa, and by his deputies throughout the country nearly \$100,000,000 in gold, but a child born in Canada might live in this country and die at the age of 80 without seeing a gold coin. This vast accumulation of gold is not intended for general circulation, and is properly enough kept as a reserve for the protection of the paper money issued by the Government, but the paper money issued by the Government (except \$20,000,000 in \$1 and \$2 bills) never gets into circulation. It is in the shape of bills of large denominations, mainly \$5,000 bills, which are held by the banks and are legal tender only between banks. The money seen and used by the people, therefore, is the money printed by the banks. The banks are thus enabled to regulate the volume of currency and to exercise the sovereign power of issuing money.

BUSINESS AND CURRENCY

2. If the Government is to have the sole power of issuing money, then the notes of the banks now in circulation will have to be retired, and Mr. Maclean proposes to issue to the banks, at a nominal rate of interest, Dominion notes or national currency to the amount of their paid-up capital. This will compensate them for the loss of their present franchise of issuing money, but whether it fully compensates them or not, it will firmly establish a national currency.

But the \$100,000,000 of bank notes now in circulation do not provide enough money for the business of the country. Mr. Maclean proposes that the Government shall issue Dominion notes or national currency, say, to the amount of \$500,000,000 and that this money be available for the business needs of the country.

This would necessitate the founding of a Government bank. This Government bank, which might do the banking business for the Dominion and Provinces, would be the bank in which all the chartered banks would keep accounts, and be able to rediscount the securities offered by the public, including prime commercial paper. The businessman who goes to the bank to-day is apt to hear that he cannot get the accommodation he needs, no matter how good may be his paper or his collateral, because the bank has no "money," that banks have only a limited circulation, and that they must protect their notes, and what is more important, they must be ready to meet the demands of their depositors. Hence they are anxious to have big cash reserves, or so-called "liquid assets," and are disinclined to discount

paper offered in the ordinary course of business; to assist the farmer upon the security of his grain or the manufacturer upon the security of his raw material in process of manufacture. But with a big government bank, having no interest to serve except the public interest, the chartered bank would be able to rediscount good paper, and by paying reasonable interest charges, obtain Dominion notes or national currency for their customers.

BANKS AND LIQUID ASSETS

3. Mr. Maclean would also deal with the abuse in our banking system which grow out of the desire for liquid assets. The bankers' pet theory is that money loaned "on call" can be collected in a few hours' notice, and he has been loaning money on call to the neglect of his customers who want to borrow for 60 or 90 days, and who, perhaps, may have to be carried for a longer time. Just now \$133,000,000 of the Canadian bank deposits are loaned to Wall street speculators, principally upon stock margins. The stock exchanges are closed, the Wall Street gamblers cannot pay, the margins have long ago been wiped out, and the Canadian banks have no choice but to wait indefinitely for the repayment of this money, which was always to be subject to "call." Another big sum of money is out on call loans in Canada, and these are in very much the same situation. Hence farmers, merchants and manufacturers cannot get the necessary accommodation from the banks, because the banks have no money, their money is on Wall Street.

Mr. Maclean proposes to restrict the lending by the banks on stock as collateral and also to put an end to stock watering and exploitatngs, he would place all stock and bond issues of federal corporations under the control and supervision of a public utilities commission, to be appointed by the Federal Government.

CURRENCY AND GOLD RESERVE

4. It is not proposed to issue national currency beyond the real needs of the country, or beyond its powers of redemption. Just now specie payments are suspended all over Canada, and unavoidably so, but the Maclean plan contemplates a substantial and adequate gold reserve. The law at present requires a 25 per cent. gold reserve for an issue of Dominion notes up to \$50,000,000. Over and above that sum the Government does not issue paper currency, except on the basis of a 100 per cent. gold reserve.

Mr. Maclean believes that the 25 per cent. gold reserve, which is more than ample for an issue of \$50,000,000 would be quite adequate for an issue of \$500,000,000. But the great value of the national currency will be the fact that it has behind it the wealth and credit

of Canada. Public securities of the Dominion to the extent of hundreds of millions of dollars find a ready sale without any gold reserve at all being specially provided, because the credit of the country is behind them. The national currency will represent the wealth and credit of the Dominion and by the rediscounting system above referred to, the nation will lend its credit through the banks to the people.

Admittedly to-day there is not enough money in the country to meet the legitimate demands of business. The banks are unable or unwilling to issue more money by increasing their circulation; they are unable to extend credit to their customers because they have not the money, and they have no way to rediscount prime paper and good collateral. Mr. Maclean's scheme is to have the banks get more money, and get it from the Government by rediscounting. The Government will issue currency representing the credit of the nation, and for security it will have the obligation of the bank, the obligation of the bank's customer, and the collateral put up by that customer, whether it be municipal bonds, wheat, coal, silver or merchandise.

