

The principal changes to be noted in the foregoing are the decrease in circulation and in deposits. Circulation has fallen off \$2,519,000, a fact which has troubled, very unnecessarily, some writers in our daily journals, who suppose that it indicates a retrograde movement in the business of the country. It is a pity that such writers do not take the trouble to make themselves acquainted with the things of which they write. The fact is that these movements of circulation both outward and inward are regular and constant. Year by year, in every country, where circulation is redeemed in gold or its equivalent there is invariably a large increase of circulating notes in the fall months and in the early winter caused by the heavy disbursements for the purchase of grain from the farmers, and in Canada this amount is swelled by the large sums paid out by lumbering firms in the woods. But does anybody imagine that these bills are to remain continually in the hands of those who receive them? If so, it would be a sad outlook for the storekeepers and merchants of the country. For it is by means of these very bank bills that the numerous accounts due to country merchants all over Canada are discharged. The discharge of these bills enables the storekeeper to pay the debts he owes to the merchant in the city and take up the innumerable promissory notes made by such storekeepers and discounted by the banks. The decrease of circulation between December and January is a clear indication that remittances have arrived at wholesale centres and that payments have been substantial and satisfactory. The course of circulation, year by year, is somewhat as follows:—In September and October an increasing amount of bills every week is paid to the farmers. In the course of a few weeks more, these sums of money are paid to the country merchant, the country merchant remits them to the city merchant, the city merchant deposits them in the bank. This completes the circle of operation. The first process gives rise to a large expansion of circulation. The last just as certainly brings about a considerable decrease of circulation. But both the one and the other are natural. It is absurd, then, for journalists to fret themselves and disquiet their readers about what is a healthy financial movement. If the farmers and lumberers in all parts of the country had kept bank bills in their pockets, circulation would have continued expanding; but then in what a condition would thousands of country merchants, and city merchants too, have found themselves.

To show that the decline of circulation in January is natural and usual we append the following figures. These speak for themselves.

STATEMENT OF DIFFERENCE BETWEEN CIRCULATION IN DECEMBER AND JANUARY FOR THE LAST EIGHT YEARS.

Decrease, Jan'y. 1879.....	\$1,470,000
" " 1880.....	1,859,000
" " 1881.....	1,318,000
" " 1882.....	413,000
" " 1883.....	2,779,000
" " 1884.....	3,558,000
" " 1885.....	2,247,000
" " 1886.....	2,518,000

The remarkably small falling off in Janu-

ary, 1882, is noticeable. It is equally noticeable that a much heavier return of notes took place in November, 1881 than usual. The circulation instead of being held at its highest point for a month or two, fell off more than \$2,000,000 in the month of November. This should be noted in connection with the figure above-named.

There is nothing, therefore, in the reduction of circulation during the last month to call for special remark. With regard to the reduction in deposits it is simply due to the ebbs and flows which are constantly taking place in the complicated mercantile and government business which passes through the banks. The deposits have simply fallen back to the position they occupied on the 30th November last.

The small amount of deposits in proportion to the paid-up capital of our banks, strikes every observer who is familiar with banking as carried on in the mother country and in the Australian colonies. We have referred to this before and need not now enlarge upon it.

On the whole, it may be questioned if the paid-up capital of our banks is not unreasonably large in proportion to the business they do. A considerable portion of this immense capital is centered in four large institutions; whose business, however, is not confined to Canada. Banks, whose offices are to be found in New York and London, as well as all over Canada, require arrangements of a peculiar kind, in order to obtain the necessary credit to carry on their operations. It is at the same time worthy of consideration whether these large capitals could not be reduced with advantage. As a mere matter of finance and profit, it is probable that the principal banks could do as large a business as they do now if their capital was one-third less than it is. Probably they could make nearly as much money. If the banks had to renew the experience of former years, it is almost certain that the later addition to capital which carried some of the figures to such enormous proportions would never have been made. This is a question rather for stockholders than for the public.

The closing of the Chicago branch of the Canadian Bank of Commerce is a somewhat a noteworthy event, especially when it has been understood that the bank had, at one time, an exceptionally good business at that point, and it is the more remarkable when we consider that the Bank of British North America opened an office there only about two years ago. Chicago has very close connection with Canada, as she is on the chain of lakes which have their outlet by the St. Lawrence.

Great efforts have been made for years past to bring the trade of the Western States via Chicago down the St. Lawrence, and thence to Europe. To a certain extent we have been successful. Our canals had that object in view from the beginning. The Welland Canal has scarcely any other reason for its existence. But the result of all these efforts, taken as a whole, have been disappointing. It has been again proved that other influences affect an export trade beyond the bare cost of goods and their freight across the Atlantic. The ties that bind Chicago to New York and the

east are very strong, and they draw the trade that way. Besides, by a natural law, the exports follow the route of the imports.

The importing and wholesale trade of Chicago has now assumed great proportions. This all comes by way of New York and the east. In respect to the Chicago import trade, there is a sort of conflict between national influences and geographical, and the railways aid the former. More and more of the traffic from west to east is falling into the hands of the railways. There are many of them, and the trade has constantly to be fought for. In the conflict rates are reduced below a remunerative point, and the railways become competitors with our system of water carriage.

For these reasons it does not seem likely that Canadian banks can again acquire a strong foothold in Chicago. The Bank of Montreal employs some millions of its immense capital there—a fact that bears upon the question before alluded to, namely, whether the Canadian banks have not rather a surplus of capital than otherwise.

ABSTRACT OF BANK RETURNS.

31ST JANUARY, 1885. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in Maritime Prov's.	Total.
	\$	\$	\$	\$
Capital paid up..	36,305	18,936	6,383	61,624
Circulation .....	15,920	10,342	3,427	29,689
Deposits .....	51,908	37,337	10,267	99,512
Loans & Discounts	83,843	60,798	16,462	161,103
Cash and Foreign balances (Net) ..	22,016	9,308	3,388	34,712

30TH JANUARY, 1886. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in Maritime Prov's.	Total.
	\$	\$	\$	\$
Capital paid up..	35,930	17,825	6,383	62,139
Circulation .....	15,286	10,552	3,322	29,846
Deposits .....	54,775	42,456	9,523	108,880
Loans & Discounts	80,825	61,911	14,674	159,368
Cash and Foreign balances (Net) ..	24,664	10,163	3,815	39,827

AN EFFECTIVE FIRE ALARM.

Among the sensible things which Mayor Howland has done is that of requesting Mr. H. P. Dwight, the Telegraph Superintendent, to make a report upon the condition of the fire-alarm system of Toronto with a view to its improvement. As was to be expected of so practical a man, Mr. Dwight has gone fully into the matter and has prepared a report which shows what is wrong with our fire-alarm and what is needed to put it right. So important is this matter to the citizens of Toronto that we give the report almost in full. The present condition of things is a standing menace to the safety of the city, and it is a disgrace to the council that a danger so well known has not long since been removed.

The system now in use is that which Gamewell & Co. put up in 1870, and is known as the "Automatic" system. It was designed for a city much smaller than ours is to day, had four circuits, fifty signal boxes and three tower bells. The batteries