

## THE AUSTRALIAN BANKING CRISIS.

(Continued from last issue.)

It was thought the panic had by the end of the bank holidays been stayed, but such was not the case, for during the following week another Victoria bank closed its doors, and during the week following one Sydney, one Melbourne, and three Queensland banks suspended, thus bringing up the total as shown in the foregoing table of suspended banks.

## RECONSTRUCTION SCHEMES.

None of the suspended banks are likely to go into liquidation. They are all seeking reconstruction, and it is being generally believed their assets are thoroughly sound. Reconstruction is deemed by both shareholders and creditors to be infinitely preferable to liquidation. An Act passed by the Victoria Legislature in 1892 authorizes a three-fourths majority of the creditors of a company to direct as to how it is to be wound up, subject to the sanction of the court. The Commercial Bank of Australia, under the provisions of this Act, called meetings of its shareholders and of its creditors, both of which meetings enthusiastically endorsed the proposed scheme of reconstruction; and the necessary sanction of the court being subsequently obtained, the reconstructed bank opened for business in the old premises on the sixth instant. The various reconstruction schemes put forth by the suspended banks, while they have some features in common, nearly all differ considerably in detail. They each seek to form a new bank with the same name as the old bank. They each propose to have the new banks take over, in one form or another, all the assets and liabilities, including the capital stock of the old banks. They all ask their depositors, or a portion of them, to renew their deposits for from five to seven years from their present maturity dates, and they are all calling up fresh capital from the old shareholders. The principal points of difference are in regard to preferential shares and the treatment of current accounts. All the banks seeking reconstruction, excepting the Commercial Banking Company of Sydney, require depositors to accept preferential shares in the new bank in lieu of a portion of their deposits, in some cases as much as £3,000,000 being absorbed in this way. Some propose to pay immediately all open accounts under £100, while others demand the time extension of all deposits regardless of amount.

The compelling of creditors to become proprietors by way of taking up preferential shares is regarded as the most objectionable feature of the reconstruction schemes proposed.

## AUSTRALIAN BANKING SYSTEM.

The Australasian banking business has been conducted under a system peculiarly its own, a system which has grown with the necessities of Australian growth and progress. The chief governmental regulations under which it is conducted are that every bank of issue shall make quarterly sworn returns in a prescribed form to the government, and that its note issue shall not exceed the combined amount of its paid-up capital and specie reserve. The circulation of paper currency, not being legal tender, has never been popular in the colonies, consequently the prescribed limit of circulation has never been reached by any bank. On 30th September, 1892, the paid up capital of all the Australasian banks amounted to £15,964,225. The coin and bullion in store was £20,586,960, while the notes in circulation amounted to only £4,658,495. The coin in reserve has varied greatly from year to year, but compared with the total amount of currency, the reserves held by Australasian banks have been proportionately heavier than those of any other country.

The reserves of the banks in the colony of New South Wales in 1892 amounted to 14.4 % of their total liabilities, and to 57.4 % of their combined note circulation and deposits at call, while the banks in other colonies held reserves in similar proportions.

The question will naturally be asked: Why were the Australian banks with such heavy coin reserves in proportion to their circulation not able to withstand the pressure brought against them during the recent panic? The reason is to be found in the character of their advances. Instead of confining themselves to purely commercial banking, they have for the past forty or fifty years been practically supplying the whole community, apart from state borrowings, with its entire bor-

rowed capital. That is, advances have been made on almost every kind of security, including pastoral and agricultural lands, wool clips, crops, mining properties, &c. Hence it may readily be seen that while the securities may be ample and sound, yet they were not readily realizable. And thus, when the depression and unrest had continued until fixed deposits began to be heavily withdrawn, the coin reserves, although ample to meet an ordinary run by note holders and depositors at call, were not sufficient to meet the constant drain that was being made by fixed depositors.

The recent action of the Australian banks in closing their doors was not taken because their resources were exhausted, for they all had large coin reserves still on hand at time of suspension. But foreseeing the probable continuance of the drain upon them, they evidently deemed it advisable to reconstruct, while yet they had ample funds in hands, so as to get their business on a better basis, and thus be enabled in future to trade more largely upon capital, and less upon deposits.

This is the exact character of the banking suspensions which have taken place; and therefore, in a large sense, they cannot be considered as failures, but rather as measures taken to remedy a faulty banking system.

## EFFECTS OF THE CRISIS.

The immediate result of the crisis is to almost completely paralyse business.

The suspended banks held as part of their liabilities:

Colonial deposits.....	£54,968,000
British and other foreign deposits,	25,625,000

Total deposits .....	£80,593,000
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And had notes in circulation amounting to about £2,500,000, and it is estimated that about £10,000,000 of their deposits was in open current account, forming part of the ordinary trading capital of the community.

