FINANCIAL REVIEW.

This has been one of the dullest winters for business that Canada has experienced for many years, and the effect is seen in a striking manner in prominent quarters. Diminished railway receipts have necessitated the passing of its dividend by the Canadian Pacific, a circumstance which has created a good deal of surprise amongst those who were not well informed as to the real bearing of things on this side of the Atlantic. The practical question for consideration is whether this passing of the dividend on the ordinary stock is to continue, and if so, for what length of time.

With regard to this, it is obvious that nothing definite can be said; prophesying is not business. There can be no doubt that if a dividend can be secured by any exercise of skill or foresight, it *will* be earned. That the management of the concern is thoroughly wideawake and modern does not need to be told here. The close and interwoven relations which must necessarily exist between our railroad system and those of our neighbors to the south invariably lead to our being more or less governed by some of the conditions which affect them.

The long depression which commenced several years ago in the United States, culminated in the foreclosure of twenty-one railroad companies, with stock and bonds amounting to nearly one hundred millions of dollars! It is of course some consolation that we are no worse off than our neighbors, though this does not give stockholders a dividend.

With regard to the Grand Trunk it is so far satisfactory that the exhaustive enquiry just concluded shows no trace of corruption in the accounts; the system of bookkeeping is cumbersome, however, and the working operations of the system might be overhau'ed with advantage. We have repeatedly said that Canada was not to blame for the original extravagant style in which this railway was both planned and constructed. All this was the work of the engineers sent out by British promoters and stockholders. And some of the branch undertakings that have been a heavy drag upon the enterprise have n t been for the benefit of Canada at all. Yet Canada has had a large part of the blame of many of these unfortunate developments of this great project. Of course the Canadian management of the Grand Trunk was not to blame for the absurd abuse and criticism against Canada so long current in Britain, and the result of the enquiry vindicates them.

The cloud that is resting upon railway earnings is affecting banks as well. All the banks are speaking of diminished profits. It is possible, however, that most of them will keep up their dividends at any rate; and that diminished profits will only tell upon the amount added to the Rest, or to Surplus Profits. In the case, however, of two of our large institutions the depression has had more serious results than that. The Bank of British North America has reported total earnings for the year of less than 4½ per cent., giving as a reason therefor, mainly, the large amount of reserve money which they were compelled to carry at very low rates of interest. The bank has always had a deserved reputation for solidity and carefulness and for the large amount of its available reserves. It is, however, interesting to note from the statement of the chairman that this reserve is composed not only of cash in hand, but of bank balances, government securities and bills which can be discounted at a day's notice. This statement bears out what was insisted upon in our columns some time ago, viz., that in the immediately available reserves of a bank are invariably to be counted, not only the actual *cash* in its possession, but balances and securities which can be turned into cash at very short notice. Some of our contemporaries, at a time when the matter was in controversy, held up the British Bank as an example of the whole available reserves of a bank being in actual cash. The published statements of the bank were clearly against this theory, and the statement of the chairman at the annual meeting ought to set the matter effectually at rest.

The Bank of British Columbia, too, has been affected by the very adverse conditions prevailing, not only in British Columbia, but in a more marked degree on the Pacific slope of the United States. They have met the matter boldly and faithfully by writing off the sum of £50,000 stg. from the Rest. This important fund, however, will still be of a very respectable amount, viz., £235,000, or about forty per cent. of the capital.

Circulation, as usual, is low at this period, and its condition again demonstrates the elasticity we have such reason to appreciate in this country. If need were, the bank issues could be stretched by about $30,000,000; there is little danger, therefore, of our having to suffer at any time what overtook our brethren in the United States in the fall of 1893. Not only were the currency reserves drained, but the people there found themselves forbidden by stringent and carefully drawn statutes from utilizing the most practical means of aiding themselves and tiding over the difficulty. The make-shift machinery that was used to bridge over the critical period, fortunately seems to have worked well, principally due to the stability of the local institutions which came to the rescue where necessary. The spectacle of a number of scattered individual firms or institutions eking out the currency of a people is obviously not one to create much confidence at a time when it is generally most required. The time will surely never come in Canada when owing to sho t-sighted measures, or rather the lack of measures, the issues of bank notes will be partly supplanted by certificates, scrips and "*bons*" of city councils, manufacturing concerns, railroads and other associations.

The Australian banks, which carried through such enterprising measures of reconstruction at the time of the great crisis in that country, are already finding difficulty in working them out. It was foreseen at the time that the addition of enormous sums of deposit money to the permanent capital of the banks, and the creation of a sort of preference shares thereby, would render it most difficult in future to earn reasonable dividends on the ordinary stock. This was felt to be an absolute certainty, in case there was a general revulsion and diminution of business, and the throwing upon the hands of banks of great masses of property yielding little or no return. This is precisely what has taken place. The most prominent of these reconstructed institutions—the Commercial Bank of Australia—which formerly made an easy profit of 12 to 16 per cent. on its capital, has fallen into such a position under reconstruction, that it has not earned even one per cent. in the whole year. An experience somewhat similar, though not so unfortunate, is befalling other banks in Melbourne, and, as a consequence, a movement has been begun to amalgamate four or five banks into one, and to organize another company for the realization of deferred assets.

The carrying out of such a scheme will require a very large amount of arrangement and of parliamentary action. Meanwhile, all experience shows that the solid rules of banking experience cannot be violated with impunity, either in Australia or anywhere else, that bank advances ought not to rest upon landed property, that a period of "boom" and excitement is one in which bankers should be cautious and not expansive; that money brought from abroad in great quantities is dangerous for banks, and finally, that a