of the banking facilities of Canada, does not forget the importance of taking care of the country's foreign obligations. A borrowing country can, of course, never be certain that the influx of capital will continue without a halt, or that some accident to its crops may not temporarily affect its ability to pay for its imports and meet the interest upon its debt to an outside country. In consequence of the knowledge that has been gained, not without experience of an unpleasant character, all the borrowing countries have built up large balances with which to meet any adverse condition of the foreign exchange. The Indian Government possesses not only a large stock of gold, but a great quantity of securities which it can at any time sell should a failure of the monsoon create difficulties in meeting its obligations for interest and services by exports of produce. Argentina possesses a stock of gold in Buenos Ayres amounting to £52,000,000, a stock which would become largely available for export should the trade balance of the country with other nations render an export of gold essential. Brazil has now built up a stock of £25,000,000 of gold, and this is also a fund which in case of necessity would be available for export. The United States possess an immense amount of gold both in the Treasury at Washington and in the banks which would be available for export should necessity arise. Canada also owns a large balance of cash available to meet any adverse movement of the exchange. At the end of May last the balance amounted to nearly £20,000,000, plus any sums of gold in Canada which could be made available. This balance of £20,000,000, or $96,000,000, consists of gold and short loans made by the Canadian banks in New York and in London. The greater portion of this cash balance is owned by the Bank of Montreal, which has no less than $54,365,000, or £11,000,000 sterling of money, on call in New York and London.

BALANCES GIVE CONFIDENCE.

At a time such as this, when the world is experiencing some difficulty in obtaining supplies of new capital in consequence of the political situation in the Balkans and the indisposition of Continental and American investors to place their capital freely, the existence of these large Canadian balances in New York and in London gives a measure of confidence to the Canadian people which otherwise they could not enjoy. Furthermore, the Bank of Montreal is the banker of the Canadian Pacific Railway, and receives the large sums of capital raised from time to time by that great undertaking. Indeed, in considering the financial situation of Canada in all its aspects, the ability of the Canadian Pacific Railway to raise capital under any conceivable circumstances should not be overlooked. During the past year the Canadian Pacific has earned a profit upon its stock equal to a dividend of 20 per cent., and not only is there no difficulty in maintaining the 10 per cent. dividend, but a still larger dividend could be and may be paid. One cannot imagine a condition of things, therefore, that would prevent the Company from raising all the additional capital it may require; and the capital raised by the Canadian Pacific for the construction of branches is a factor of importance in considering the trade balance of the country at any given moment.

A third factor of importance is the high credit of the Dominion Government, which has not added appreciably to its indebtedness for many years.

In 1892 the net debt of Canada was $241,000,000, and last year was still only $340,000,000, an increase of no more than $99,000,000, or £20,000,000, in 20 years; while the increase in the funded debt of the country in this period was less than $70,000,000, or £14,000,000. The total amount of funded debt is $276,000,000 or £56,000,000. It is obvious that the Canadian Government would have no difficulty in raising loans for considerable sums if it needed to do so to provide for the capital expenditures of the country on railways and other public objects.

IMMENSE INCREASE OF PRODUCTIVE POWER.

In brief, it is evident that the country has now almost accomplished the large amount of foundation work and initial capital expenditure which could not be avoided, and that comparatively small expenditures of capital in the next decade in proportion to the growth of population will immensely increase the productive power and income of the country. Provided that British investors have no real cause to question the safety of their capital in consequence of inability of municipalities or others to meet their interest obligations, there are good grounds for expecting that British capital will continue to flow into Canada in order to continue the work of development which has made such wonderful progress in the last few years. Doubtless, the relatively high rates of interest which capital now commands throughout the world will confine the demands for capital for a time, at any rate, to really strong borrowers able to satisfy their needs at reasonable rates. However, this applies not only to Canada but to all countries.

BRITISH BANKS REALISING INVESTMENTS.

One Reason why for Recent Depreciation in Securities—Preparing for the Autumn.

Several of the half-yearly statements of the British banks recently published show a heavy reduction in the amount of investments held in comparison with the immediately preceding balance sheet and that for the corresponding half year of 1912. It is fairly obvious that securities have been sold to some considerable extent by the banks in question during the past twelve months, and if, as may reasonably be presumed, other large banks and finance houses have been following the same course, the continued depreciation in the value of London Stock Exchange securities can be well understood.

BANKERS GETTING READY.

Although at the present moment money appears to be plentiful, observes a London commentator on these facts, yet bankers, and all interested in finance, cannot help but look forward to the coming autumn with a certain amount of fear. This is undoubtedly having the result of inducing all parties, both in Great Britain and abroad, to endeavour to build up their reserves at the moment, so that they may be in a position to favorably meet any demands which may be made upon them during the harvest period. In some quarters the suggestion has been made that when the time does come we may be happily surprised by finding that the preparations have been overdone,