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Every Man An Agent For Publicity.

If there are two thousand adult males in this city there should be two thousand publicity agents. Every man a publicity man is the motto that is likely to bring results. There is such a tendency to leave everything to the board of trade, the city council, or to some other person or organization in order to escape personal responsibility.

Just now there are a lot of good publicity postcards and photographs published that if sent abroad will do good missionary work. The cost of these is small but if they are sent to the right people they should bring results. If everyone will purchase half a dozen of these and send them to people whom they think should have them, there will be more valuable work done than if the committee of the board of trade sends them out. Even if some of the work is duplicated, it will bring it more forcibly to the attention of the people who receive the message.

It is understood that several photographers were out taking pictures of the two big steamers at the drydock a few days ago. This is a good picture to send away. Let people know that we have a drydock and that it is being used.

Bad Weather In New York.

In this part of the country we have had a few cold rains lately but we have not frozen to death and there has not been a howling blizzard that obstructed all traffic and made it impossible for ships to enter the harbor. Sometimes we complain at the weather but when compared with other parts of the world we loom up very favorably in the matter of climate. Here's to ourselves and the climate we live in!

Fish Hatcheries And Their Value.

The value of fish hatcheries is still a matter of debate. While most officials declare that they are effective, a good many cannerymen say they are useless and that the young fish after being raised under artificial conditions are unable to take care of themselves and fall an easy prey to their numerous enemies. These cannerymen urge removing obstructions from the natural breeding places rather than spending a lot of money on hatcheries.

For a layman to take part in a debate of this kind would be injudicious to say the least. All we can do is to call attention to the fact that there is a great difference of opinion as to the value to the country of the money spent on hatcheries. If they have value, the people who advocate them should place before the public more facts to prove it and let the puplic know exactly what is being done and what it is costing. In an age of democracy the people want to know and when anything is kept quiet the feeling that something is wrong soon grows up.

What Will Happen In Germany?

What is going to happen in Germany? There is bound to be trouble there very soon if the conditions remain as at present. The value of German money has dropped to such an extent that the people are unable to buy food, much less other necessaries of life. The strikes in the Ruhr have added to the misery of the people and it looks as if there would be some kind of an outburst there before long. The country is like a rumbling earthquake with the possibility of a visible outbreak anywhere at any moment. The danger is that the example of Russia may be followed and that the people may be driven to extreme measures. Even those who do not sympathize with Germany to any degree will scarcely want to see a new eruptive force break loose in Europe that may involve the world again in a titanic struggle.

BANK SYSTEM IS EXPLAINED

S. K. Campbell Makes Many Things Clear to Members of Rotary Club

NOTES AND CREDITS

Necessity of Having Surplus Cash to Pay Deposits on Demand

At the luncheon of the Rotary Club yesterday an interesting paper was read by S. K. Campbell, manager of the Bank of Commerce on "Banks and Banking." He said:

One of the principal matters to come before the Federal House this session is the revision of the Bank Act. As you are no doubt aware the charters of all Canadian banks expire in July of this year, this being a recurrence of what takes place every ten years.

The reasons why charters are renewed or granted for a period of ten years are not difficult to understand. Business methods and laws are constantly changing and with development of our natural resources it is good business to bring our banking laws up to date to meet modern demands. But there is another reason why the Act is revised every ten years. Banks are the custodians of public funds and they enjoy certain privileges such as the issuing of note circulation. It is therefore prudent that our banking system shall be re-examined and that depositors and note holders shall be hedged with proper safeguards to protect them from loss in the event of failure or default of a bank.

Functions of a Bank

The principal functions of a bank are to receive deposits, issue currency and make loans. There are a variety of other services which a bank performs, but those which I have mentioned are the most important. Deposits may be divided into two groups, those payable on demand and those payable after notice—current deposits and savings deposits. Current deposits are subject to withdrawal by check and only in very exceptional cases is interest allowed. The service which a bank performs in facilitating the payment of accounts through the medium of checks is intended to cover any interest value in the account. In some cases the banks have the advantage with dormant balancees but in the majority of cases the customers get the best of it, as the operations of posting checks and supplying stationery run into costs which exceed the interest value of the average monthly or yearly balances.

Saving deposits are subject to withdrawel after 10 to 15 days' notice. That is to say the banks reserve the right to demand such notice but it is never insisted upon and so these funds are virtually payable on demand.

Note Circulation

The banks are allowed to issue their own notes payable on demand to an amount equal to their fully paid up capital plus the amount at their credit in central gold reserves. The circulation issued against paid-up capital is subject to a tax of 10 per cent but there is no charge against notes issued against the balances in central gold reserves.

The central gold reserves is a fund created by the banks and is administered by four trustees, three of whom are appointed by the Canadian Bankers' Association, and the fourth by the Minister of Finance. In it are deposited by the banks, gold, Dominion notes and other securities against which each bank may issue notes to the extent of its respective credit balance. At certain seasons of the year during the crop movement between September 1 and February 1, banks are allowed to increase their note circulation but they must pay interest on such excess at not more than five per cent. The privilege of issuing notes against capital is a very important one from the standpoint of the banks as it is tantamount to a free loan from the people of Canada, without which, as will be seen, the cost of providing a medium of exchange would be almost prohibitive.