BANKS AND CURRENCY CONTROL

At the last session of Parliament the Government took authority to increase the issue of Dominion notes upon a 25 per cent. gold reserve from \$30,000,000 to \$50,000,000. This would have enabled the Finance Minister by purchasing \$5,000,000 of gold to increase the Government paper money in circulation by \$20,000,000. He may do so yet, but there is reason to believe that instead of the Government issuing additional Dominion notes, the gold reserve at Ottawa may be depleted by the transfer of \$15,000,000 of gold from the Government to the banks.

Then again a law was passed by which the Government could rediscount the paper of the customers of any bank if the paper was good. That is to say: the Government was authorized to indefinitely increase the national currency or Dominion notes, by way of loan to the banks on good security. The Government was authorized to issue additional paper money against approved collateral other than gold, but there seems no way to set the machinery in motion unless the chartered banks will apply for the national currency. Apparently they will not make any such application, because they want to control the issuing of currency and the power to expand and contract the same. They will not put Government money into circulation so long as they have the sovereign power to emit currency. It would, therefore, seem that the Government's plan will fail to work unless it is enlarged to include Mr. Maclean's proposal for the retirement of all bank circulation.



The Banker at Home



MEETING BUSINESS DEMANDS

But here it may be asked, pertinently enough, what is the amount of currency upon which we are endeavoring to conduct the business of the country; why can it not be increased to meet the legitimate demands of business and how is the situation to be helped by Act of Parliament?

The chartered banks are permitted to issue notes up to the amount of their paid-up capital. They cannot exceed this amount without being heavily fined, except in certain exceptional cases hereafter noted. The combined capital of all the chartered banks in Canada is \$114,833,877. They have a reserve or rest fund of about the same amount, but while the reserve is really part of the capital, it is not treated as paid-up capital for the purpose of issuing circulation. On July 31 last, the bank notes in circulation—practically the currency of the country—amounted to only \$94,000,000, and at no time during the month of July did they exceed \$103,238,177. The banks, therefore, did not issue as much currency as they were entitled to on their paid-up capital. Neither have the banks availed themselves to any great extent of the privilege of issuing circulation against their gold. They are now empowered to issue excess currency to the extent of 15 per centum of their combined capital and rest, but this excess currency is subject to a tax of 5 per cent. and has never been in much favor. It was originally an emergency currency for crop moving.

EMERGENCY CURRENCY

The excess or emergency currency the banks are allowed to issue is a cumbersome, roundabout way of financing, in no way to be compared with the national currency of the United States, which is deposited with the banks for the express purpose of assisting the public through the banks, with the national credit.

As we have seen, the Government issues of paper money do not take any part in the business of the country, except for the purposes of small change and for settling Clearing House balances between the banks. So far as the business of the country is concerned, it depends upon the bank issues, which fell on July 31 to considerably less than \$100,000,000. Everyone has admitted for a long time that more money is needed and various devices have been resorted to, but always with the design of having bank notes, instead of government money, circulate among the people. It has been argued that the banks should increase their capital, but the old stockholders, with their interest in vast reserves, will not hear of any new shares being issued except at an enormous premium. They might increase their capital by dividing their surplus, but this they will not do. If the currency of

the country is to be increased materially it will evidently have to be increased by a government issue.

Mr. Maclean believes that the troublesome problems we have discussed can be solved by proper financial legislation. In short, Mr. Maclean stands upon a platform of progressive financial reform, which may thus briefly be summed up:

SUMMARY OF PROGRAM

1. The Government to supply all currency, based on the credit of the country, and further secured by a percentage gold reserve.

2. The Government to organize a bank of rediscount, on the lines of the new system of national reserve banks in the United States, for the purpose of making advances in national notes to the chartered banks on approved security. The Government to have a voice in the management of this discount bank and all chartered banks to be member-banks and shareholders in it.

3. The banks to be allowed to borrow Dominion notes up to the amount of their paid-up capital at, say, 1 per cent. interest in place of their present privilege of note issue; all further advances against securities to be at reasonable interest charges.

4. The Government and the government bank to fix the rate of interest on bank loans. Call loans by banks, if any, to be under strictest regulation. And all stock exchange borrowing from banks to be under regulation.

5. The issue of securities to be regulated by the Government, as well as their flotation by banks.

More About the Banks and the Stringency

(Toronto World, Sept. 5th, 1914)

TH**E**R**E** is no sign yet that the general managers of our banks have decided to follow the advice of their local managers in the Clearing House to accept bank notes—now made legal tender by parliament—in daily settlements, instead of “bank legals,” which has been the regular practice. “Bank legals” are practically gold certificates against gold deposited with the Dominion Government. Some of the general managers are in favor of the substitution of bank notes, and some are against it. The general managers against the substitution of bank notes have said in print that it is a matter of concern to the banks only, that the public have nothing to do with it.

