course, do not sell to anyone else in the same place." Thus his only chance of profit in that place depended upon the success of *one* customer. Another merchant, a director in an insurance company, says: "I have learnt from the operations of our company not to give any one person much credit nor to have too much outstanding in any one district." Whilst it often happens that an insurance company protects itself from undue danger of loss by means of re-insurance; a bank by various endorsements; and a merchant by the exaction of securities, yet we have seen during the past few years that all have fallen short of the necessities of the times, and nearly all have met with disastrous losses.

It would seem, then, that each one should so scrutinize every individual transaction as to be satisfied of its good foundation, and should even then so limit operations in any one "liability to loss" as to prevent undue disaster. This means the building up, from each transaction, of a reserve against the contingencies of the remainder; it means more conservatism in business generally; and a reasonable margin of profit arising from projects well-considered by those who carry them on, as well as by those who furnish the means for carrying them on.

BANK STATEMENTS.

WHAT THEY CAN AND WHAT THEY CANNOT DO.

FROM A CORRESPONDENT.

When a movement was made about fourteen years ago, having for its object the displacement of the circulation of the banks by the issues of the Government, a strenuous opposition quietly developed itself; and as the time for the renewal of the charters of the banks in 1871 drew near, many conferences of the banks were held, having for their object the preservation of the bank note circulation of the country. It was then agreed to submit to a curtailment of the right of circulation, simply to the limit of their paid up capital. The banks also agreed with the Government to hold at all times a certain proportion of their cash reserves in the shape of Government notes; and they agreed further that, if required, a return of a much more detailed character than had hitherto prevailed, should be furnished, whereby it might at once be seen, not only whether they were complying with the law in regard to circulation, but whether they were holding reasonable reserves against their liabilities, and that the bearing of these liabilities might be more truly estimated, the return of deposits was altered from those bearing interest to those which were subject to notice, or those payable on demand. In the form which the return finally took, as embodied in the Act of 1871 and others amending it, it is not difficult to discern the working of rivalries and jealousies, and the desire to know something of each other's operations, which have prevailed among the banking institutions of Canada, as they have among similar institutions and business competitors in every line of operation everywhere. It is, we believe, a sort of open secret that one alteration, namely, that which consists of the addition of a column for directors' liabilities, was due to influences of this nature.

It may well be questioned whether the public derived any benefit from the much greater amount of detail that is now enforced? It is not clear that the publicity prevented bad management, unsecure loans or untrustworthy advances. When the Bank of Montreal, the Bank of British North America, the Commercial Bank, the Bank of Upper Canada, the Quebec Bank, the City Bank of Montreal, and one or two trifling concerns, were the only banks in the country, they pursued the even tenor of their way, meeting their engagements, commanding good credit, and generally paying moderate dividends. Not one of them failed during the time that no returns were made. A second period followed, beginning about 1855 and ending in 1871. This was the era of the first style of returns. During this period the Bank of Upper Canada and the Commercial Bank both failed, and the Royal Canadian Bank suspended payment, but re-opened its doors. A third period of more ample and complete returns has seen the suspension of the Jacques Cartier and Exchange Banks, and the failure of the Mechanics Bank, the Consolidated, and the Ville Marie. The Metropolitan Bank also suspended and passed into liquidation. It does not therefore appear that the necessity of making returns more or less full or detailed has exercised much influence over bank management. If the returns of the Consolidated Bank had been made in the manner that the prosecutors of Sir Francis Hincks contended they should have been, it would only have been a sort of locking the door after the steed was stolen. Of the various forms in which the money of a bank is lent or employed, any of them may be good, and all of them may be bad, according to circumstances. A bank which has the larger part of its advances in the shape of bills discounted may be in a thoroughly rotten condition, while a bank which has its advances almost wholly in the shape of overdrafts may be sound and strong. Bills discounted may bear the names of people who cannot or will not pay, and overdrafts may be allowed to people who are quite good for the amount. The whole of the advances made by the banks in the northern districts of England are, by way of overdrafts, duly arranged and properly secured. Almost the only really sound business the City of Glasgow Bank had was that part of it represented by the overdrawn accounts of its customers. We may go even further than this: experience shows that many an overdue bill proves perfectly good, while many a current one turns out in the end irretrievably bad. It follows from this that no return which merely gives the totals of the various kinds of advances made by a bank, conveys reliable information as to the soundness and goodness of those advances. Mere total statements, even of the amount of bills overdue whether secured or unsecured, furnish no reliable criterion. An unsecured bill may bear the names of undoubted parties, and yet may lie over for a time pending negotiations for payment. A bill said to be secured, and thought to be secured, may turn out in the end a source of loss, from the fact that the security has depreciated in value. The Bank of Upper Canada, the month before its failure, showed a total of two millions and a half of notes discounted, almost every dollar of which proved in the end irretrievably bad. Even the column, "Due to other banks," cannot be decided by mere reference to totals. The appearance of items in that column may indicate a high degree of confidence, or it may indicate a large amount of financial weakness. Mere totals tell nothing. Some of the smaller banks keep accounts with the larger ones, just as individuals do, and just as all banks in London do with the Bank of England. When, therefore, a large sum appears in the return as "due to other banks," it may indicate that it has the confidence of other banks to such a degree that they keep large balances with it; or it may indicate the very reverse, viz., that it has been obliged to borrow money from other banks to enable it to meet its liabilities, or keep up its reserves. Mere totals, as we say, tell nothing.

The fact then is this: there are some things which returns can do, and others which they cannot. We can learn from the returns of a bank whether it is complying with the law with regard to circulation and reserves. We can learn whether its resources bear a reasonable proportion to its liabilities. We can learn whether it is lending a reasonable and moderate amount of its total resources, or whether it is straining those resources by advances, whether safe or unsafe, to an unreasonable extent. But as to the real soundness or otherwise of a bank, which is measured solely by the *quality*, not the quantity of its advances, no reform could enable us to form a judgment