Notes Guaranteed

Canadian bank notes are not backed by gold, nor are they redeemable in gold. They are, however, amply protected, being a first charge on all the assets of the bank and further strengthened by the double liability of the shareholders. Then there is the bank circulation redemption fund held by the minister of finance. This fund is created by the banks depositing 10 per cent of their average yearly circulation. If any bank should suspend payment without leaving enough assets to meet the outstanding notes, the deficiency would be charged to the fund.

It is interesting to note that it is over 40 years since a Canadian bank failed to redeem its own notes, and no such event has occurred since the establishment of the fund.

Now the question is frequently asked why it is that banks are given such extraordinary privileges as that of the note issue.

Cash Reserves

It has been estimated that a bank's deposits are virtually payable on demand and for this reason it is imperative that banks maintain large reserves of cash to meet withdrawals and if they were not permitted to issue their own notes they would require to maintain in their vaults large sums of gold and Dominion notes. There are over 4,500 branch banks in Canada and if you figure out for yourselves what it would mean to have such enormous sums held in the vaults not available for loaning purposes, I think you will agree that the privilege is given in the national interest. A bank may hold millions of dollars of its own notes in its own vaults and as long as they remain there they are of no value being only so much printed paper. The moment, however, that they are put into circulation they become cash redeemable in goods of value.

Loans

We now come to the third function of a bank, the dispensing of credit. It is on this as well as the note circulation that the chief criticism is levelled. Banks are restricted in the matter of making loans. Their first duty is to their depositors and as we have said that the depositors' funds are virtually payable on demand, it is very necessary that loans shall be maintained in liquid character. This infers that it is not proper to expect a banker to place a depositor's funds at the disposal of a borrower for purposes which are in the nature of capital expenditure. The Act is designed to prevent banks from loaning money against the security of real estate, or immovable property or of any ships or other vessels, nor can they loan to a retailer on the security of the goods on his shelves. Neither can a bank lend money on the security of its own stock nor on the stock of any other bank.

It is the proper function of a bank to dispense credit intelligently only for purposes of production and distribution.

Branch system

One of our great advantages is the branch banking system which facilitates the transfer of funds from one section of the country to another according to seasonal demands and permits the deposits in old-established communities, where there is little demand for loans to be made available in newer and more enterprising centres where the demand for loans exceeds the deposits.

It is charged by some that the savings of people in the west are transmitted to the large eastern centres where they are loaned on calls instead of to the deserving farmers or business men of the west. Such is not the case. The loans made by banks in western Canada far exceed the accumulations of deposits in the same provinces. The branch banking system permits the free flow of loanable funds to any point from which proper demand comes.

United States System

The situation in the rural districts in the United States is vastly different where there are thousands of small local banks. In places where the demand for loans exceeds deposits the small banker when faced with an application for a large line of credit must take his customer's paper and have it re-discounted at one or a dozen of the larger banks, or banks of re-discount. In each case his customer is required to furnish a statement of his affairs. He has the disadvantage of having his obligations scattered all over the country and when it comes to a season of tight money these holders are not likely to consider how it suits the borrower's convenience to refuse renewals. There is a very strong agitation there now for the branch banking system and as it is backed by the larger banks there is every reason to believe that before long it will be an established fact.

In this country much criticism has been made on the ground that the banks restrict credit and that the currency system is not elastic. They think we should have government banks and that the power to issue notes should be confined to the government.

Based on Production

Let me say right now that credit and currency are based on production and trade, and any machinery which may be set up to create easy money on any other basis will bring disaster on the country. The issue of currency which is not redeemable in gold or goods of value will very soon destroy the purchasing power of the dollar and leave us in a state of financial chaos. You possibly know something of the Rural Credits Act in Manitoba. The administrators of that act received deposits and paid, I think, four per cent interest. They loaned that money to farmers for long years and recently the announcement was made that as obligations were not being promptly met there would not likely be any more funds available for some time. The legislature appointed a parliamentary commission to investigate and their report has just been published. Let me quote the following from it:

"Under the administration conditions which have obtained since 1920, money was so easy that obligations were assumed without the usual care either on the part of the borrower or the lender and the over extension of credit that has resulted will take years to clear away."

Easy Money

After stating that the security behind the three million dollars of loans already made is of a problematical value the report goes on to say: "Not only is it unfair for public money to be issued at public expense for a small section of the farming community but the false prosperity of easy money created by the operations of the societies has fostered the spirit of reckless spending of public funds in other directions to say nothing of personal extravagance and increased indebtedness.

Our present banking system is the product of the brain and experience of the country's most able financiers and statesmen. It is the best which we can have for our country and while adjustments must be made from time to time, we cannot afford to destroy the splendid structure which we have for the sake of illusive ideas of those less competent to offer something better.