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The World takes direct issue with them on this point, and we will give an all-sufficient reason for these grounds, viz., that, inasmuch as the Government and Parliament have made bank notes legal tender throughout the country in every transaction, what is good for the country ought to be good for the banks, and that if the banks ask the public to take their notes as legal tender they ought also to take them as between themselves. But this is only a secondary reason compared to another one, viz., that Parliament in its wisdom has seen fit to authorize an excess circulation of bank notes to the extent of 15 per cent. on the paid-up capital and reserves of the banks; this is practically equal to 30 per cent. on the paid-up capital of one hundred and odd millions. This excess issue would amount to \$30,000,000. But the banks cannot avail themselves of this issue and let the money out to customers, at least probably the majority of them would not be disposed to do so unless the notes thus put out were available in the Clearing House where they would land the next day after issue; in other words, if a bank wishes to avail itself of the excess issue it must have gold to redeem them the moment they come into the Clearing House, or "bank legals" of the Dominion of Canada, which are the same thing. And the very banks who have been liberal in their treatment of customers and who have already in cases approached within reasonable distance of the limit of safety, hesitate at the additional duty imposed upon them of finding further gold or Dominion notes for the redemption of this excess issue. In other words, in these times of stress the issue of bank notes is daily falling in amount, whereas it should be, if the banks were availing themselves of the privileges given to them by Parliament, increasing in issue.

Our contention, therefore, is that \$30,000,000 would be immediately available for the necessities of trade, for the requirements of municipalities and others if the banks made the change in the Clearing House rule which we have advocated and which some of the banks are anxious to do.

And it is because there are some of the banks who refuse to take this stand that we are compelled to say that there is a lack of unity in the banks, that they have not got together as they should have under the present circumstances; and that it would well become them to follow the example of the banks in the States who are united in action and who are standing together, and still more, if they would follow the action of the banks and the Government in Great Britain. One financial paper in England speaks of "the mobilization of the banks" in England into a solid organization for taking care of the country under the stress of war; and we commend this fine phrase to the banks of Canada. Mobilize into one organization! They had

better mobilize their forces and do everything they can, like the banks of England have done at the request of the British Government, and after the Government itself had practically said, we will see you through. Our Government has said the same thing to our banks, but they have never mobilized nor as yet extended the aid that Parliament placed in their hands for the relief of the financial stringency.

As a matter of fact, the recent legislation of Parliament has put all our banks in the one pot, and they are all in together, and they must stand or fall together; and if Britain were to lose in this war, Canada would lose and our banks would lose, and that being the case, they should regard themselves as absolutely one interest. No bank under the circumstances can hope to keep itself aloof from the rest, no matter how strong it may think itself to be; nor can it come out of the present situation—if Britain goes down—keeping itself in an undamaged condition. It can only come out as the country generally comes out; and thinking otherwise seems to be the mistake that two or three of the banks have made that by an individual policy they can maintain their individual strength and position! We still stand by our former decision, therefore, that it is the duty of the Minister of Finance and of the Government to see that the banks mobilize as they have in England, and that they take advantage of the proposition which made bank notes legal and allowed an excess issue of their own notes, and accept bank notes in their daily balances between the member banks.

One thing more: if our banks do not mobilize as they have in England, they are hastening the day when a national bank will be established here to do the work that Parliament has legalized "to conserve the financial and commercial interests of the country." That bank cannot come too soon, not only for these strenuous times, but for all times. The United States is now organizing twelve such "national reserve banks" with an unlimited national currency behind them for the purpose of rediscount against approved securities and presumably as the agents of the Government in putting out a further issue of 500 millions of national notes for moving and carrying over the crops! The Bank of England is to-day the national bank of the State. And in all other countries they have these national banks and they have found that they must have them "to conserve the financial and commercial interests of the country," to use the phrase of the Canadian Parliament.

The real fact is that our banks are not anxious to step in between the legislative aid of Parliament and those who would borrow the national notes provided by Parliament on the credit of the nation! If that is so, then we must have a national bank to do it.

More About Banks Serving Business

THE lack of banking accommodation is being widely discussed by the press of Western Canada. Some of The World's articles are being reproduced in full; some of the papers discuss our banking in the light of the improved system now coming into use in the United States; all of them say radical reform is needed.

