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THE TRACK OF THE STORM IN THE UNITED STATES: AND SOME BANKING CONTRASTS AFFORDED BY CANADA.

The publication of the statements of national bank condition, received by the comptroller of the currency in response to his recent call, makes it possible to trace some effects of the storm that has been raging. As New York city was the centre of disturbance, it was to be expected that the banks there would show the greatest changes. Some peculiar developments are revealed. Taking all the banks together the following interesting changes resulted:

	3 Dec. '07.	22 Aug. '07	12 Nov. '06
Loans and discounts....	$771,130,306	$709,666,537	$670,907,396
Cash (specie and legals).	176,098,000	218,786,122	230,024,596
Bank and trust co. dep..	439,146,731	465,431,738	501,101,404
Individual deposits.....	485,935,567	413,527,060	448,163,902

Between 22nd August, and 3rd December, there was heavy liquidation in the stock market. Mercantile loans were also liquidated. But notwithstanding this, the aggregate of loans and discounts increased nearly $62,000,000 from August, and over $100,000,000 from November, 1906. The explanation is made that heavy loans were granted by the national banks to trust companies and other institutions during the crisis. Also the gold engagements in Europe necessitated temporary loans of considerable magnitude. The latter would be extinguished on arrival of the gold. Regarding the loans to trust companies it is well known that large sums were advanced to the Trust Company of America and the Lincoln Trust Company during the runs on those institutions. A considerable number of others undoutedly received assistance. The Knickerbocker Company received some important loans on the eve of its suspension.

A remarkable feature of the statement is the large gain—over $72,000,000—in individual deposits. It has been supposed that individual depositors were drawing out their funds by the million of dollars and hoarding them. There is certainly no trace of that in the figures. They rather seem to show that the individuals have been drawing their money from the trust companies and state banks and putting it into the big national banks. To the extent that that operation went on, the national banks would show increases in their loans and increases in their individual deposits.

The item of bank and trust company deposits held by the national banks shows clearly what force it was that brought about the suspension of specie payments. These fell $36,000,000 since August and $62,000,000 since November, 1906. It has been pretty well known right along that the country banks, or many of them, had been urgently drawing upon their balances in New York for the purpose of augmenting their cash reserves. At the same time, the more panic-stricken among them were refusing to accomodate their regular borrowing customers, and compelling payment of all their discounted paper as it matured. The comptroller's statement shows the banks in certain interior localities to have accumulated cash reserves amounting in a few instances to over 60 p.c. of their liabilities. And the banks owning them showed so small a sense of their obligations and duties as to parade them as advertisement of strength. Those who understand what are the right and proper functions of banks will regard them rather as evidences of incompetency on the part of many of the bankers possessing them, and as evidences of a decidedly defective banking system. There is nothing whatever to prevent the same thing happening again in the United States at more or less frequent intervals so long as there continue to be thousands and thousands of little banks run by men who are not well grounded in the fundamental principles of banking.

Here in the Dominion, the banks have a better sense of what they owe to commerce and industry. The bank return for 31st October, the last to hand, shows them to have *used* their reserves not hoarded them. The proportion of cash assets to net liabilities, calculated in a very conservative and severe manner, fell from 19.75 p.c. to 18.17 p.c. during October, because of an expansion in current loans in Canada of $6,400,000. (The expansion shown in the bank statement is $1,600,000, but, as one item of $4,800,000, loan by the Bank of Montreal to the Quebec Bridge Company, appears for the first time as a loan to the Government of Canada, that amount should be added to the $1,600,000).

That is what bank reserves are for—to be used in time of emergency. The strength in cash will shortly be restored, and the outlook is that before many months have passed the banks will have more money to lend than they can readily find borrowers for.

Reverting to the condition of the New York national banks, the cash (specie and legals) is seen to be down $42,000,000, notwithstanding the enor-