

east rains were excessive. Still there is good assurance of a good result from the happy medium of weather enjoyed by a large part of the province.

It is interesting to notice that the number of farmers in the province continues to increase. This year there are 22,009, as against 20,517 last year, and 18,937 in 1891. The area of new prairie broken is smaller this year than last, in the proportion of 136,000 acres to 144,000 last year; but the area of summer fallow is greatly larger, namely, 370,000 acres, against 274,000, "indicating," the report says, "an improved method of farming."

#### AMERICAN BANKS AND BANK METHODS IN THE CRISIS.

What strikes an observer who will take the trouble to make the comparison, is the small scale on which American banks are founded as compared with Canadian. There is not a national bank in the Republic that has more than one-fourth the capital of the Bank of Montreal, for instance, and only one that has this proportion, the National Bank of Chicago. And, in the present crisis, there is in the Republic a close connection between small banks and suspensions. Most of the United States' banks which suspended, in June and July, had each a capital varying from \$50,000 to \$200,000. Only three had a million each. Between size and strength there is, among banks, often an obvious connection; the small banks go by the board, while the large ones hold their own.

Many of the national banks are in a relatively strong position, whatever the danger by which they are beset. Last October, the report of the Comptroller of the Currency shows that there were no less than 339 national banks whose undivided profits, called reserve, and surplus, together exceeded their capital. This is a remarkably good showing. In a couple of instances, the proportion of surplus and reserve to capital is phenomenal. The Chemical Bank of New York, which it will be remembered continued to pay specie during the civil war, when all other banks suspended, has on the narrow basis of \$300,000 capital, piled a reserve and surplus of \$6,997,855, while the First National Bank of New York, with a capital of only \$500,000, has surplus and undivided profits aggregating \$7,030,461. No bank in the list has deposits of much over \$20,000,000; the largest amount is carried by the Park National Bank of New York on a capital of only \$2,000,000.

The banks which suspended in June and July all had a reserve of fair amount, varying from 24 to 39 per cent., only one having the larger figure. That many of them were solvent, the event, in the form of resumption, is proving.

A singular form of partial suspension to which the name has not been given has been developed during the crisis. Many banks have refused to honor cheques and drafts drawn against deposits, on one pretext and another; the real reason does not in all cases appear to have been their inability to do so, though doubtless it sometimes was. The State Bank Commissioner

of Kansas has issued a circular calling attention to the fact that "New York banks are refusing and do absolutely refuse to pay drafts made upon them except through the New York Clearing House, and not in lawful money"; and he thinks such action on their part indicates insolvency. In this view he is supported by reference to the definition of insolvency by the United States Supreme Court, as inability to meet obligations in the usual course of business. Clearing House certificates, possibly representing no balance and fabricated as an available means of credit, were sure to be challenged sooner or later. In this case the objection comes from the officer of a distant State, who is not without the means of making his opinion felt. The banking law of Kansas requires every bank in the State to have on hand, at all times, 20 per cent. of its deposits, one half of which may be due by other good solvent banks. Clearing House certificates are not cash; and though they have answered an excellent purpose in supplying credit greatly needed at the moment, they are not able to put the Kansas banks in a position to comply with the law. The State Bank Commissioner of Kansas refuses to regard "as good solvent banks" banks which substitute Clearing-House certificates for lawful money.

The refusal to pay certain cheques and drafts against deposits, while others are paid, is partial suspension of payment. If it were general, the bank refusing would at once come into the hands of a receiver; and even when it is partial, it is in the power of any individual who experiences a refusal to set the law in motion to secure a remedy. In a time of crisis, luckily, people who keep their heads are willing to put up with little inconveniences, as a means of preventing wide-spread mischief, and in this particular our Republican neighbors have, on the present occasion, acted remarkably well.

Clearing-House certificates which do not represent balances between banks, are not, therefore, necessarily nothing more than bits of paper. They must often have at the back of them the paper discounted by the banks to which they are issued, and which is handed over as security. When this happens, the original security on which the borrowing bank loaned is made to do duty a second time, to the strengthening of credit at a time when it has need of every available support.

The pressure on New York, the great money centre of the Union, has been met in a way different from that taken by Chicago. The banks of the latter city have refused to resort to the expedient of creating a new form of credit, by means of Clearing-House certificates, and they have continued to pay currency without intermission. But they have found it necessary to repress exchange on New York to a discount. In a circular issued by President Lyman Gage of the First National Bank of Chicago, the reason for doing so is stated. "Money in New York," says Mr. Gage, "commands a premium over bank cheques of from 1½ to 2 per cent.; as high as three has been paid"; and "unless Chicago banks can and will sell drafts on New York

at a discount about equal to the premium on money there, nobody will buy them." Western banks, in dealing in Philadelphia exchange, find a still greater difficulty: "The Philadelphia banks," Mr. Gage says, "will neither pay out currency nor their New York exchange except at a premium"; so that "to transfer balances from Philadelphia through New York in the ordinary way costs about one per cent. additional to the discount on New York exchange." The refusal of the Philadelphia banks to pay currency in response to cheques on deposits, is a form of suspension of regular payment of which, in less difficult times, notice would promptly be taken by the Bank Commissioner; but at present that functionary thinks it consistent with his duty to close one eye and not to see questionable things with the other. Chicago banks, by selling exchange on New York at a discount of 1½ to 2 per cent., have been able to purchase gold in London and Paris on cable orders. When the New York banks were paying in Clearing-House certificates, Mr. Gage points out, the Chicago banks "could not get currency in New York, on a draft sent there. Whoever wanted cash had to buy it on the street at a premium of 1½ to 2 per cent." Whatever the cause, Chicago has been more fortunate than New York, and her methods have been of a higher order. But it does not therefore follow that New York did not do the best open to her under the circumstances.

This is the first aggravated and prolonged commercial crisis experienced by the Republic in which no distinction has been made between gold and bank notes; in which alarmed holders did not run with notes to the banks to get them exchanged for gold. For currency there has on the present occasion been a feverish and abnormal demand, not for use, but that it might be put in some other place; and for this purpose bank notes were just as acceptable as gold. This is one benefit of a secured circulation, whatever the form of security. In old times the run would have been for gold; now the demand is indifferently for either form of currency.

#### THE INTERSTATE COMMERCE ACT.

Much comment has been made from time to time upon the working of the Act passed a year or two ago by the United States Government for the regulation of commerce between the different States. And it is possible that too much has been said in reprehension of it. Certainly no law could be expected to be popular which pinched the corns of the great American railways. A recent case in which the Interstate Commerce Commission was plaintiff, and the Baltimore & Ohio Railroad Company, defendant, gave rise to the following interesting decision of the Supreme Court of the United States defining the scope of the Interstate Commerce Act. The Act, says this judgment, was not designed to prevent competition between different railroads, nor to interfere with the customary arrangement made by railroad companies for reduced fares in consideration of increased mileage, where