We spoke a week ago of The Huron Signal of Goderich reprinting three columns of The World's articles. Last week it devoted two columns to an article from The Winnipeg Free Press on the lack of banking accommodation for the farmers of the West. The World receives communications every day from people in the West in regard to this all-important topic. Here in Ontario, the newspapers keep carefully away from the issue, with the exception of the so-called financial papers, which are all apologetic for the banks. One of these latter kind, up in Winnipeg, criticizes The World and Mr. W. F. Maclean, and describes the latter as an irrepressible and irresponsible legislator, an advocate of "depreciated money." Of course, when papers deliberately misrepresent, it is useless to point it out, and this Winnipeg paper is on a par with the financial papers here in the East. The World and Mr. Maclean are advocating what has been adopted in many other countries: that is, a national currency in place of a bank-note currency and a bank rediscount, in order to have sufficient money for the industries and employment of the country, but all based on first-class security and national credit. It must be a weak case if the banks can get no better defenders than those who call out "rag-money" every time reform is mentioned.

The banks of Canada still refuse to accept their own notes for settlement in the Clearing House. In the States, according to financial papers there, the national bank notes issued by the various banks are being used for Clearing House purposes. They could use emergency currency for this purpose, but they prefer to use notes, which are more or less like our bank notes here. No one has yet found out why the Bankers' Association refused to follow so reasonable a system of clearing. So far, however, the strong banks have been able to intimidate their fellows in the Clearing House in this matter, and the result has been that a stringency still unnecessarily continues. Forty millions of good money would be out in no time to help business if this Clearing House rule was changed. One big banker is credited with saying that they were not going to be dictated to by the Government or anybody else, but they were going to make their own rules for themselves.

Mr. McAdoo continues to discipline the banks of the United States, at least those who refuse to come to the relief of business. He says

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there is no justification for high rates of interest, nor is there any real reason for tight money; to use his own words, "there is an ample supply of money and credit if the resources of the banks are properly used." This statement applies to Canada, only more so. Mr. McAdoo, like Lloyd George, believes that the banks have public duties to perform.

The Montreal Financial Times says that a Government can do nothing more than "certify" a currency. The King's head on a coin merely stamps it as of certain weight and fineness, and Government paper currency should be merely warehouse certificates for so much gold on deposit.

This being assumed, it draws the irresistible conclusion that the State should not concern itself to issue money at all. Presumably the banks are to furnish the medium of exchange, but, as The Financial Times insists that there must be no intervention in, or interference with, the banking business by the Government, the bank issues could not be legal tender. They would have to depend for their value entirely upon the credit of the corporations emitting them and there is no reason why manufacturers and merchants should not also put out their obligations as currency. Such a system did prevail in Upper Canada seventy years ago.

Common sense and universal experience, we think, has shown that the currency of a nation should be legal tender for all debts, public and private, and this requires that it should be issued, and its volume regulated, by the Government. It should be national. In Canada, we recognize this to some extent, but we practically permit a certain class of men, called "bankers," to put out notes which circulate as "money," and which, just now at least, are legal tender, except among themselves. These men enjoy many franchises and privileges, and we had always supposed that they were under a certain obligation, and owed some duty, to the public. But if one of their poor relations, hereafter quoted, states their position correctly, they are under no obligation whatever to finance business or to build up the country, but are free to do anything they please with the savings of the people which they think will enrich the banks. If they use the money committed to them to stake the gambling operations on Wall Street, or the German side of the war, it is nobody's business except their own so long as it makes for profit. We dissent from this view, but we are glad to see it frankly stated, as follows:

Montreal Financial Times, Oct. 10:—The function in virtue of which a bank is a bank is the function of looking after a depositor's money and so handling it as to be able to pay him a moderate interest rate and still pay its own expenses and make a profit for the capital invested in it.

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This is a very simple function, and not one calling for a great amount of Government intervention, and, as a matter of fact, it is carried on by a great number of private bankers without any Government intervention, except that of the ordinary laws against theft and dishonesty, and by many trust and loan companies without anything but a certain amount of publicity. There is nothing in all this about "coming to the rescue of the business of the country." There is no suggestion that banks are under any obligation to "support the fabric of the nation's commerce." Such statements might be made about an endowed institution, or one supported by Government funds. The banks are not endowed or supported. They are a business like any other business; their first duty is to ensure the safety of the funds entrusted to them, and their second to make a profit for the capital invested in them. Most of the money which they hold in trust for depositors is, in the nature of things, invested in carrying on the commerce and industry of the country in which they operate; for the simple reason that they have better opportunities of judging about that commerce and industry than about any other fields of remunerative investment. But they cannot invest in that commerce and industry more money than is entrusted to them by their depositors (less the necessary reserve to meet sudden calls); and to say that they are bound to finance the whole business of the nation through any time of stress is to impose on them an utterly impossible obligation.

There is all-sufficient answer to this special pleading; if that's what a bank thinks it's for, then it's time **Parliament provided another kind of bank**; one which for its privileges, for its right to collect the savings of the people, to accumulate rests, to issue notes, will undertake "to finance business" and regard itself as a public service proposition, as it ought to be. Service must go with franchise.

