

BANKING DEADWOOD—THE PROCESS OF CLEARING IT WAY.

In the Canadian banking return of to-day there is one very interesting feature that has not been overmuch noticed, and yet it is one which has a decidedly important bearing on banking dividends and profits. If a recent return is taken up and compared with past records it will be seen that a very striking change is taking place in the proportion of the "deadwood" to the total assets of the banks. By the term "deadwood" is meant overdue debts, "real estate other than bank premises," and "mortgages on real estate sold by the bank." It is true that these assets as shown to-day may be well worth the figures at which they are carried, but they nevertheless represent lock-ups which the bankers would be very glad to have converted into ready money.

The various periods of depression through which Canada has passed are clearly marked in the records of these assets. Of all the troubles we have had since confederation perhaps those experienced in the middle of the "seventies" were the most disastrous and trying. The banking failures and reductions in capital are yet fresh in the minds of many of our business men.

The following table shows how rapidly the defaulted paper piled up in the banks:—

31st December.	Overdue Debts.	Real Estate and Mortgages.	Total.	Percentage of Total Assets.
1874.....	\$3,092,332	\$ 575,449	\$3,667,781	1.82
1875.....	7,212,498	853,498	8,065,986	4.40
1876.....	6,404,616	1,067,029	7,471,645	4.10
1877.....	7,190,767	1,242,171	8,432,938	4.78
1878.....	6,440,881	2,141,827	8,582,708	4.81
1879.....	6,396,738	2,383,474	8,780,212	4.92
1880.....	5,015,973	2,392,024	7,407,997	3.84
1881.....	3,493,881	2,223,917	5,717,798	2.67
1882.....	3,131,551	2,103,598	5,235,149	2.26

Turning to liabilities we find that the total capital of the banks was reduced from \$66,800,225 in 1875 to \$59,677,363 in 1881. This explains how the bulk of these losses were finally disposed of.

The next period to be noticed is that in which the Winnipeg boom collapsed in the early "eighties." The statement runs on as follows:—

31st December.	Overdue Debts.	Real Estate and Mortgages.	Total.	Percentage of Total Assets.
1883.....	\$4,396,298	\$1,944,906	\$6,341,204	2.77
1884.....	6,437,101	2,053,771	8,490,872	3.93
1885.....	3,666,824	2,040,938	5,707,762	2.50
1886.....	2,642,064	2,162,542	4,794,606	2.07
1887.....	3,322,667	1,891,809	5,214,476	2.24
1888.....	2,612,281	1,686,029	4,298,310	1.68
1889.....	2,747,608	1,704,569	4,452,177	1.76
1890.....	2,758,391	1,763,558	4,521,949	1.73
1891.....	2,656,588	1,930,104	4,586,692	1.63
1892.....	2,387,268	1,805,986	4,193,254	1.37

Lastly there is the period from 1892 to the present time. This includes the depression of 1893, which was more severe in the United States than in Canada.

It will be remembered that, there was no break down or crisis in Montreal or Toronto on that occasion.

The financial houses who needed assistance, and who could put up the security, got it. The liquidation, and stagnation in trade came afterwards, and lasted till 1898.

31st December.	Overdue Debts.	Real Estate and Mortgages.	Total.	Percentage of Total Assets.
1893.....	\$3,040,078	\$1,471,120	\$4,511,198	1.48
1894.....	3,425,752	1,495,617	4,921,369	1.56
1895.....	4,412,237	1,882,737	6,294,974	1.95
1896.....	4,988,746	2,524,250	6,512,996	1.97
1897.....	8,238,285	2,653,851	5,892,136	1.63
1898.....	2,463,410	2,462,495	4,925,905	1.26
1899.....	1,899,801	1,774,050	3,673,851	.85
1900.....	1,924,422	1,714,434	3,638,856	.72
1901.....	2,105,705	1,616,747	3,722,452	.66
1902.....	1,764,813	1,627,002	3,391,815	.54
1903.....	2,229,568	1,504,439	3,734,007	.56

Of course it might be that some bad loans would be carried under the heading, other assets, but no comparison can be fairly made in the case of that account because the bullion in transit from Dawson city is now included therein. Quite probably these "other assets," apart from this bullion, are largely made up of wreckage from former periods of depression. Then, again, it is to be remembered that in the past the statements made by the banks did not, probably, set out the banking condition as accurately as is the case to-day. On the other hand it must not be forgotten that scarcely any bank can avoid reporting in its past due bills, quite a considerable amount which is "past due," only because of inattention on the part of borrowers, or because of irregularities in the form of the renewals submitted.

Bank statements are now-a-days subjected to closer scrutiny than formerly, and the Bankers Association keeps a watchful eye on their correctness more particularly of that part which has to do with the bank note circulation for which all the banks are liable. It is plain from the figures given above that the banks have taken advantage of the highly profitable years employed since 1899 to clear away the "deadwood." Never in our banking history, has it taken up so insignificant a proportion of banking assets as it does to-day. It is a remarkable record to have cut down the percentage from 4.92 per cent., in 1879 to .56 in 1903. Even if a depression is in store for Canada in the next few years it is certain that, so far as their declared deadwood is concerned, the banks are in satisfactory condition to meet it.

FIRE CRACKERS AS FIRE ALARMS.—The Chief of a large U. S. city's fire department considers dynamite fire crackers to be the best fire detector as, "if a fire breaks out in any part of the house it can't make much headway before it reaches a cracker, and the explosion gives the alarm." His advice to place these fire-works all over buildings can hardly be taken seriously.