

question may well be asked of the trust-baiters what basis they have for the charge that fire insurance companies are grasping monopolies, which are reaping large profits from their immense premium receipts. Had it not been for their surplus funds, many of these companies would have been forced to withdraw or quit business long ago. The outlook now, however, is somewhat brighter, and it is not likely that many other foreign corporations will think best to withdraw in view of the hopeful condition of affairs."

THE FINANCIAL SITUATION AND THE CIRCULATION.

The monetary stringency which has prevailed for some time past suggests a consideration of the conditions under which the banks of Canada are allowed to issue notes. The limit of this privilege is the amount of a bank's paid-up capital, that is, any chartered bank is authorized to issue notes to the full extent of its paid-up capital. Up to recent years this regulation left a large margin between the greatest amount of notes in circulation at the end of October and the limit as stated, as the following data shows:—

	Paid-up capital.	Circulation Oct. 31st.	Margin for more note issues.
	\$	\$	\$
1901	67,548,000	57,954,000	9,594,000
1900	66,264,000	53,198,000	13,066,000
1899	64,327,000	49,588,000	14,739,000
1889	60,290,000	35,233,000	25,057,000

It is evident that if anything like this rate of expansion continues for another two years the banks will have issued notes to the full extent of their powers, that is, unless the paid-up capital is enlarged.

The question has, consequently, become of practical interest in what way is it desirable to confer larger note issuing powers in the banks, for, beyond all question, those powers must be enlarged, as the needs of the country's business will imperatively demand more currency than could be supplied under present conditions.

A consideration of the security afforded to the public for the payment of the notes issued by the banks will suggest a plan for increasing the powers of the banks in this particular. The notes are now a first charge upon the entire assets of the banks by which they are issued. There is also a fund amounting to five per cent. of the circulation deposited with the Federal Government to secure prompt payment of the note issues. The assets of each bank in case of its failure are capable of being supplemented by a call upon the stockholders for the same amount of capital as is paid up when failure occurs.

The excess of the assets of the banks over and above the amount of their note issues leaves a need-

lessly wide margin of security, so large, indeed, as to allow of the limit of their circulation being extended so as to meet all the probable needs of the country for some years without practically weakening the security for the redemption of the note issues. It must be borne in mind that should the business of the banks so increase as to demand larger note-issuing powers their assets will also increase proportionately, so that the security for the circulation would remain greatly beyond any practical necessity. It is surely obvious that such an enormous amount of security is largely needless; it is like a building being buttressed by a structure larger and stronger than itself.

A very simple plan, following directly on the lines of the present system, would be to give the banks authority to issue notes to the extent of their paid-up capital and, say, one half or three-fourths of their reserve fund, which would enlarge their powers to extent of 20 to 30 millions. This extension would provide them with all the currency that, probably, would be called for in times of the greatest demand for many years to come. This plan would discriminate in favour of the stronger banks, which would not be an objectionable feature, and would be an additional inducement for building up a strong reserve fund, as the larger it became the greater would be the power of issuing notes.

It might be found advisable to require that a certain proportion of the circulation be held in specie and Dominion notes when the above extension was granted, or the percentage deposited with the Government for securing the note issues be enlarged. These are questions towards a wise solution of which the Bankers' Association will materially contribute.

BANK OF MONTREAL HALF-YEARLY STATEMENT.

The half-yearly statement of the Bank of Montreal up to the 31st October shows the profits to have been \$869,842, as compared with \$711,823 for corresponding period in 1901, \$682,903 in 1900 and \$658,161 in 1899. An increase in profits in last three years to extent of \$211,681, which is equal to 32.1 per cent., is striking evidence of the greater profitableness of banking in recent years owing to the expansion of business and the greater immunity from losses which is enjoyed in prosperous times. The enlargement of the bank's circulation in October was unprecedented. Between 30th September and 31st October the note issues rose from \$8,776,617 to \$11,289,484, an increase of \$2,512,867, and for the year, since October, 1901, an increase of \$2,681,144. The increase of circulation between October, 1900 and 1901 was \$923,932; between 1899 and 1900