

loss to the nation. Now, if the reference to a more liberal commercial policy means anything, Italian industry is thought to be capable of standing without the props by which it was formerly supported. But without a remission of taxes how is a more liberal commercial regime to be reached? Is a remission of taxes possible? Italy has improved her navy at considerable cost, she has undertaken expensive expeditions in Africa, and improvements on a grand scale in Rome. Unless her tariff is on any points above the revenue level, it is difficult to see how she can afford to lower it.

BANKING REVIEW.

The banking statement for the end of October, which appeared in our columns last week, shows a very decided tendency in the direction of increased scarcity of money. Deposits decreased over four millions of dollars, largely by withdrawals of the Dominion Government. At the same time loans and discounts increased \$3,000,000. A reduction of deposits ought naturally to be followed by a reduction of loans. This is plain. Bankers receive money from the public, and a considerable part of their lending power is from such moneys. When the depositor wants his money, and the borrowing public wants money at the same time, there is a plain indication that the supply is falling far short of the demand. The supply has decreased and the demand has increased. All this has produced its natural effect in causing deposit money to be more valuable, and the rate to be raised for such money in certain quarters. It is the fixed deposits, not liable to sudden withdrawal, upon which any change has been made. The Government, it is true, has recently made a reduction in the rate paid on deposits with Post-office Savings' Banks. But this ought to have been done long ago. The Government has for years been paying too much for deposit money. The natural rate for the Government to allow is 1 per cent. less than is allowed by the banks. That is the common-sense mode of proceeding; and it prevails in England, where the system of Post-office Savings' Banks first took its rise. An extraordinary timidity has characterized the action of the Government in this matter. It only needed a bold and firm line of policy on the part of our rulers at Ottawa to have secured all the money that was wanted for the last few years at 3 per cent. and saved many millions of interest. And the Government might well reduce to 3 per cent. now. The conditions that make money scarce or plentiful in banking spheres do not apply to the Government. The Government does not lend the money it receives from depositors. It has no mercantile customers coming to it with requirements for discount. It is not in touch, as the banks are, with the mercantile position.

The banks receiving the money of the public on the one hand have the mercantile public dependent upon them for advances to carry on their mercantile business. The demand for money bears directly upon them, and the demand has, of late, been very strong. It has again reached a higher

point than ever before. Loans and discounts amount now to nearly \$196,000,000, which we should say is a good deal too much. The stock of Reserve money in the banks is not high enough for such an extended line of operations. Compare the difference in the position a year ago and now:

31st OCTOBER, 1888.	
Circulation	\$ 36,000,000
Deposits	133,000,000
Total liabilities	\$169,000,000
Reserve of cash and available resources	\$ 42,500,000
being about 25%.	

31st OCTOBER, 1889.	
Circulation	\$ 35,200,000
Deposits	134,600,000
Total liabilities	\$169,800,000
Reserve of cash and available resources	\$ 30,700,000
being only 18%.	

A reduction from 25 per cent. of resources to 18 per cent. clearly shows the course of financial events. There is a corresponding state of things in England, where the bank rate is 5 per cent., a very high rate for the Bank of England, and in New York, where money at call on good securities is worth 6 to 8 per cent. The country is doing a heavy business and its resources are being rather strained. The natural remedy for this is to curtail imports; we are not producing as much as we ought to do for the large amount of goods we are buying from abroad. It is now that our deficient harvest in Manitoba and Ontario is beginning to affect the position. And it will continue to affect it during the coming winter.

It may be useful to note the movement of bank loans and discounts during the last seven years:

TOTAL LOANS AND DISCOUNTS FOR FOLLOWING PERIODS.	
31st Oct. 1883	177,000,000
" 1884	165,000,000
" 1885	159,000,000
" 1886	170,000,000
" 1887	181,000,000
" 1888	183,000,000
" 1889	195,000,000

Several times during this period bankers of experience have given warning that the country was going too fast and carrying too much business on borrowed money.

These warnings produced their effect at the time in a curtailment of business and of borrowing; but the tendency to expand unduly has been going on with increasing force during the last four years. From 1885 to 1889 the increase in bank loans and discounts has been no less than \$36,000,000. It is impossible to say with truth that the legitimate business of the country has shown such an expansion as this. It has not. There has been a legitimate increase to a certain extent, no doubt; but a good deal of the money borrowed from banks during that time has doubtless gone to create fixed property. Nothing can be more fruitful of ultimate trouble than this course. It has ruined many a bank, and it has brought on more than one commercial revulsion.

