

BANKING REVIEW.

The year on which we have entered, opens with many signs of encouragement. Money is still plentiful and no legitimate commercial enterprise needs to be hampered for want of funds. There has been also a decrease in the rate charged for the discount of good commercial bills. This will be an advantage to all engaged in commercial transactions, giving them an opportunity, during the present year, of making additional profit and perhaps of entering upon certain fields of enterprise from which they would be excluded by a higher rate of interest.

We have already pointed out that a still further lowering of the rate of discount would be feasible, if it were not for the heavy drain of deposits from banking channels, owing to the peculiar manner in which the Savings' Banks of the Government are conducted. The mercantile community is deeply interested in bringing about a practical reform in this matter. It is a grave mistake to suppose that this is a question for Bankers only. The mercantile community is far more interested in it than the banks are. And the Government itself, if it would only take a prudent forecast of the position, is more interested than either.

The business of receiving deposits payable on demand is recognized all the world over as imposing the obligation of keeping adequate cash reserves. The Government clearly acknowledges this principle in the reserves which are kept against its legal tender notes. These notes are payable on demand; and the law very properly requires a considerable reserve of cash to be held against them. But precisely the same principle applies to deposits payable on demand. And we are much mistaken if contingencies do not arise at some time or other to force the necessity of this upon the Government.

Three steps in the way of reform are undoubtedly necessary. The *first* would be to limit the total amount that could be deposited by one person and so ensure that the Government Savings' Bank shall answer the purpose for which it was created, namely:—To afford a safe and convenient place of deposit for the savings of the poorer class of the community. The *second* would be to provide the reserve spoken of. The *third* reform is of no less consequence than the other two, namely:—to lower the rate of interest. It is nothing less than an absurdity for the Government of a country like this to be paying more for the temporary use of money than the banks do.

The country is losing hundreds of thousands of dollars yearly by this foolish absurdity. These considerations might be pressed by the mercantile community, and in time they must surely prevail. Abuses which have been grafted on to a well intentioned system cannot permanently attain it.

Another feature of the commercial position which inspires confidence and hopefulness for the new year is that failures are on the decline. They are still far too numerous. And the losses they are in-

flicting are a serious drawback to commercial business. But it is satisfactory to note that a considerable decrease of failures took place in the year 1885 as compared with 1884. In the latter year, the failures in the Dominion amounted to nearly \$20,000,000; having increased from \$8,500,000 in 1882, and 16,000,000 in 1883. This alarming rate of progression filled the minds of capitalists with uneasiness as the failures of 1884 went on at such an alarming rate; and there were considerable forebodings in view of a further possible increase, which might bring up the figures for 1885 to \$22,000,000 or \$23,000,000. It is, however, gratifying to note that instead of such an increase there has been a striking falling off. The failures for 1885, instead of showing such a disturbing total as \$23,000,000 have dropped to \$8,800,000.

It is interesting also to note that a decrease in the amount of failures went steadily on during the whole of last year. For example:

In Ontario for the first quarter was \$1,450,000
 " " " last " " 533,000
 " Nova Scotia " first " " 288,000
 " " " last " " 87,000
 " Manitoba " first " " 320,000
 " " " last " " 106,000

The last two lines are very encouraging for those who have interests in the Northwest. The severe commercial revulsion which swept over Manitoba in 1883, and left such ruin and devastation in its track, has now nearly spent itself.

The following table of the failures of the Dominion from 1882 to 1885 will be found well worthy of attention:

FAILURES 1882 to 1885.

Province.	No.	1882. Amount.	No.	1883. Amount.
		\$		\$
Ontario	411	3,829,495	567	4,702,134
Quebec	240	3,133,018	438	6,473,941
Nova Scotia ..	49	681,850	89	1,068,827
N. Brunswick ..	45	418,850	48	747,159
P. E. Island ..	13	168,700	5	40,300
Manitoba	25	248,400	232	2,869,000
Total	783	\$8,480,313	1379	\$15,901,361

Province.	No.	1884. Amount.	No.	1885. Amount.
		\$		\$
Ontario	608	9,602,392	600	4,088,217
Quebec	401	4,766,180	407	2,710,605
Nova Scotia ..	140	2,068,860	108	615,375
N. Brunswick ..	73	1,570,337	64	594,665
P. E. Island ..	7	146,000	2	11,750
Manitoba	79	786,001	66	722,447
Total ...	1308	\$18,939,770	1247	\$8,743,059

The course of failures in each of the Provinces can here be very distinctly traced. The increase from 1882 to 1883 stands out very boldly when we look at Manitoba with an increase of more than twelve times as much over 1882. The decline in 1884 and 1885 is equally remarkable.

The figures for Prince Edward Island are very striking. If statistics can be relied on the trade of the Island must be in an uncommonly healthy position. If we could bring up the whole Dominion to the standard of this little Province we should present a most creditable record to the world, and business would be freed from the innumerable worries that are inseparable from

it when failures are so numerous and important as they have been for some years back.

The record of our failures goes closely on parallel lines with that of the United States. We give the figures in parallel columns for comparison during the last five years assuming, which is near enough the truth for all practical purposes, that the population of the United States is about ten times that of Canada, it will be seen that proportion of failures here is considerably less than those of the other side of the side.

Failures in the United States and Canada from 1881 to 1885:

	United States.	Canada.
1881.....	\$81,155,000	\$5,751,000
1882.....	101,547,000	8,587,000
1883.....	172,874,000	15,949,000
1884.....	226,343,000	19,191,000
1885.....	124,220,000	8,861,000

There appears to be a general feeling of hopefulness in the various branches of our mercantile business. The outlook for the lumber trade is rather encouraging, though it cannot be said to be stimulating. There is a good steady demand both for sawed lumber and for deals at remunerative prices. The white pine timber trade is not faring so well. The hard wood timber trade is generally prosperous. Our agriculturalists had a very good year on the whole, and enter upon a new year with encouraging prospects.

The drawbacks which beset and hamper this leading industry in Great Britain are almost unknown in Canada. Nearly all our farmers own the land they till; and bad seasons instead of recurring as often as they do on the other side of the water are rather the exception than otherwise. We do not wish to draw any fancy pictures. There are no Gardens of Eden anywhere in this world. But taking things as they are, the lot of our farmers in general over the whole breadth of the Dominion is a good one, and as a class they are continually making progress. If their lands are mortgaged, they are steadily paying the mortgages off. If they are back in the forest, they are always adding to their clearings. The rough, undrained tracts, full of stumps and half burnt timber are steadily being converted into smooth and finished tracts of pasture or arable land, well drained, well fenced, well stocked, with good orchards, barns, outbuildings and a comfortable stone or brick house, having every appliance of comfort within.

Our importers are likely to have a good year. The revival of our manufacturing interest has more than once been alluded to of late in our columns. The revival seems likely to be permanent.

The progress of the country during a single generation has been simply marvellous. It would take many columns of our space to enter fully upon this subject. But it is all signalized in two lines of figures with which we conclude this notice and which both our friends and enemies would do well to mark and inwardly digest. The Bank deposits of Canada in 1858 amounted to \$11,000,000. The same in 1885 amounted to \$111,000,000. This rate of progress is surely fast enough to satisfy anybody.