

SOME THOUGHTS ABOUT BANK NOTE CIRCULATION.

In nearly all of the published reviews of the most recent statement issued by the chartered banks to the Government, attention has been directed to the high figures of the note circulation compared with the corresponding period of previous years. The increase is attributed to several different causes, but all of the reasons ascribed point to improvement in the trade and commerce of the country.

The notes in circulation in the month of February, amounted to \$35,823,923. The amounts for Provinces:

Ontario.....	\$12,762,145
Quebec.....	17,321,495
Nova Scotia.....	3,894,304
New Brunswick.....	658,922
British Columbia.....	1,054,395
Prince Edward Island.....	132,662
Total.....	\$35,823,923

But these figures give little, if any, indication of the volume of trade in each Province of the Dominion. The circulation of a Bank depends almost entirely upon its energy and enterprise in the opening of branches or agencies. Each branch or agency circulates the money of its head office, thus increasing the note circulation for the province in which said Head Office happens to be situated. Thus, in the case of New Brunswick, we find the note circulation for that province is only \$650,000, as against nearly \$4,000,000 for Nova Scotia. There is no such disparity in the business of these two provinces as would account for this extraordinary difference in figures. It is entirely attributable to the fact that the banking business of New Brunswick is in great part transacted through Halifax banks, which, unable to find employment for their capital in Nova Scotia, have gradually overspread the neighbouring province, and are now occupying territory in distant British Columbia. The same illustration of the folly of supposing that the monthly figures of note circulation denote the trade of each province may be applied, although with less force, to the noticeable difference in the circulation for Ontario and Quebec. That the circulation for the latter province exceeds that of Ontario by nearly five and a half millions of dollars is attributable to the fact that the head quarters of banks with a combined capital of \$37,000,000 as against \$19,000,000 for Ontario are situated in the province which shows the larger circulation.

Moreover, two or three of the large Toronto banks did not enter into competition for Montreal business until very recently, although the banks of other Provinces had been active in their pursuit of business in Toronto and all the principal towns of Ontario.

The mistake of supposing that the note circulation figures for each province have aught to do with determining the condition of its trade would not, of course, be possible to bank officials. Our only desire is to correct a popular error of those who are not acquainted with the mechanism of our banks.

There are other and much more general delusions

in regard to the circulation of notes by our banks, and we intend to refer to two of the most generally believed in and most easily swept away: the profit of circulation, and the direct gain to a Bank, the notes of which happen to be lost by fire, flood or any misfortune befalling the owner.

There was a time, within our memory, when only the capital cities and county towns were favoured with banking facilities, when a savings bank department in connection with a branch of any financial institution was almost unheard of, when the notes of "the nearest bank" circulated almost exclusively over vast territories, and were hidden away in stockings and chimney corners to the great comfort and profit of the issuing bank. But the occupation of every small town, agricultural centre or mining region by some one or more competing banks (with savings' departments) and the establishment of clearing houses in most of the leading cities of the Dominion has rendered the hoarding of actual bank notes unnecessary, and made the rapid return of its paper to each bank almost certain. The consequent diminution in any profit arising from so-called circulation is thus becoming "small by degrees and beautifully less."

Another fallacious idea (nursed by those who know nothing of the experience of banks keeping the usual accurate record of every note issued and particulars of its destruction when too old or mutilated for further circulation) is that a large amount of money is annually lost by fires, shipwrecks or other casualties. Of course we admit that some people have, in vulgar phraseology, money to burn, but not in the way generally accepted by the innocent as being conveyed by this statement.

It would probably surprise an enquirer at any one of our banks to find how small the number of notes of any special denomination are found to be outstanding or not destroyed after a dozen years from the date of first issue. It is, we regret to admit, quite possible, in the event of fire, for a householder to forget to rescue a pet canary or even to be unconcerned for the safety of his missing mother-in-law. But he seldom forgets to save what money may be in the house, which, after all, owing to the wonderful banking facilities which we enjoy, is seldom a very heavy amount.

The note circulation of some of the Banks is, however, a matter of importance to them because of the difficulty experienced in keeping said circulation within the limit prescribed by the Bank Act: the amount of a Bank's capital. It is doubtless for this reason that so many banks with an ever-increasing business now find it necessary to issue new stock, and thus obtain additional power of circulation as part of the essential equipment for new branches.

It is, we suppose, known to all readers of the CHRONICLE that the notes issued by the chartered banks of Canada are well-secured, constituting not only a first lien on assets but bearing interest from date of failure until redemption.