Editor World:—I have been much interested in the banking articles of The Toronto World. In to-day's issue of The Grain Growers' Guide one of these articles appears. Has the Bankers' Association yet decided to permit the use of bank currency for the settlement of balance in the Clearing House? A number of farmers who have dropped in (at Winnipeg) to see me recently have been much interested in Mr. King's article describing Mr. Maclean's plan for banking reform. They, like practically all other people in this country, feel that there is a need for a radical improvement and are pleased to see you pushing for it.

The London paper, *Public Opinion*, just to hand, has something to say about loans by English banks on margin:

"Ever since the war broke out it has been recognized that the chief obstacle to the reopening of the stock exchanges lies in the fact that the bankers have made considerable advances on the security of stocks, the margins of which have run off and left unsecured indebtedness," says *The Manchester Guardian*.

"It has been estimated that the total of these loans is round about £100,000,000 sterling, but we have reason for thinking that the actual figure is considerably larger than this. The importance of the matter lies in the possibility that on a resumption of business on the stock exchange, the banks would call in the loans, and in default of repayment sell the securities.

"The new Courts (Emergency Powers) Act, however will make this less easy than it would otherwise have been.

"Owing to the wording of the Act a question arose whether bankers holding securities against advances were not in the position of mortgagees in possession, which would enable them to realize the securities. This point has been taken up by Mr. Henry Glibbery, who had an interview with the Treasury officials, and as a result was promised a statement in writing, of which the following is a copy:

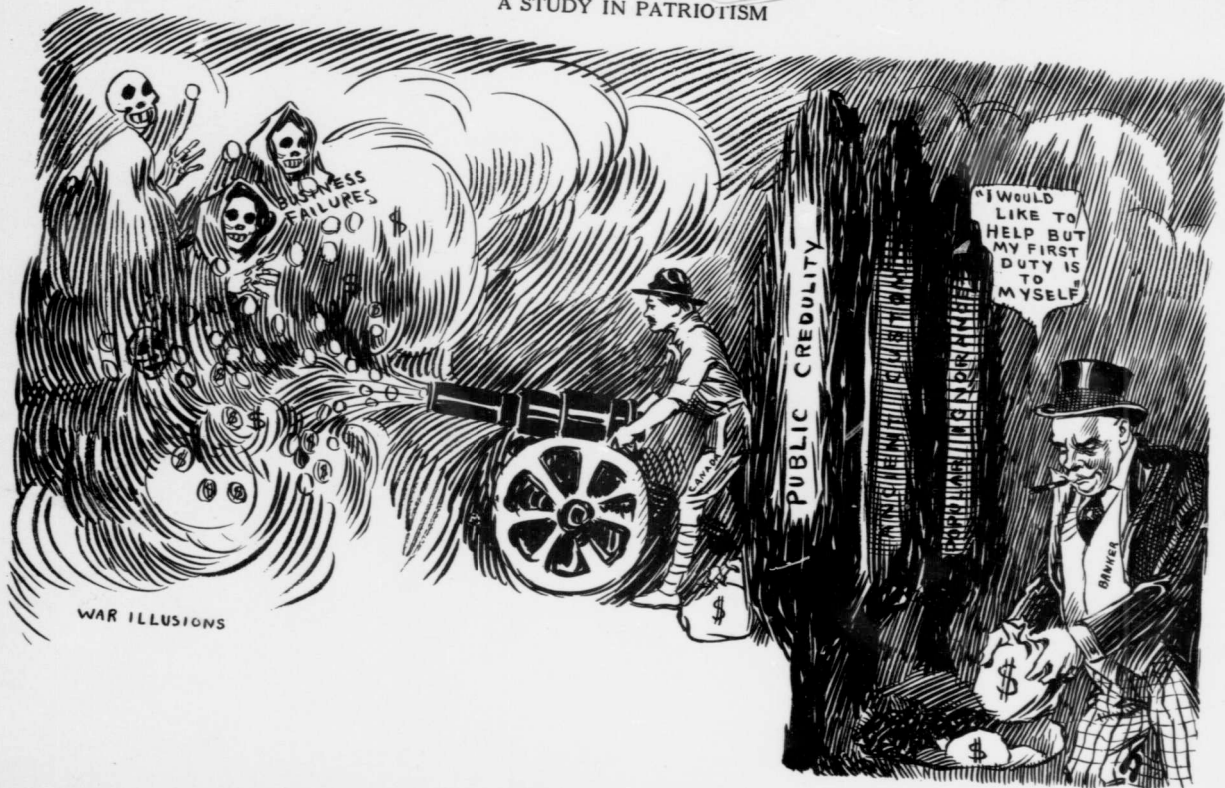
"Treasury Chambers, Sept. 18, 1914.

