

dry season of 1914 so firmly stamped on their minds, the western farmers have striven to avail themselves of every particle of moisture that has fallen and to this end have cultivated their land and packed it as they have never done before. Crops put in in this way can stand an immense amount of adversity later in their career.

Taking the country as a whole, wheat seeding is reported to be fully two weeks in advance of last year, the crops have gone in on well prepared soil, which, in the great majority of cases, contained sufficient moisture for germination. High winds have done less damage than was anticipated and all that is needed to ensure a rapid and even growth is a warm general rain within the next ten days.

POOR RETURNS FROM CANADIAN FIRE INSURANCE.

(Continued from front page.)

eight Canadian fire companies included in our statistics have been compelled to retire by reason of their losses. It is possible enough that further casualties will not be long delayed.

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This is not to say, of course, that some of the Canadian fire insurance companies have not made money. A few of them have done very well—but a very few. Something, of course, must be allowed for inefficiency in management—that bugbear of the small fire insurance company—and wild underwriting which was simply a courting of disaster. But even when full allowance has been made for this factor it still appears that conditions in Canada are such that it is a most difficult task, calling for a high degree of underwriting skill and ample resources to transact the business of fire insurance in Canada on a basis which shall even be reasonably profitable for the individual company. It is not possible to refer now in detail to the records of fire insurance in Canada during the last forty years, but they amply confirm this view. Canadian conditions are in fact unsuitable for the small company, and it would seem that the tendency in the coming years, will possibly be for them to disappear, except possibly as subsidiaries of the large British and other corporations. Certainly the facts do not encourage the venture of Canadian capital in this form of enterprise. At the very best the returns from it are no larger than can be secured from any one of half a dozen other forms of commercial or financial enterprise, the risk of which is infinitely less than that incurred in the business of fire insurance. In any event those returns must be long deferred while the business of the company is being built-up and its finances put up on the solid foundation that is essential for any fire insurance company worth the name.

The difficulties of this building-up are enormous—there must be underwriting skill, a stern refusal to take poor risks merely for the sake of increasing income (a policy that has been the nemesis of more than one Canadian fire company) and the ability to secure paying business in the keenest possible competition. Those who undertake the building-up of a new company must have a lively faith in the future for to it only can they look for their reward. Frankly the investor cannot be recommended to back them; he can do better elsewhere.

EFFECTS OF THE NEW CIRCULATION TAX.

Discussing the effects of the new war-tax on the banks' note circulation, Mr. H. M. P. Eckhardt suggests in the Journal of the Canadian Bankers' Association that if the tax is merely temporary, kept in force only during the war or for six months after its termination, the disposition of the banks would be to allow the tax to come largely out of the shareholders' profits. But it will not do, in Mr. Eckhardt's opinion, to be too confident of the removal of the tax when peace is concluded. Owing to the strong agitation which has been carried on in recent years for an impost of this character, there may be a determined opposition in Parliament to its removal. But such a tax will have injurious effects through an increase in the discount rate and the discouragement of the branch extension movement.

SMALL PROFITS OF NOTE ISSUES.

Mr. Eckhardt writes that the general public has an altogether exaggerated idea as to the extent of the note issues on profits—it being assumed that the banks make 5 per cent. or thereabouts on the average amounts outstanding. First of all, it is necessary to carry cash reserves against the notes. Each bank must carry enough legal to pay for all notes presented by its competitors. The cash reserve required would not be less than 25 per cent., and might be 33 per cent. Taking it at 30 per cent., there would only be 70 per cent. of the average amount outstanding left for revenue-producing purposes. Some of this would have to be carried in such shape as to yield very little—New York call loans, international bank balances, etc. Taking the whole 70 per cent. of free money, it is certain that the average return secured on it would not be more than 5 per cent., or $3\frac{1}{2}$ per cent. on the average amount of circulation outstanding. When the expenses attributable to the note circulation are deducted, there cannot be more than $2\frac{1}{2}$ per cent. net actually left, this before charging off the 1 per cent. tax. Expenses chargeable against the note circulation are: the plates, engraving of the notes, express charges on notes for circulation outwards and sundry notes and mutilated and worn notes inwards, proportion of tellers' salaries, etc., etc. Each note costs for printing alone $2\frac{1}{4}$ cents, and a note will last possibly between two and three years.

The tax now imposed represents roundly two-fifths of the whole net revenue derived by the banks from their circulation privilege; and any increase in the rate of taxation, while not yielding anything of consequence to the Dominion Exchequer would probably, says Mr. Eckhardt, serve to drive the bank notes out of circulation, and thus curtail the lending power of the banks to quite a considerable extent.

Several of the American casualty companies are reported to have had large policies on a number of the passengers lost in the Lusitania disaster.

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The Allies are thrusting great orders upon us and we have a right to be gratified at the adaptability of our manufacturers to new conditions and at the temporary relief which the revenue from the business will provide but, if we are wise, we will not forget that it is in the human and mechanical seeders, which have been the most prominent figures on the national landscape this month, that our main hope lies.—Journal of Canadian Bankers' Association.