

Average amount of specie held during the month	9,316,649	9,289,839
Average Dominion notes held during the month	15,723,239	16,104,941
Greatest amount notes in circulation during month.....	39,442,891	38,911,600
Loans to directors or their firms	7,111,644	7,190,627

The general wave of prosperity which is undoubtedly sweeping over the country is having its usual manifestation in great activity in speculation in various forms, and particularly in stocks of various kinds, all of which are at a high level of price, and on—what some would call—an inflated basis. The situation in this respect differs marvelously from what was prevalent some dozen years ago, when the only stocks quoted on the market were stocks of banks and loan Companies. Speculation in bank shares used to be as rife and much more mischievous than that in stocks that are quoted now. At that time, we must remember, there were no railway shares to speculate in, either of the great continental lines or the street railways, which have now assumed such prominence. To-day, however, we have a whole host of enterprises quoted upon the stock market, and the operations in them are very much larger and more active than used to be the case even with stocks of banks. So much is this the case that a separate Exchange has been formed in Montreal for mining stock alone, and the transactions run up to very large figures. However, a change seems to be impending, at any rate a temporary change, and the usual manifestation of such a change has already appeared in the high rate which of late has to be paid for money borrowed on stocks at call. This rate is an unfailing indication of the stock position, as to whether it is stagnant or buoyant, whether the price is high or low, legitimate or illegitimate. When for months together the rate for call loans is much below that for commercial paper we may conclude that speculation is quiet and that values are on a sound basis. They may be too low, but at any rate they are sound. When the rate has risen to the point at which it stands now—that is, that the floating money of the banks is loaned on call at as high rates as is paid for commercial paper, it is an infallible indication that values of shares are high, that speculation in them has gone beyond a reasonable point, and that it is desirable somewhere, and by somebody, to call a halt.

If a halt is not called the speculation will go on, and men will hold on to stocks which they are carrying at these high levels until the tension gets more pronounced than at present. This is invariably the case, and in great centres like New York and London the volume of stocks that is so carried is enormous, and the reaction apt to be panicky. The real check upon all this is for the rate for money to be advanced from time to time until it produces the desired effect, viz., to stop speculation and the running up of values, and to bring about an adjustment, which can only be done by the process of unloading and realizing. Of course in this process many people will be inconvenienced and some may fail. This is always the case when there is a course followed such as has been spoken of, but it is the only way to bring about a sound and healthy condition.

We should say that it may be advisable for the banks to put up the rate still higher. If 6 per cent. is not enough let them advance it to 7 per cent., and if 7 is not enough let them advance it to 8 per cent. These are very stringent measures, and we may depend upon it that this will not need to be carried on long before the desired effect is produced. The rate which will really be a strong deterrent is a rate above that which the Stock Exchange itself charges. When money has to be borrowed at a higher rate than this, all parties alike are affected.

In ordinary lines of business there is no sign of anything unhealthy, but, on the contrary, there is every sign of a large increase and development of volume in the natural course of things. If the imports are increased it is because the production of the country is increased and furnishes the wherewithal to pay for increased foreign supplies. The manufacturers, busy as they almost uniformly seem to be, are not making an output of more than is sufficient to meet what appears to be a legitimate demand, and we have no doubt it is, for the most part, a legitimate demand.

We have had during the last four or five years a new item of production in the shape of gold and silver. These are exportable commodities, worth just as much, neither more nor less, than so much of an additional growth of wheat, or an additional production of cheese, butter, cattle or timber. If the production amounts to \$20,000,000 from the Klondike alone, as is asserted, this new development becomes an appreciable factor in the position, and will justify a large increase in the purchase of imported goods.

So far the measures that have been described to stop and keep down speculation have not affected the commercial community at all. The banks have very wisely and properly kept their customers supplied with all that is reasonable, and there can be little doubt that they will continue so to do. Bankers know very well that it is upon the commercial and manufacturing community that all the rest depends, and that it would be a most unwise policy for them to restrict commercial advances for the sake of lending the money to further stock speculation. They are not likely to fall into this mistake, and we do not think traders and manufacturers need have any fear that a scarcity of money will inconvenience them.

The most interesting and satisfactory sign of the present position is the continued decrease in the number and amount of insolvencies. There is no better commercial barometer than this, as experience has demonstrated. This state of things cannot but act favorably upon the banks, for when insolvencies are numerous they must make losses, in spite of all the care and vigilance they can exercise. On the other hand, when they are able to keep the profits they make, and when the profits are not dissipated by commercial insolvencies even although they lend at a lower rate and make less of gross earnings, the net result is better. In a word, high rates of interest, with many insolvencies, will yield a less satisfactory net return than a lower rate of interest with few insolvencies. There are some who have maintained the contrary, and there are instances of firms who conduct their business on the principle of high charges with a calculated high percentage of losses, and maintain that this in the end is satisfactory,—but experience proves that this is not a sound view to take.

The deposits still keep on increasing and now amount in the aggregate to \$845,200,000. This includes, of course, all the Government Savings Bank deposits and deposits in other savings banks, which amount altogether to \$85,000,000. This figure is often left out when statements are made with regard to Canadian deposits, but it amounts to so much that to leave it out is entirely misleading. Bank deposits amount to \$259,000,000, which is in itself a substantial increase over last month. But it should never be forgotten that the Government Savings Bank deposits amount to nearly \$50,000,000, while those of other savings banks of various kinds, including loan companies, amount to \$35,000,000 more. Let, then, all who assume to quote Canadian deposits include deposits of all kinds and they will do the country justice.