

FURTHER LIQUIDATION BY THE BANKS.

Throughout the month of January, the liquidation in banking credits, which is normal to that period of the year took place in heavy volume. But at the close of the month the banks' were relatively in about the same strong position as at the end of December. The ratio of their assets to their liabilities to the public stood at the end of the month at 24.6 per cent., which compares with a ratio of under 22 per cent. at the close of January, 1913. The normal ratio of reserve may be taken as about 25 per cent., but probably the accumulation of funds during the present period of below normal activity will result in the reserve ratio giving somewhat above the normal in the near future as, in fact, it did in the course of the recovery from the strain of 1907. The banks will, in fact, accumulate large amount of funds which will put them in excellent shape for taking care of the next big forward movement.

Practically the only gain made by the banks in January was in regard to notice deposits, the rise in which is referred to in another column. Elsewhere, there was drastic contraction. Circulation, one of the most reliable indices we have in regard to the activity of trade dropped by over \$12,000,000 to \$96,611,909. There was a particularly sweeping reduction in demand deposits of \$41,500,000, with as a necessary corollary a contraction in Canadian current loans to the amount of over \$12,000,000 (including loans to municipalities). Both Canadian and foreign call loans were reduced, the former by \$1,600,000 and the latter by \$7,200,000.

To appreciate the extent of the liquidation which has taken place during the past year, it may be noted that Canadian current loans at the end of January were practically \$34,000,000 below their level of January, 1913. But the banks' holdings of actual cash

were \$16,000,000 higher at the later date plus \$3,500,000 in the Central gold-reserve, while their foreign call loans, which also form part of their first line of reserve increased nearly \$16,500,000 in the twelve months.

In January the loans to municipalities show a shrinkage to \$29,301,620. Probably, in February, these loans were yet further reduced as a result of the large sales of debentures which have been arranged during the last few weeks.

SIR EDMUND WALKER REGRETS HOSTILITY TO BANKS.

In the course of an address given at Toronto Y.M.C.A. last week, Sir Edmund Walker said that Canada possesses one of the best banking systems in the world, and yet a similar hostility towards banks seems to be developing in this country to that existing in the United States. He regretted that the Wilson Administration in the United States had made it possible for a bank to lend a limited proportion of its assets on real property.

"Land banking and commercial banking have heretofore been rigidly separated both in Canada and the United States, and it is regrettable," said he, "that any breach in such a sound principle has been made." In the development of new countries the most dangerous of all commodities, in some respects, was land. In price and as security it might be more speculative than a hazard with dice.

Sir Edmund dealt at some length with the main features of the banking system. In his concluding remarks he mentioned that no addition to the bank act in his memory had meant added profits to the banks, as the bankers had been anxious to perfect the system rather than to seek a more profitable franchise for themselves. Of course, as the Bank Act had been made better for the people, the business of the banks had increased.

"During the last ten or more years of active growth in Canada countless fortunes have been made which would certainly have been impossible, but for our banking system," Sir Edmund declared.

ABSTRACT OF THE BANK STATEMENT FOR JANUARY, 1914

(Compiled by the Chronicle).

	January 31, 1914.	December 31, 1913.	January 31, 1913.	Month's Change.	Year's Change.
LIABILITIES.					
Circulation	\$ 96,611,909	\$ 108,646,425	\$ 94,575,644	-\$12,036,265	+\$ 2,036,265
Demand deposits	339,811,339	381,375,509	354,518,964	- 41,564,170	- 14,707,625
Notice deposits	635,135,955	624,692,326	635,000,056	+ 10,443,629	+ 134,899
Foreign deposits	95,342,345	103,403,085	83,284,404	- 8,060,740	+ 12,057,941
Total liabilities	1,255,440,559	1,308,756,866	1,072,803,424	- 53,316,307	+ 182,637,135
ASSETS.					
Specie	44,775,490	45,423,463	36,151,056	- 647,973	+ 8,624,434
Dominion Notes	102,307,841	104,778,358	94,976,271	- 2,470,517	+ 7,331,570
Deposit in Central Gold Reserve ..	3,500,000	7,597,066		- 4,097,066	
Securities held	104,255,643	104,398,192	101,489,642	- 142,459	+ 2,766,001
Canadian call loans	71,248,242	72,862,971	71,376,510	- 1,614,729	- 128,268
Foreign call loans	108,776,770	115,984,680	92,387,847	- 7,207,910	+ 16,388,923
Canadian current loans	*840,883,750	*852,906,548	874,705,616	- 12,022,798	- 33,921,866
Foreign current loans	56,051,465	58,305,388	40,098,146	- 2,253,923	+ 15,953,319
Loans to municipalities, etc.	29,301,620	30,518,573		- 1,216,953	
Total assets	1,499,392,966	1,551,263,432	1,485,457,458	- 51,870,466	+ 13,935,508

* Inclusive of loans to municipalities, etc.