

Subsection 3.—The Volume of Business Transacted through the Banks.

In advanced industrial societies money is only "the small change of commerce". The great bulk of monetary transfers, particularly in the case of the larger transactions, is made through the banks. Thus it has been estimated that in the United States in 1917 about 6 p.c. of the business transactions of the country were financed by the use of money and the remaining 94 p.c. by the use of cheques. Accordingly, if we knew the aggregate amount of the cheques paid through the banks and charged to accounts, we should have an almost complete record of the volume of business transacted, and thus of the business activity of the country.

Statistics of this character were at first secured through the operation of the clearing houses—places where the representatives of all the banks met daily in the leading cities and presented for payment the notes of other banks and the cheques drawn upon other banks that had been paid into their institutions in the regular course of business. In Canada, the first clearing houses to be established were those of Halifax (1887), Montreal (1889), Toronto (1891), Hamilton (1891) and Winnipeg (1893), and the number has subsequently increased to 32. In recent years, owing to the reduction in the number of the banks through amalgamations, the proportion of the inter-bank transactions recorded by the clearing houses to the grand total of banking transactions has declined, and the place of total bank clearings as a measure of business has been taken by total bank debits—*i.e.*, the totals of cheques charged to accounts at all banks. The total bank debits at all branch banks situated in the clearing-house cities of Canada have been compiled for 1924 and subsequent years by the Canadian Bankers' Association for the Dominion Bureau of Statistics, which has published the figures monthly and annually with interpretative analyses. Further, in order that an estimate might be made of the proportion of banking transactions outside the clearing-house cities to the total, the Canadian Bankers' Association secured for the month of January, 1929, the grand total of all cheques charged to accounts at all branch banks throughout the Dominion. The results were published in the Bureau's Monthly Review of Bank Debits for February, 1929, and showed that the aggregate of transactions outside the clearing-house cities was in January, 1929, 14½ p.c. of the grand total in the clearing-house cities. The corresponding figures in the five economic areas were as follows: Maritime Provinces 90.6 p.c., Quebec 6.1 p.c., Ontario 17.2 p.c., Prairie Provinces 18.6 p.c., British Columbia 14.3 p.c. Only in the Maritime Provinces does the total of bank debits in clearing-house cities appear to inadequately represent the grand total of business transactions throughout the whole area.

Clearing-House Transactions.¹—The following table shows for the years 1928-32 the total volume of clearings in the clearing houses of Canada. These figures, it may be added, represent not only actual city clearings but exchanges between numerous rural branches of the banks in each district.

¹ The following is a description of the operation of the Central Clearing Fund: Since the beginning of January, 1927, balances due to, or by each member of, the Montreal, Toronto, Winnipeg and Vancouver clearing houses, after they have been settled and declared by the clearing-house manager, are communicated daily (in the case of the three latter clearing houses by telegraph) to a trustee—The Royal Trust Company—in Montreal. Each bank maintains an account with the trustee to the credit of which Dominion notes are deposited. The trustee, on receipt of the daily advice, makes the appropriate credit or debit entry in each account. In the usual course the trustee has made the entries and balanced the accounts for the day by 12 o'clock noon. Each clearing bank is immediately notified of the state of its account; should the debits of the day on balance exceed the amount of Dominion notes in the possession of the trustee, the bank concerned must deliver, within an hour of notification, an amount of Dominion notes sufficient to give it a credit balance. Inasmuch as the four cities mentioned are the settlement points for the clearing-houses in their respective zones, practically the whole of the banking transactions of the country are adjusted daily in Montreal in the accounts kept by the trustee.