

gold, or, if preferred, gold, and guaranteed debentures.

We venture to submit what would be the proper mode of dealing with that portion of the circulation which is in the hands of the banks. Assuming the bank reserves to be \$16,000,000, and 50 per cent the amount required to be held in Dominion notes, viz. \$8,000,000; gold or guaranteed debentures should be held against that issue to the extent of \$2,000,000, and for all the notes held by the banks above \$8,000,000 gold should be held dollar for dollar. It must be borne in mind that the bank reserves may at any time be reduced to an amount much below what they hold at present. We have assumed an amount near about 40 per cent. of their present reserves as what it is safe to hold without gold, and we are satisfied that every prudent banker will admit that we have gone to the utmost limit compatible with safety. It must be borne in mind that, although there is no danger of ultimate loss by the Dominion notes, the inability to redeem in gold even for twenty-four hours would damage them irretrievably in the estimation of the public.

We cannot believe that, up to the present time, there can have been any difficulty whatever in the Government obtaining gold, as the Monetary Times seems to think, and we must also correct an error in that journal regarding the reserves held by the banks which are nearer 25 per cent than 16 on their demand liabilities. For their liabilities on notice they hold assets convertible with little delay.

SMALL ACCOUNTS.

The too common practice of putting off the payment of small accounts, usually for the reason that they are small and therefore of no particular moment, is a very bad one. It works injury in a number of ways. Not only is the creditor wronged, and it may be seriously, for a good percentage of tradespeople's assets are often in small accounts, aggregating a sum very likely to affect the question of solvency; but the debtor, it sometimes happens, is also a direct sufferer from his own neglect. He subjects himself to annoyance from repeated demands for payment; he opens the way for disputes through the defectiveness of memory. When these arise he either submits to what he deems injustice, or resists and takes the risk of being drawn into a mortifying and unprofitable lawsuit, whether victor or vanquished; and, finally, when payment is made, it is done grudgingly and with double reluctance, by reason of the delay, the dispute, the

litigation or whatever issue the matter may have had.

An instance in point is the case of the libel suit against the Argenteuil Advertiser, referred to at some length last week. An account amounting to only \$1.80 was neglected, for what reason does not clearly appear, and became ultimately the basis of an alleged libel and a suit for damages, resulting in the acquittal of the defendant on the ground of a material informality in the indictment. Two relatively large bills for lawyer's fees, and the matter in dispute left just where it commenced, are the outcome of simple neglect to pay a trifling bill of \$1.80; the justice of the claim, as we understand, not being in question.

But there is far better and broader ground than this incident suggests for urging the prompt payment of small bills: a nimble sixpence is better than a slow shilling. The rate of speed at which money circulates is a very important element in the problem of commercial prosperity. It works silently, secretly indeed, and its influences cannot well be determined, but something of its power may be estimated by analogy.

Every country merchant will admit that his own prosperity largely depends upon the number of times he is able to turn over stock in a year. Now, after a certain line of credit is established, the merchant's ability to re-stock must depend on the promptness with which he meets his paper, and this in turn upon the promptness with which his customers pay him, and this again upon payments to them, and so on indefinitely, showing clearly that the merchant's ultimate and real dependence is upon the rate at which money circulates from hand to hand. His own neglect, therefore, to pay a just bill, however trifling may be the amount, is a blow at his own prosperity; and if this is the effect of his neglect it is also the effect of every similar act of neglect on the part of others, and it only remains to be known how many such blows are struck to determine how long any given business can withstand them. Every individual citizen should bear in mind that his action in the matter of paying bills has an indisputable though, in ordinary cases, inappreciable influence on the general prosperity of the people. It would be just as sensible for an elector to refuse to vote because one vote is not likely to determine the result, as to neglect to pay small bills on the ground that the amount is insignificant. Indeed, the second proposition constitutes by far the more glaring offence of the two; for as to the healthful action and the potency of a

vote there may be question, but as to the virtue of paying small bills promptly there is none. Let it be remembered that the great majority of bills for goods as they finally enter into consumers' hands are small ones, and a truer appreciation of the importance of this matter may be reached than would otherwise appear.

THE LOANING POWERS OF BANKS.

A very important judgment has been rendered by Judge Johnson in the action brought by the Bank of Montreal against the ex-directors of the City Passenger Railway Company. The judgment does not affect the grounds of the action, on what may be termed its merits, but is based on the illegality of the loan, and, if sustained in appeal, establishes the fact that banks generally have been, during the last ten years, illegally making loans on the security of the stocks of private corporations. Accepting, as we are bound to do, until the judgment be reversed by a higher tribunal, the decision of the learned Judge as a correct interpretation of the law, we are unable to concur with the Gazette that the intention of Parliament is to be inferred from section 51 of the Bank Act, which is obviously an amendment introduced either in Committee of the House or in the Senate, in order to make more clear what was already sufficiently so, and which, like many amendments introduced hastily, has had the effect of rendering obscure what would not otherwise have been open to doubt. We shall quote here the 40th section of the Act under the heading "Powers and Obligations of the Bank:—"

Sec. 40. "The bank shall not *directly or indirectly* lend money or make advances upon the security, mortgage or hypothecation of any lands and tenements, or of any ships or other vessels, nor upon the security or pledge of any share or shares of the capital stock of the bank, or of any goods, wares or merchandise, *except as authorized in this Act*; nor shall the bank, either directly or indirectly, deal in the buying and selling, in bartering of goods, wares or merchandise, or engage or be engaged in any trade whatever except as a dealer in gold and silver bullion, bills of exchange, discounting of promissory notes and negotiable securities, and in such trade generally as appertains to the business of banking."

Now it will be observed that this clause was the one which was intended to prescribe what the bank could and could not do. It commences by prohibiting a bank from lending money on mortgage of lands or ships on the capital stock of the bank itself, or on goods, wares and merchandise, except as authorized by the warehousing clauses in the Act. It then pro-