the necessary funds for an increase of general business provided through an increase of their deposits than through an increase of capital stock. But it is necessary to bear in mind that during a period of monetary stringency or great demand for credit the increase of deposits is likely to be slow. Although this is just the time in which rapid increase of deposits is most wanted, often enough there is a decrease instead of an increase. Also, in a period of stringency the response of the stockholders to an offering of new stock is apt to be somewhat sluggish. These considerations serve to indicate that the capital issues should be made some little while before the pressing need for the use of new funds arises.

It is sometimes argued that the issue of new stock is not always a satisfactory way of augmenting the banking resources inasmuch as a considerable part of the increase in the capital account will be effected through a reduction of the depositors' balances. In other words the shareholders will take up much of the new stock through drawing upon their deposit balances. But even so, the banks' ability to discount and to extend credit is increased—to say nothing of the increase of note issuing rights which pertains to an increase of capital. For when the funds are transferred to capital account, liabilities are extinguished to that extent, and so much of cash reserve money is released. And it is to be remembered that in the case of every large bank a portion of the payments for new stock would come from foreign countries in the form of new cash.

It is understood, of course, in the financial district that the bankers are disposed to move cautiously in the matter of increasing capital stock. For one thing they cannot view without extreme dislike the possibility of their not being able to maintain through good years and bad such dividend rates as are set. Indeed it would be something of a shock to the credit of an important Canadian bank if it were obliged to reduce its dividend. Such a thing has not happened for years. And the bankers consider that one of the most effective ways of ensuring the stability of dividend rates is through keeping the growth of the capital account jealously under control. Again, it is probable that in some bank parlors the opinion prevails that there will be, sooner or later, a set-back to our trade as a result of the speculation and expansion now in evidence. And they may think it advisable to defer capital increases for the present.

However, there are other considerations which can be set against these. First and foremost there is the matter of banking politics. The Bank Act will be renewed next year. It will be in the best interests of the banks if they manage to handle the extra business of the coming fall in such manner as to obviate an acute stringency. Also, apart from the renewal of the Bank Act, there is bound to be a considerable amount of well founded criticism or complaint if the increase of the capacity of the banks lags behind the increase of general business. And such criticism and complaint may well have an influence on the legislation affecting banking. So, for these and other reasons, it will perhaps appear to the bankers that it will be wise and politic on their part to take a little risk in connection with their dividends for the sake of placing themselves in position to care well and efficiently for the prospective growth of Canada's business through substantially increasing their paid-up capital. Latterly, there has been a great increase in the liabilities as compared with the capital. Four years ago the liabilities of the banks were 4½ times the funds of the proprietors—capital and rest. Now they are 6⅔ times the capital and rest. The banking edifice will be strengthened if the capital base is broadened. And even if that policy should result in fewer dividend increases for two or three years it is almost certain that it would conduce in other ways to the benefit of bank stockholders.

THE MAY BANK STATEMENT.

The following are the leading figures of the May bank statement, in comparison with those of April:

	May, 1911.	April, 1911.
Circulation	$ 81,862,218	$ 83,647,088
Canadian demand deposits	298,784,206	281,964,369
Canadian notice deposits	562,209,148	555,822,930
Foreign deposits	69,442,818	69,062,268
Canadian call loans	57,709,853	57,832,690
Canadian currant loans	708,093,677	712,032,758
Foreign call loans	88,745,080	84,535,658
Foreign current loans	33,918,314	33,783,963

This may be fairly described as a normal May statement. There is generally in that month a tendency towards decreased circulation and a rise in the deposits. It seems likely that the advance in foreign call loans is due to the temporary employment of the proceeds of recent flotations in London, in that market and in New York, pending their transfer here. Balances due from banks in the United Kingdom are up to $25,966,612 against $17,366,568 in April, and it may be that the reduction in Canadian current loans is also a result of recent London flotations, these having enabled temporary loans to be paid off.

Our usual statistical analysis and abstract of the bank return will appear in next week's issue.

AMERICAN BANK IN PARIS.—A banking venture in Paris, under the direction of American financial interests, is about to be tried. Goldman, Sachs & Co., in conjunction with Leman Brothers, Kleinwort, Sons & Co., of London, and Henri Hoechstaedter, of Paris, plan to establish a private banking house in Paris, under the title of Henri Hoechstaedter & Cie. The firm will have a capital of 5,000,000 francs, and will commence business August 1. Its primary object will be to facilitate the placing of American securities at the French capital.