

report upon the project of a rolling mill in this city. The only difficulty in the way of the works being established in Montreal is said to reside in the question of freedom from taxation. But it is possible that even in the event of such works being started, Mr. Caine's prediction that Canada would continue to import largely of iron might prove true. What has happened in the United States points in that direction, and experience must here be our best guide.

The Quebec loan still hangs fire; the original announcement of its completion, weeks ago, proving to be unfounded. Why should Quebec seek loans in all sorts of unaccustomed places? Nominally, the last provincial loan was contracted in Paris; as a matter of fact, it was afterwards stated, the money came from England, and the loan was saddled with the extra cost of the French handling. No other country thinks of going to New York for a loan; and the United States, jointly and severally, borrow largely abroad. M. Mercier could scarcely hope to find in New York more than the assistance of brokers, which could surely have been obtained here with equal facility. Only out-of-the-way cases take the round-about road. Mr. Norquay went to New York in search of a loan; M. Mercier, too, went there, announced an immediate success weeks ago, which has not yet come. The delay does not, we fear, portend a result as favorable as was at first proclaimed.

BANKING REVIEW.

In commenting upon the financial position as it was at the end of last month, we feel the great disadvantage at which financial institutions are placed in not having an earlier statement of the position. The Government ought really to take this matter into consideration. These statements are published in the *Gazette*, not for the convenience of the Government, but for the information of the public. It is the public interest that the Government has to consider, and undoubtedly the public interest would be best served by the earliest possible publication of the banking returns. If it is asked what would be the earliest possible publication, the answer is, that every practical purpose would be answered by going back to the system prevalent two or three years ago. At that time the banks were required to have their statements at Ottawa within a few days after the end of the month, and the public had the general summary before them about a fortnight earlier than at present. The reason given for the delay that now transpires is that the returns of one bank, namely, the Bank of British Columbia, cannot be received in time for earlier publication. But there is really no reason for delaying the publication of the whole banking returns of the Dominion simply because the statement of one bank cannot be included. For all practical purposes the statement would be just as valuable if the return of the Bank of British Columbia was that of the previous month. We do trust that the Treasury Department may

take this matter into consideration at an early day and make arrangements to give information to the public in the manner above indicated.

Looking at the returns themselves we cannot but be struck with the large increase in the loans and discounts of the banks, especially as compared with the position a year ago. The end of August is a good time for such a comparison between one year and another. It is the end practically of the year's business as measured from harvest to harvest. The year of an agricultural country naturally runs on these lines, and a good period for the national stock-taking, so to speak, would be at the time when the product of one harvest was largely sold or consumed and another was on the point of being secured. Farmers, at any rate, would naturally choose that period if they were making out an estimate of how they were getting on from year to year. It would be well if farmers were generally in the habit of doing so.

Comparing the position a year ago and at present we find that the discounts of the banks are nearly nine millions more than they were in 1886. The figures being for

31 August, 1886.....\$165,474,000
31 " 1887..... 174,826,000

The increase of course represents a large increase of profitable transactions for the banks, provided always that it is represented by loans that are safe, but this is a very large assumption indeed. For the increase of loans in the books of the banks simply means a much larger measure of indebtedness on the part of their customers. Now such a large increase may be legitimate or illegitimate; it may be founded on a rational and profitable extension of business or the reverse.

It is a question if there has been such an increase of legitimate and healthy business as would be represented by an increased borrowing of nine millions of money from the banks. By healthy business of course we mean a profitable business and such as has been conducted with reasonable foresight and caution. The bulk of the loans of the banks is doubtless represented by stocks of goods of various kinds, finished or unfinished. It is well known that such stocks may be either below the demand or above it. They have to be laid in or provided for from time to time on the best knowledge that men have, and with the best foresight they can exercise. Sometimes men are right, and make money; sometimes they are altogether wrong and find themselves loaded down with goods which do not move off. The position of bank discounts is often an index of what is going on in this respect. These heavy stocks of goods have to be paid for. They are paid for, as a rule, by loans or discounts from the banks. An increase of bank discounts may arise from a generally increased expansion of healthy trade; but it may equally arise from the mistaken calculations of manufacturers and merchants in producing or bringing into the country more goods than can be readily paid for.

Here, then, it is we have to consider the effect of the recent harvest. An abundant

harvest, at good prices, gives rise to a large consuming power, and therefore, as a rule, to a large demand for goods. On the other hand, a deficient harvest takes away a percentage of the power to pay for goods, and invariably causes a lessened demand. In such circumstances, the storekeeper in town and country, finds his goods remaining upon his shelves. Hence he does not renew his orders, and is careful what he buys. This touches the wholesale merchant, who also, under such circumstances, finds an accumulation. Then comes the manufacturer, though as a rule manufacturers in Canada are producing staple goods such as people must have whether harvests are good or bad; but manufacturers are affected by it also; many of them are affected directly and immediately, and now and again, even such a great manufacturing interest as lumber is reached. It is now established that crops in Ontario, taken as a whole, will fall considerably short of last year and be lower than an average. The large crop of Manitoba will not make up the deficiency, nor will the fair crops of other provinces. Ontario is the great consuming province. If her consumptive demands fall off the whole trade of the Dominion is affected—and it is quite likely to fall off. Ontario will have less to sell. She will have far less power to pay her debts. It may be anticipated that a large amount of renewing will be asked for, and that a smaller amount of goods will go into consumption. Stocks are likely to be carried over and more difficulty than usual may be expected in meeting payments, not only at home, but abroad. It is not unlikely that larger demands will continue to be made upon the banks, and at the same time their available stock of money and money-raising power will be diminished. It is not at all improbable that money may be somewhat dearer as the winter advances, and that parties who are in poor credit, or who are already stretching their credit beyond reasonable bounds, may find themselves embarrassed by the difficulty of getting more. We are not disposed to take a gloomy view of the position, by any means. If our importers lessen their purchases from abroad, and manufacturers take care not to produce beyond the capacity of a diminished market, all will be well in time.

ABSTRACT OF BANK RETURNS.

31st AUGUST, 1886. [In thousands.]

| Description. | Banks in Quebec. | Banks in Ontario. | Banks in other Prov's. | Total. |
|------------------------------------|------------------|-------------------|------------------------|-----------|
| Capital paid up.. | \$ 35,205 | \$ 18,062 | \$ 7,883 | \$ 61,150 |
| Circulation | 15,429 | 9,507 | 4,579 | 29,515 |
| Deposits | 56,100 | 44,129 | 12,242 | 112,372 |
| Loans & Discounts | 84,303 | 63,642 | 17,529 | 165,474 |
| Cash and Foreign balances (Net) .. | 21,920 | 7,835 | 3,947 | 33,702 |

31st AUGUST, 1887. [In thousands.]

| Description. | Banks in Quebec. | Banks in Ontario. | Banks in other Prov's. | Total. |
|------------------------------------|------------------|-------------------|------------------------|-----------|
| Capital paid up.. | \$ 35,205 | \$ 18,320 | \$ 7,316 | \$ 60,841 |
| Circulation | 16,446 | 10,543 | 4,677 | 31,666 |
| Deposits | 55,643 | 45,519 | 13,301 | 114,463 |
| Loans & Discounts | 90,110 | 66,642 | 18,074 | 174,826 |
| Cash and Foreign balances (Net) .. | 18,178 | 6,117 | 4,603 | 28,898 |