

In the figures representing subscribed and paid up capital the only change of any consequence is in those of the Union Bank of Canada, which show an increase under both headings of \$300,000. There is not, however, the proportionate increase in the rest which might naturally have been expected.

The chief interest this month is in the amount of notes in circulation, which has increased from \$62,497,000 as on 31st August to \$69,831,000 on 30th September, or \$7,334,000 during the month. During the last five years the figures of circulation have been as follows:

	August.	September.	Increase.
1901 ...	\$51,352,000	\$56,027,000	\$5,325,000
1902 ...	55,035,000	60,965,000	5,930,000
1903 ...	60,414,000	63,741,000	3,327,000
1904 ...	60,227,000	63,795,000	3,568,000
1905 ...	62,497,000	69,831,000	7,334,000

The increase this year is thus twice as large as in either 1904 or 1903. Last month we pointed out that the banks which would supply the greater part of the increase required during the ensuing busy season were the Bank of Montreal, the Canadian Bank of Commerce, and the Merchants Bank of Canada. It may be of interest to compare the figures we then gave with those for September:

	August		September	
	Notes in Circulation.	Available margin.	Notes in Circulation.	Available margin.
Bank of Montreal ...	\$9,053,000	\$ 5,347,000	\$10,383,000	\$4,017,000
Canadian Bank of Commerce	7,149,000	2,644,000	8,124,000	1,695,000
Merchants Bank .....	3,744,000	2,256,000	4,504,000	1,496,000
	\$19,946,000	\$10,247,000	\$23,011,000	\$7,208,000

These three banks have thus added about \$3,000,000 to the country's circulation during September, and will be able to supply between \$6,000,000 and \$7,000,000 more if it should be needed. And at present the indications are that every dollar will be needed. The total circulation being \$69,831,000, and the total paid up capital \$83,416,000, there is a margin left of \$13,585,000. From this, however, must be deducted the paid up capital of the Home Bank of Canada, which is included in the foregoing figures. This bank, although it has begun to make returns to the Government, has not yet issued any notes and is apparently not ready for business. This leaves the margin at \$13,233,000. But as the penalties for over issue are very heavy, ranging from the amount of the excess issue, if less than \$1,000, up to \$100,000, if the excess should exceed \$200,000, no bank can afford to run the risk of accidentally exceeding its authorized issue, so that with banks of from 75 to 120 branches it is necessary to keep from \$100,000 to \$500,000 on the side of safety. This is particularly the case with banks which have many branches in the West and carry large grain accounts. They might easily pay out \$100,000 to \$300,000 in a day. From \$2,500,000 to \$3,000,000 is probably about the minimum amount which the banks as a whole must retain to ensure that there will be no over issue. In 1904, when circulation was at its highest, and some doubts were expressed as to there being a sufficient available supply, the total amount in circulation never came within \$5,000,000 of the paid up capital. The total addition which the banks can make to their notes in circulation is thus reduced at the very most to \$10,000,000. In

October last year circulation increased by \$8,431,000, and although the exceptional activity in September this year has to some extent lessened the strain which will be felt in October and November, there is every reason to suppose that the increase during the present month will be greater than in October, 1904. If this should prove to be the case—and present indications are that circulation is going out very rapidly—the banks will be up to the limit and will have to fall back on the use of the \$1's, and \$2's, and \$4's, issued by the Government. With all the development which is ahead of us, it is evident that if the boasted elasticity of our currency is to be fully maintained, either banking capital must be increased, or the basis upon which bank notes are issued must be changed. We may get through this year without any inconvenience, but unless the progress of the country should receive a severe set-back, we shall hardly be as fortunate in 1906. The banks now established have authorized capital to the extent of \$17,000,000, still unissued, and before next autumn we shall doubtless see a sufficient amount of this paid up and thus made available as a basis for note issues.

Balances due to the Dominion Government by the banks have increased by \$1,300,000, almost the whole of the increase being in the figures of the Bank of Montreal. Of public deposits, those payable on demand have increased by \$500,000, and those after notice by about \$5,500,000, or \$6,000,000 in all. In 1903 the increase was \$6,200,000, and in 1904 about \$4,000,000. The decrease of \$2,000,000 in deposits outside Canada is chiefly in those held by the Canadian Bank of Commerce, which have fallen from \$9,246,000 to \$7,651,000.

On the assets side the totals under the first few headings are practically unchanged. Cash on hand is much the same as last month. Balances due from agencies in Great Britain have increased by \$2,500,000, while on the other hand, balances due from agencies abroad have been reduced by \$1,500,000. Securities and call and short loans show little change. With the renewal of business activity the addition to readily available assets has naturally ceased for the time being, but the banks still retain the strong position to which we drew attention last month.

Current loans in Canada now stand at \$443,011,000, an increase of \$5,571,000 over August. In September, 1904, there was an increase of \$3,957,000, and in 1903 of \$4,992,000. In dealing with the bank figures for 31st March last, we pointed out that the increase in current loans in Canada for the previous twelve months was the smallest for four years, that it was only one-third of the increase in the year ending 31st March, 1904, and considerably less than half that in the year ending 31st March, 1903. At the same time we said that the prospects for the current year were exceptionally good and that 1905 ought to show as much progress as 1903. Six months have now elapsed, and it may be interesting to compare the increase in current loans during those six months with the increase in the corresponding six months of previous years:

	March	September	12 months	6 months
1901 ...	\$280,041,000	\$286,195,000	.....	\$ 6,154,000
1902 ...	300,066,000	303,518,000	\$17,323,000	3,452,000
1903 ...	346,292,000	373,633,000	70,115,000	27,341,000
1904 ...	403,566,000	412,197,000	38,564,000	8,631,000
1905 ...	422,351,000	443,011,000	30,814,000	20,660,000

As compared with those on which we commented in April these figures tell a very different tale. If the