THE WORLD'S GOLD RESERVOIR.

Commanding Position of the Bank of France.

Recent publications of the National Monetary Commission of the United States make available some interesting particulars of the part which the Bank of France plays in the international money market. The gold reserve of the Bank of France has been allowed to increase until it amounts to about $700,000,000, and is the largest stock held in any bank in the world. Even the advance in the rate of discount which is occasionally made, is not for the purpose of safeguarding the reserve, but to avoid the decrease of the money in circulation which would result from the tempting and persistent offers from abroad where discount rates rule much higher. With these great resources at its command, the Bank of France has, in the opinion of M. Patron, whose book on "The Bank of France in its relation to national and international credit," has now been translated, become practically the reserve reservoir of gold for the financial world.

As far back as 1839, the bank lent to the Bank of England £2,000,000 in gold and again in 1890, at the time of the Baring failure, £3,000,000. The Bank of France had just endured without flinching the downfall of the Comptoir d'Escompte, one of the oldest of the joint-stock banks of Paris, but the Bank of England, confronted by like conditions, found it necessary not only to raise its discount rate to six per cent., but to ask for foreign help. The Bank of France was severely criticised in the Chamber of Deputies for making this loan, but this criticism did not deter it from extending similar aid in the autumn of 1906 and in the crisis of 1907 to the amount of 80,000,000 francs, which were forwarded to London in American gold eagles, in answer to a mere telegram.

"The occasions which we have just mentioned" continues M. Patron, "are not the only ones in which the Bank of France has had to intervene. In the first days of May, 1906, it loaned 40,000,000 francs to the Bank of England in order that the latter might avoid raising the discount rate. In September, 1906, it sold several millions in American eagles, with the knowledge that they would at once make their way to New York. More recently, in the very midst of the crisis, the bank released many millions of eagles and sovereigns under similar conditions. It would therefore appear that this policy of relief has been definitely adopted by the Bank of France."

In summing up the present position of the Bank of France, with its reserve towering above that of any other great bank, M. Patron concludes that this reserve, admirably managed as it is, affords not only an insurance against crises, but also the surest guaranty against the recurrence of great wars. Upon this point he concludes thus:

"We have shown that the fighting power of a nation has now no limit other than the financial effort of which it is capable. It is not going too far to state that the formidable cost which a war would involve has more than once caused our possible enemies to recoil and that in the settlement of political or diplomatic questions the nation which is richest in gold is always the one which commands the most respect."

PROPOSED BANK MERGER.

It is reported from Halifax that pourparlers are going on between the Union Bank of Halifax and the Royal Bank of Canada and that the probabilities point to the eventual merging of the former institution with the Royal. No definite basis for the merger has yet been arrived at, but it will be made on a valuation of the assets of the Union of Halifax subject to the approval of the shareholders of that bank under the provisions of the Bank Act. Shares in the capital stock of the Royal Bank of Canada will, no doubt, be the consideration in the merging of the two banks, but nothing official on this point is yet obtainable. The authorized capital of the Royal Bank of Canada is $10,000,000, of which $5,000,000 is issued and paid up and it has a rest of $5,700,000 with total assets of $74,551,541. The capital of the Union Bank of Halifax is $3,000,000 authorized of which $1,500,000 is subscribed and paid up, its rest is $1,250,000 and it has total assets of $16,108,311. The figures in each case are those from the bank statement to 31st May, 1910.

ANNUAL DIVIDENDS OF LIFE COMPANIES.

The nearly universal application of the annual dividend system to policies written in recent years has aroused a new interest in methods of surplus distribution. Frequent letters from policyholders, however, as well as popular comment on the subject, indicate that the people generally have but vague or incorrect notions as to the character of these so-called 'dividends." The impression seems to be that the returns thus realized are in the nature of profits on investments. In reality, they are not profits in any proper sense, nor are they dividends in the ordinary sense of the term. The cost of life insurance, depends chiefly upon three factors which cannot be precisely known in advance —the rate of mortality to be experienced in the future, the rate of interest to be earned on the funds, and the expense necessarily involved in the conduct of the business. While the effect of these factors can be estimated approximately from the results of past experience, it cannot be forecast with certainty. Safety being of the first importance, it accordingly becomes necessary to collect premiums which, under any and all circumstances, will be sufficient to carry every policy to maturity.

A premium believed to be adequate beyond a peradventure having been fixed, if the subsequent mortality proves less than was expected, if the interest exceeds the amount counted upon, if expenses are less than anticipated, the receipts of the company will be larger than will be required for payment of claims. As the facts in these respects become known from year to year, the company is able to determine by how much the premiums collected exceeded the amount actually required, and the excess is accordingly returned at the end of the year in the way of a so-called "dividend." The latter, however, is really nothing more than the return of an overcharge in the premium, originally made in the interest of safety and paid back yearly as soon as the actual excess is ascertained.—Mutual Life of N.Y.