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THE PERTURBED INVESTOR.

RIGHTLY or mistakenly, the average British investor feels that the "devil and the deep sea" are the alternatives that capital is just now facing. On the one hand, he has feared the effect of the budget's taxes upon home investments; on the other, he realizes that its rejection means an interregnum of money market and stock market disturbance. Some of the budget's new taxes are already in operation. Unless resolutions are passed authorizing the continuance of these until after dissolution, there will be a steady growth in deficit, and of necessity a filling of the gap by a huge special loan or recourse to Treasury or Deficiency bills under the Appropriation Act. The Economist points out, too, that when the budget proposals are thrown out, taxpayers may be able to recover amounts already paid by them under its provisions. At best, the situation has its tangles.

Canada would prefer that other causes than British political disturbances were inclining capital to Oversea channels. But conditions being as they are, it congratulates itself that it seems the chosen destination for an increasing volume of Old Country funds. Mr. B. E. Walker, president of the Canadian Bank of Commerce, on his return from England last week, stated that British investors were never before so ready to consider Canadian investments with favour. The more advisable, therefore, is it to keep in mind the counsels of Lord Northcliffe and others, that every care be taken to make only worthy offerings to John Bull.

EXPANSION OF LOANS.

THE chartered banks' current loans in Canada are up to their level of two years ago. The October month-end total of $580,000,000 is nearly $20,000,000 greater than the September showing, and over $60,000,000 greater than that of October, 1908. It is within a few dollars of the October, 1907, total, and only some $7,000,000 less than the high-mark of June, 1907.

But this by no means foreshadows the banks' coming to the end of their tether, in the matter of loan expansion. Two years ago, commercial accommodation of $580,000,000 meant that the banks' reserve ratios averaged only about 18 per cent. With the same accommodation extended this autumn, the reserve ratio at the close of October was over 30 per cent. This means that the banks have funds in hand sufficient to take care of considerable expansion in legitimate business needs. Accession of capital from Overseas and American investors—and from well-to-do immigrants as well—has had most to do with this growth in banking resources. Such accessions bid fair to continue—if Canada sees to it that this remains a "fair field" in the investor's eye. Also, in keeping pace with the country's growth, it may be expected that banking capitalization will be increased from time to time—and in this direction, too, considerable capital from abroad will doubtless find employment.

BANKING RESOURCES.

TO put it colloquially, the growth of $175,000,000 in the deposits of Canadian banks since October, 1907, has brought them $150,000,000 of "real stuff" in the form of cash or readily available funds. While trade quiet during 1908 had somewhat to do with this accumulation of quick assets, new funds from abroad—very fortunately—were mainly responsible.

The result is that the banks are now well circumstanced for taking care of growing commercial requirements. There would be considerable margin for loan expansion, even supposing that further funds from abroad during the next year did not more than counterbalance the combined excess of trade imports and interest payments over exports. Let it be supposed that, under such conditions, current loans were to be expanded to an extent that would bring a "cross-entry increase" of $200,000,000 in total deposits. With quick assets practically unchanged from the present total, the reserve ratio even then would be 25 per cent. About 22 per cent. is usual, the present ratio being over 30 per cent.

But returns from exceptionally large agricultural exports, combined with an influx of investors' funds, are to be counted upon during coming months—especially in view of the disturbing effect of British politics upon Old Country investments.

That steady loan expansion will be necessitated by Canada's business requirements during 1910 appears certain. But the October pace of loan increase is scarcely to be expected to keep up. In addition to autumn requirements for crop-moving, grain-storing, and general trade quickening, the bank statement reflects the financial activities of security flotations and merger promotions.