The sudden locking up of the open accounts is the most serious phase of the crisis, and unless steps are promptly taken to set them free, serious mercantile failures must follow. One proposal now before the Melbourne public is to ask the Victoria Government to issue paper currency and advance it to open account depositors in the suspended banks, up to, say, seventy-five per cent. of their deposit receipts, the Government to hold the deposit receipts as security. On the other hand, the Government appears to be of the opinion that the suspended banks, who have ample funds for the purpose, should themselves devise some way of immediately repaying current accounts, so at the time of writing it is impossible to predict what measures may be adopted to relieve the present financial strain.

Notwithstanding the serious inconvenience and hardship in many cases caused by the suspension, there is no doubt the ultimate results will be beneficial to the country. Nearly the whole Australian community has been living too fast—too much borrowing, too much expenditure—and the present crisis will doubtless do a great deal towards bringing about a better state of things, which has already been inaugurated. Hitherto very large tracts of first-class agricultural lands have been occupied for pastoral purposes, large blocks of which are either owned or controlled by the suspended banks, which fact may be illustrated by the following classification of the advances made by the Australian Joint Stock Bank of Sydney, recently suspended:—

Advances on commercial securities,	£5,244,699
Advances on pastoral, including purchased lands on stations...	2,215,099
Advances on lands chiefly agricultural.....	2,044,363
Advances on mining, mostly coal...	137,924
Advances to building societies....	62,049
Advances to church, municipal and other bodies .....	570,767
Advances unclassified.....	495,490
	£10,770,391

The banks will doubtless make strenuous efforts during the next few years to realise on lands held by them, and if, as it is thought, this will lead to the subdivision of good agricultural lands, hitherto held for pastoral purposes, and the placing it in the hands of farmers, it will be a great boon to the country. Australia is a country of vast resources, and to ensure its future greatness chiefly wants a large population on the land to develop it.

J. G. TURTON.

Melbourne, 17th May, 1893.

## IMPERIAL INSURANCE.

A most remarkable plan, in the conception of which, and in its execution by the State, the German Empire has played the part of a pioneer, is the system of Imperial Insurance, the object being to secure for that portion of the population which is dependent upon the work of its hands, and is rarely in a position to save money or properly to administer in savings, a provision for the days when through accident, sickness or advancing age, the worker is incapacitated from further earnings. Concerning the methods and practice of this imperial system of insurance, the following brief particulars will be of interest:

The insurance is under the supervision of the Imperial Insurance Office in Berlin and is obligatory for all wage-earners in the Empire, as well as for the lower grade of employes with salaries up to 2,000 mks.; an extension of the obligation to the higher class of employes or their admission to the privilege of voluntary insurance is, however, permissible. In contradistinction to alms-giving, the Imperial Insurance confers a legitimate claim, payable before the courts and free of charge, to legally defined assistance. Insurance is applicable in three different forms. In insurance against illness, introduced in 1883, the means are provided, two-thirds by the insured and one-third by their employers, in weekly contributions to an amount not exceeding three per cent. of the average wage. It entitles the insured to free medical treatment and a fixed allowance over a given period. It includes 7,000,000 persons in more than 20,000 clubs, and involves an annual expenditure of more than 100 million marks. The system of insurance against accident, which came into existence in 1884, was intended to transform the personal liability of the employer, in case of accident during the execution of work, into an economical charge upon the entire trade concerned, to secure to the workers an indemnity in all cases, and to put an end to troublesome lawsuits between employer and employed. At the present time 15 millions of persons are insured and 10 millions of marks have been paid in indemnities. The insurance against incapacity for work and the old-age pension fund inaugurated in 1891, complete the system of workers' insurances. It insures an income to those unable to earn a living without reference to age, and an old-age pension to septuagenarians without reference to any capacity for earning which they may still retain. The necessary means in addition to a yearly imperial contribution of fifty marks per income, are supplied in equal proportions by the insured and their employers. There are four categories of wage to which four classes of income correspond. This form of insurance includes twelve millions of persons, and has, up to the present time, involved an outlay of thirty millions of marks. On the whole there has been, in connection with the operatives' insurance, an expenditure of well-nigh half a milliard of marks, which has exclusively benefited the working classes.—Kuhlow's German Trade Review.

## ANNOYANCE OF CREAKING SHOES.

Whether they are worn by the domestic who waits on your guests, making unpleasant "music wherever she goes," or by the deacon who walks up the aisle during the solo of the sweet-voiced soprano, there is no greater nuisance than a pair of squeaky shoes. If the case is so desperate that oiling thoroughly around the sole where it joins the upper and then immersing in hot water for half an hour, does not cure it, with a tiny awl bore two or three holes through the lower layer of the sole, and, with an oil can having a very fine nozzle, insert a drop or two of oil, in fact, as much as the spot will absorb, and you may go on your way noiselessly but rejoicing.—New York Recorder.

—It is stated that six or seven new flour mills will be erected in the Province during the coming year. Methven will vote on a by-law to give a bonus for a 100-barrel mill; Carman will also vote on a bonus for a 150-barrel mill. A bonus of \$4,000 has been granted by the people of Glenboro for a 150-barrel mill, and a Hartney syndicate will put up one of like capacity without a bonus.—Manitoba Liberal.