"Dear Sir:—A banker with whom securities are deposited by way of security for a loan is not a mortgagee but a pledgee in possession, and the words 'except by way of sale by a mortgagee in possession' do not therefore apply to the case of a person depositing securities with his banker in order to obtain a loan."

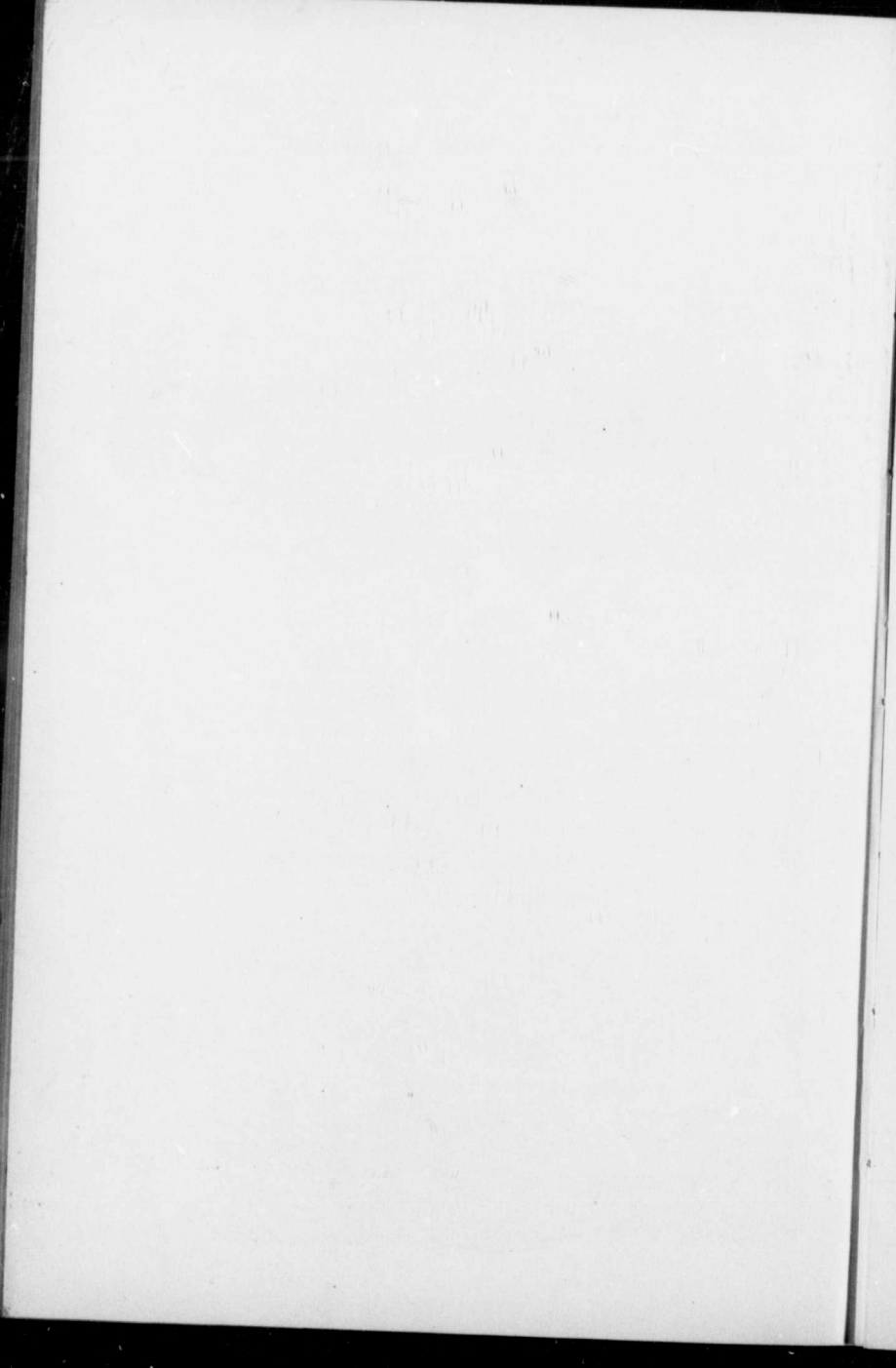
Port Arthur News:—The Government has taken good care of the banks, both by legislation a year ago, and again by late legislation, making their notes legal tender and allowing for rediscount facilities which have not been taken advantage of.

There may be some argument in favor of the attitude of the banks to be cautious in advancing money in times of international difficulties, if basic supplies have to be obtained abroad, but under existing conditions, legal and otherwise, if any Canadian manufacturer or merchant whose goods are produced or purchased in this country, has to curtail his business because of lack of accommodation from the banks, the matter should be thoroughly investigated and a remedy

A STUDY IN PATRIOTISM



WAR ILLUSIONS



sought in order that we may be properly protected in our domestic industry.