We have not yet got so far as to make a commercial revulsion probable in Canada. But every step in this direction is to be deprecated.

It may be said that bankers have themselves alone to blame if their discounts have grown to an unreasonable extent. Bankers have a large measure of control undoubtedly. But it must be remembered that they cannot lend unless there are borrowers who come to ask for money. It is with the borrower that the initiative is taken. The borrower imports goods or buys the produce of the country, or engages in some other enterprise for which money is required. It is when his engagements have been made, as a rule, that he comes to the banker with his demand for money. There are cases of course in which counsel is taken with the banker beforehand, such as when lumbering or grain buying operations are proposed to be carried on. The banker, in all such cases, has something to say at the very outset. But over much of his discounting he has practically little control; for his customers look to him for steady and regular supplies of money, which if they do not get their stoppage might be the result. No banker has the desire to see his customer embarrassed. He will therefore strain a point to oblige him. Nor does he like, by refusing, to endanger the driving away of customers to other banks. There is always too strong a temptation to increase his loans, for by this means he increases his profits.

It may be asked, how is a merchant to know when he is expanding his business unduly? The answer to this is simple. When he is borrowing a larger amount of money from the banker than usual it is time for him to curtail. A merchant may regulate his business very largely by the course of his bank account. If he does he will never get far wrong. As for the banker himself, the true remedy to apply to over-borrowing is to raise the rate of discount.

ABSTRACT OF BANK RETURNS.

31st October, 1888. [In thousands.]

Description.	Banks in Que- bec.	Banks in On- tario.	Banks in other Prov's.	Total
Capital paid up ..	34,414	17,803	8,014	60,231
Circulation	19,176	11,899	5,169	36,244
Deposits	71,777	46,954	14,873	133,604
Loans & Discounts ..	96,748	66,569	19,894	183,211
Cash and Foreign balances (Net) ..	28,927	8,581	4,938	42,446

31st October, 1889. [In thousands.]

Description.	Banks in Que- bec.	Banks in On- tario.	Banks in other Prov's.	Total
Capital paid up ..	34,452	17,707	8,027	60,186
Circulation	17,810	11,733	5,690	35,233
Deposits	68,668	48,654	17,329	134,651
Loans & Disc'ts ..	103,620	68,404	23,664	195,688
Cash & Foreign balances (Net) ..	19,104	7,751	3,891	30,746

—A new industry has sprung up on this side of the River St. Clair, says the *Sarnia Observer*. Michigan offers a bounty of three cents a head for English sparrows. Some enterprising individuals in this neighborhood have been slaughtering these birds by the thousand, taking them over to Port Huron and securing the reward. One man raked in over thirty dollars in one day. The supply is inexhaustible, and as long as Port Huron pays the shot, the boys will provide the sparrows.

FOREIGN TRADE.

Kingston has been from Mr. Wiman on between Canada and His main object, on enlist the Canadian limited reciprocity wi The effort was marked may have been the The arguments used force, would apply eq universal free trade. tells us that nature i be absolute free trade the United States, he an argument from pro would just as well a the nations by which Belgium, France, Swi Russia. If nature ind of the trade arrang where the territories terminous, it surely The full meaning of nature intended tha accept universal free

Whatever nature must look to the ac nations, in their poli nomical aspects. The way of drawing their Customs duties, and dispensing with this is true that free tr States is proposed with a tariff wall a tries. If we accep tariff, we should, by higher against all free trade which we tion would be balanc tion in another. A equally divided into half of it would be other half less free gain in freedom wo can say that there w No European any lo of Sydney Smith—w book?—but it is safe can will wear Amer afford to pay the l tweed. How are w that a good suit o twice as much in th Canada, both being terial? If the high at the bottom of it, there be? America ton, are as a rule de expect their war tar some things, princip tion, which do not titution, we find sup American side. A few American ma cheaper, what do w it is precisely her between Canadian factories is great wrongly, we have tempted capital int or rather we have fa an expedient which pernicious, or bene bent, but we must