trade had been drawn away to the new comer. The company therefore had to pay $1,500 as the result of their never suspecting that the removal of the hotel created a new moral hazard which was wholly disassociated with the character of the owner. Take another case. Two young men pooled their capital and took over a flour mill in England. It was impossible to imagine a risk more free from moral or physical hazard, as they were each of the highest character, were making money, and the mill being operated by water, there was not even a stove or fire grate on the premises. Yet it was burnt to the ground as the effect of a moral hazard. The millers had been compelled to drive a man from the premises several times who was caught stealing fodder from the stable. This man came one night, crept into the mill over the water wheel and set the place afire for revenge. How is it possible for an insurance company to guard against moral hazards of the class indicated in the above case of the hotel and the flour mill? Against a moral hazard that is known, or suspected they can take precautions, but there are moral hazards so remote from observation, so entirely disconnected with the character, or the business or the habits, or the physical conditions of the property insured that to guard against them would require an underwriter to be gifted with omniscience. A contemporary points out the difficulty of defining a moral hazard.

"The moral hazard is often alluded to in connection with a fire insurance risk, but what is the moral hazard? As usually interpreted, it is the possibility that the insured will burn his property for the sake of the insurance, but there is really much more to it than that. It is not necessary that the owner of a piece of property should be an unscruplous immoral man, one who would not hesitate to resort to incendiarism in order to realize on his insurance, that there should be the element of moral hazard involved. Here is a building, for example, which for some time has not been occupied for the purpose for which it was built, and so has come to be a poor investment. Very naturally there is not the same care used in its protection that there would be were it paying a good rate of interest, and so it degenerates into a bad risk. The owner would never think of applying the match as a means to an end, but he would nevertheless consider it a fortunate circumstance should the property burn as it is well insured. The underwriter, then, who places a policy upon such a piece of property, takes the added risk involved in the absence of those precautionary measures which are characteristic of good risks. The risk, therefore, is a moral hazard, and the fact that the owner is a man of good standing in the community does not alter the condition of things. As a matter of fact, we belive that there are comparatively few risks of any kind which are entirely free from the element of moral hazard in some degree, and this must be taken into the account."

Our contemporary is right, though the latter instance seems rather a case of physical than moral hazard, for every fire results from some form of human conduct that has a moral basis, or inspiration, except the very rare ones caused by natural phenomena outside man's sphere.

THE JULY BANK STATEMENT.

The bank returns for July show large variations from June, but they are not of the character that indicates greater business activity. July, indeed, is usually a month without special features, so far as bank returns go.

The circulation last July ran down from $49,119,479 to $48,947,978, a trifling decrease of $171,501, but still a decrease showing quietude of trade. Last year in July the circulation was enlarged to extent of $430,519. The difference between the two months is slight in amount, but probably significant of there having been the maximum monthly increase reached in July 1900 for that part of the year. The total of the note issues, however, was $2,940,072 in excess of same month last year. The increase last year between July and October was $7,190,100, which sent the circulation up to the unprecedented figure of $53,198,000. As the harvest is very large in the North West, and a fair average elsewhere, it is probable that there will be an equal expansion this year, with every likelihood of there being a larger issue of notes than ever before. The increase in municipal and railway securities to extent of $1,154,224 was largely offset by a decrease in government securities to amount of $812,679. In the past year, since July 1900, the aggregate of the increases in the three classes of securities held by the banks, was $12,917,924, of which $9,443,281 was in railway bonds, debentures and stocks. The call and short loans in Canada increased in July to extent of $1,600,388, and those elsewhere than in Canada decreased to extent of $364,118, a consequence of better prices being obtainable at home for this class of loans. During the year the call loans made in Canada were enlarged from $29,528,128 to $35,173,927, an increase of $5,645,799, and the same kind of loans made outside Canada increased from $25,303,238 to $40,835,163, an expansion of $15,531,935. The total increase in call loans during the past year was $25,229,490, their aggregate amount at end of July last being $76,009,090. The current loans and discounts declined last month to extent of $324,977, which is not unusual in July, in which month the decreases of several millions have occurred. The figure, however, $282,547,157 compared with $272,849,602 in same month last year, shows an enlargement of