Edmonton Capital:—In other words, it must be admitted that the banking system, as at present construed in Canada, fails to suit itself to the requirements of a country which relies not on the thing called "finance," as does New York or London, but upon straight hickory-shirted production for its prosperity. The change that is necessary is to make the actual, tangible products the collateral, instead of stocks and bonds. The thing that is required is banking for producers and not for gamblers.

Banking and Currency now Canada's Big Issue

THE banking and currency question grows in interest for the general public. Our banking magnates should attend a meeting like that in West Toronto or the one at Runnymede, in the same district, both within the past ten days. The people appeared much concerned as to the scarcity of money, lack of work, because of the refusal by banks of credit to employers, and the granting by Parliament of a moratorium to banks—suspension of gold payments for bank notes—while no one had yet come forward with a reasonable plan for the deferment of payments in the case of mortgages on poor people's homes, where the owners were not able to meet them because of lack of work, or in cases where payment in full was called for, the time limit of the mortgage having expired, and renewals were not to be had. They were also highly interested in the celerity of action of Lloyd George as national head of the finances of Great Britain in helping to carry on business in that country in time of war: how he aided the banks with the guarantee of the Government and then forced the banks to finance business generally. It was surprising to see the grasp the ordinary citizen has of the first principles of banking and currency, especially if it is put to him in plain terms by those who know the question. It soon loses the mystery that is supposed to enshroud it.

But perhaps the most significant question in this discussion so far was the question put at the Runnymede meeting by one of the representatives of organized labor: "Who," he asked, "was in Parliament when the credit of the nation (and by this he means largely the right of issuing currency) was turned over to a private interest, that of

the banks?" Why should it ever have been parted with? Many other people also wish to know how Canada to-day happens to be the only country that is in the position of allowing private banks to issue the currency. Let us answer as best we can. In the early days of this country, say, seventy years ago, when banks were first talked of, there was a great scarcity of money and still more of credit, and the Government of that day were willing to do almost anything to get banks established, to get more currency, and some kind of improved system of exchange organized. Parliament of that day, under the circumstances, practically allowed the banks "to write their own charters," and this phrase, "to write your own charter," has become rather notorious if not historical in the records of this North American continent, and in the records of all our Legislatures. In far too many cases have charters been written by the parties who got them.

The Legislature was either careless or more than anxious to get some kind of service, and allowed the charter to go through on the terms of the parties receiving it. In consequence of this situation, the right to issue bank notes, while it may have been of little concern then, ought to be of the highest concern to-day; and while Parliament reserved the right to revise the bank charters every ten years, the unfortunate fact is that the rights of the banks have been increased each time the charters were revised, and in no instance was this more flagrant than in the revision of two years ago!

As the banks grew in strength and their profits increased, and as they were organized on the lines of strengthening their privileges, they did not like the idea of postal savings banks, they did not like the idea of postoffice money orders, postal orders; and they deliberately intimidated the Government and Parliament whenever it was proposed to increase the interest on deposits in Government Savings Banks and in the postoffice; and they also looked with dread on the issue of Dominion notes, which were practically a national currency; and when they could not head this off completely they were able to limit the issue of Dominion notes to \$1 and \$2 bills, with some others of very large denominations, used principally as counters in the banks, rather than for everyday currency.

But since the time that Canada has organized her chartered banks and gave them these great privileges other countries have been following a quite different line and have been gradually and steadily coming to the practice of the State issuing the currency, whether of coin or of notes—withdrawing bank-note issues and substituting therefor national currency. This has been worked out in France, in Germany, in Russia, in Italy and many other countries, including those of South America, and notably in the case of Australia and some of the British possessions. The United States has spent the last

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fifty years since the great civil war in gradually replacing the bank note issues of those days with federal notes. The war was only fought to a successful issue and the reconstruction of the country after the war carried out by means of national notes, which, on their first issue, were at a discount. Gradually, however, federal notes in the States have become as good as gold, and are preferred even to gold and silver.

In England, the only bank allowed to issue notes to-day is the Bank of England. Other banks that had that privilege thirty or forty years ago have gradually had that privilege cancelled, and, as a matter of fact, the Bank of England notes of to-day are national notes; and Lloyd George within the last six weeks put out national notes of one pound and ten shillings each to the extent of a hundred million dollars, which are nothing but promises of the Treasury Commissioners in connection with the department of the Exchequer to pay the bearer one pound or ten shillings, as the case may be. There is no gold behind them other than the credit of the nation. And this has proved to be the best money they ever had in England.

We, in Canada, recognize now our one and two-dollar bills as the best money we have, and while we issued some five-dollar bills not so long ago, the banks have carefully got hold of them and put them in cold storage as gold or a substitute therefor.

