

well absorbed by investors in the United Kingdom. These factors have played their part in bringing about the greater activity in the stock exchanges seen in the last couple of weeks. They doubtless will continue to have effect in the immediate future.

It is not quite clear yet whether much if any of Canada's new London loan of \$30,000,000 will be transferred to this side the ocean. Probably a large part of it will be retained in London for clearing off the government's floating debt and other immediate obligations.

Of this £6,000,000 3¼ per cent. loan—which was all underwritten—the public took 41 per cent. The balance will probably be absorbed within a short period at par or better. These short term loans are not in great demand by large financial institutions which are looking for a permanent, or at all events long dated investments, and being for less than 15 years they are not trustee investments. The demand for them is limited chiefly to banking institutions.

THE YEAR-END STATEMENT OF THE CHARTERED BANKS OF CANADA.

Report after report, presented at recent bank meetings, has told the story of greatly augmented reserves during the year just ended. Taken as a unit, the banks shows a marked increase in the ratio of ready assets to demand liabilities. Below are given end-of-the-year comparisons in this respect (excluding principal inter-bank assets and liabilities) for 1908, 1907 and 1906.

LIABILITIES.	Dec. 31, '08	Dec. 31, '07.	Dec. 31, '06
Dom. Gov. deposits...	\$ 4,343,942	\$ 11,315,319	\$ 4,730,421
Prov. " deposits...	11,622,015	7,527,112	9,687,270
Dep. of public,			
" demand".....	210,180,147	157,185,414	192,143,4*2
Dep of public, "notice".....	429,719,218	402,626,076	396,765,182
Dep. elsewhere.....	66,903,834	53,467,203	64,191,182
Total deposits.	\$ 722,769,156	\$ 632,061,124	\$ 667,517,537
Note Circulation	73,058,234	77,504,398	78,416,780
	\$ 795,827,390	\$ 709,565,522	\$ 745,934,317
*Less notes and cheques other Canadian banks held....	36,393,247	33,853,075	38,937,901
Net liability....	\$ 759,434,143	\$ 675,712,447	\$ 706,996,416
*This item is deducted because it represents obligations of the banks held by themselves.			
AVAILABLE ASSETS.			
Specie and legals....	\$ 93,223,834	\$ 75,083,334	\$ 68,018,904
Net foreign bank balances.....	41,424,869	7,311,334	13,433,586
Foreign call loans....	97,164,000	43,509,229	58,958,156
	\$ 234,785,103	\$ 125,903,897	\$ 140,410,646
Per cent. of liability	30.92	18.63	19.86

The reserve ratio (computed on the foregoing conservative basis) had fallen from 19.86 per cent. at the close of 1906, to 16.88 per cent. at the end of March, 1907, owing to continued expansion of the commercial loan item. With foresight the banks then began strengthening their position. By the close of September, 1907, the ratio had risen to 19.75, and

the banks were able to increase current loans somewhat during October; reducing them again, however, and thus increasing the reserve ratio from 18.17 at October 31, to 18.63 per cent. by the end of 1907. It is to be noted, though, that the ratio was still more than one full point below the ratio of December, 1906—due chiefly to the fact that current loans and discounts in Canada were still \$8,000,000 greater than a year earlier, while total deposits were over \$35,000,000 less.

The course thus taken during 1907, made clear that the banks realized the necessity of strengthening their position with the least possible disturbance to current Canadian business. Resources held abroad were brought home, except in so far as they were essential as reserves. And even the latter were abundantly recalled at the time of the foreseen United States crisis, and kept instead in the form of cash in the banks' vaults. It was in no small degree reassuring to Canadians that during the month of November, 1907, specie and legals together showed an increase of \$3,000,000, while net foreign bank balances increased by well on to \$4,000,000—the decrease in foreign call loans balancing these changes. During December, 1907, idle cash holdings naturally were allowed to decrease somewhat; but the increase again that month in foreign call loans continued the growth in percentage of reserve ratio—a growth which steadily continued, until at the close of December, 1908, the ratio had become no less than 30.92 per cent.

As 1908 wore on, there was less and less necessity for bankers to counsel conservatism on the part of the business public. The strengthening of banking position during 1907 had evoked some grumbling at curtailment of commercial accommodation, but during the year just past, there was general recognition of the wisdom of the course taken. And it is now recognized, also, that the continued reduction in current loans during 1908 was due to conditions in general business itself, not to any arbitrary banking action. Even that small section of the public with which "bankpobbia" seems chronic, can scarcely fail to note that banking profits generally were decreased, not increased, by the falling off in commercial loans, and by the concomitant growth in other assets, more "quick" but with less earning-power. The increase too in deposits—especially of the interest-bearing class—is a trend characteristic of months of business conservatism; and one which necessarily tends to lessen current banking profits, though it undoubtedly makes for added power in the aiding of the country's future industrial and commercial growth.

A too hasty comparison of the government bank statement for December, 1908, with that for December, 1907, might prove altogether misleading as regards the year's business trend. For instance, the half-truth as to months of business recession causing