And then, besides the question of currency, there is the question of credit, and credit is a thing that can be sold by those who are in the business, whether by the banks or individuals of wealth. But there is no one's credit now so good as the credit of the country. As was pointed out in Mr. Chiozza Money's article, printed in this paper yesterday—and Mr. Money is a member of Parliament and a financial expert as well—the credit of a nation is the only thing wherewith to finance a country in time of war, and if in time of war, then certainly in time of peace as well.

Therefore, the new way of financing, new more or less to Canada, but not new to some of the countries of Europe, is that the banking and currency ought to be absolutely within the control of the nation itself, and that by means of its credit and by the issue of national notes based on that credit, money can be supplied to banks on security for the purpose of financing the business of the country; to use the words of Lloyd George the other day.

The question, therefore, that is coming up at these little meetings in Toronto, and similar meetings will now be held in other places, is how long will it take Canada to get on this new basis, of having absolute control of the issue of all currency and of lending the credit of the nation to business by way of the chartered banks, and not only this, but regulating the banks in the rates they charge for the use of the national credit and the national currency.

The chartered banks of Canada, however, will make a desperate fight against any such reform, and, as a matter of fact, they appear to have been the only parties consulted in the recent measures of Parliament to assist the financing of Canadian business by reason of this war; and apparently they are doing their best to minimize the service of these measures. They do not want to take advantage of the issue of excess currency, if they can help it, they do not want their own bank notes made legal tender in the Clearing House of the banks because it more or less interferes with their privileges and brings them one day nearer the adoption of an absolute national currency and absolute leadership on the part of the nation in the credit of the country.

The banks, having got the privileges and having acquired the leadership of credit in Canada, are under no compulsion to discharge the functions that should go with the right to issue currency and sell credit. They can refuse to act, and they have refused to act, in time of war, and have withheld their own currency and they have refused credits; because in the last analysis it will be found that they came to the conclusion that there was a risk in business of this kind in war time; and there was no force compelling them to take this risk!

Now, to force the banks to take the risk or share in taking the risk was the object of Lloyd George's legislation, and his issue of paper money by the State; this also was the object of the emergency legislation passed in Ottawa four weeks ago; but what seems to have been the outcome is that our banks still refuse to act and still distrust the general condition of business, and are therefore not willing to share the risk! That is where we get off!

These are the questions that the people of Canada must discuss from this time on, and there must be no let up until such time as national currency is established and that the nation has control of the credit created by the nation for the benefit of business generally. This may be a big undertaking, and it may be hard to get support for it at the start, but the cause has been launched, and it will win here, as in every other country. The pioneers in this work need not be discouraged if business men are slow in expressing themselves; they are thinking a great deal, and it might be as much as financial life is worth to directly antagonize those who now have a monopoly of credit. And this same dread has more or less characterized Parliament, and Parliament up to date has practically been a registering machine for strengthening the monopoly of chartered banks! As Mr. Money said in his article, "there are many things that will never be the same again after the war," and that "one of

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these miracles will be the way in which financial credit is transferred from the control of individuals to the control of the State."

The World has received many letters on the situation here in Canada; but here is an extract received from one written by one of the ablest and most active public men of Canada:

I have never had occasion to make a careful study of our bank system and the principles upon which it rests, and you can readily understand why I should hesitate to express an opinion on any proposed remedy. From all I can gather, however, I am more and more convinced that our Canadian banks do not exist for the people and that radical legislation is required to bring about a much-needed change in financial conditions. At present our banks constitute a financial ring that controls the situation; they should not have this control. The Central State authority should issue all currency and we should have a federal bank of rediscount. In my judgment, it is also essential that the capital required for agricultural development should be forthcoming in quantity and on easy terms. This might necessitate the establishment of rural banks connected with the central federal bank. I am convinced that an uprooting of old ideas is necessary and that the sooner we set about it the better.

These views are very much in line with those of The World and of W. F. Maclean, as expressed in Parliament and on the public platform, and they go to show and express the opinions we believe of thousands of Canadians and thousands more, who, once the question is understood, will endorse it.

Of course it will be said: Why bring these things up in time of war? Because that is the very time to bring them up, and, in any event, that is the time they are forced to the front, and when explanations must be given. Mr. Money says in his article, just referred to, the bank situation forces the question to the front and the speed and accuracy of the British Government, and especially of Lloyd George, bear out this contention.

The supreme question in Canada to-day is not the tariff. Our currency is the most pressing question outside of railway rates, that we have before us; in fact, banking and transportation must be national propositions and dealt with from the national point of view. No nation is safe which bases its currency and credit on private corporations.

Mark our words, and we repeat it again, that the greatest question in Canada is that the nation control its banking and currency.