

issues offered to them. It was also said that the South Australian Government had failed to secure a permanent loan in London and that the premier was told he must be content with a loan repayable in a year, for \$2,500,000 to meet imperative needs. When the London market is in that state it is clear that it will not be an easy matter for our banks to shift \$100,000,000 of municipal loans to the other side of the Atlantic.

THE NEW YORK POSITION.

At New York call loans are $2\frac{3}{4}$ p.c.; sixty day loans, 4 p.c.; ninety days, $4\frac{1}{4}$; and six months, 5 to $5\frac{1}{2}$. These quotations represent a sharp advance on last week's figures. Demand for time money has been quite strong especially for the longer maturities. Notwithstanding a loan contraction of \$6,282,000, the banks and trust companies reported a decrease of \$90,000 in surplus reserves on Saturday—their loss of \$800,000 cash contributing to that result. The banks alone reported a loan expansion of \$1,975,000 and a cash gain of \$3,260,000. So their surplus increased \$1,320,000. In case of all members of the clearing house the surplus stands at \$27,208,000; and in case of the banks alone it is \$26,894,750.

RAILROAD DEVELOPMENTS.

As the New York market was extensively used for liquidation purposes by Montreal and Berlin, the circumstance naturally tended to encourage discussion among American bankers regarding the Dominion's economic position. Judging by the comments appearing in the New York press the opinion seems to be that Canada has entered a time of trial. The disagreeable feelings excited by the Frisco receivership are still in evidence. A considerable amount of the bonds of this company were placed in Paris just a little while previous to the confession of bankruptcy. The French financial press is indulging itself in denunciations of American morals. The alternative plans for dissolution of the Union and Southern Pacifics went before the court at St. Louis this week. If these plans are rejected the Southern Pacific stock held by Union Pacific will have to go into the hands of a receiver or trustee. It is said that Attorney General McReynolds intends to bring suit against Southern Pacific to force it to dispose of the Central Pacific.

Earnings of \$258,697 are reported by the P. Lyall & Sons Construction Company, Limited, for the year ended March 31st last. After payment of bond interest and preferred stock dividend, a balance remained of \$89,232, or equal to 5.1 per cent. on the company's \$1,750,000 of common stock. Of this balance \$40,000 was appropriated for reserve fund, leaving \$49,232, an amount equal to 2.8 per cent. on the common stock to be carried forward to credit of profit and loss. The Company has \$4,000,000 contracts on hand.

THE BANKS' EXTRA ISSUES.

"A study of the banks' action during the past five seasons regarding the extra issue power granted to them in 1908 for the purpose of meeting the pressure at the time of crop moving is contributed by Mr. H. M. P. Eckardt to the current issue of the *Journal of the Canadian Bankers' Association*. It is pointed out that two of the banks—the Bank of Nova Scotia and the Banque d'Hochelaga have never used the issue power, but with these exceptions nearly all of the banks in the country have made a free use of the excess issues. This does not however prove, says Mr. Eckardt, that the taxed notes are profitable. It appears that the banks have generally taken the ground that it was their duty to provide the currency required for financing the business of the country; and they have used their extra powers of issue whenever necessary notwithstanding the unprofitable nature of the transaction. For this they should get some credit throughout the country. But on the other hand the banks that do not feel that they should subject themselves to loss in this way should not be blamed. If any one is to be blamed, it is the Government, that set the tax so high as 5 per cent. But possibly European observers will consider that it was a wise precaution to set the tax at such a figure as to make the extra issue costly or unprofitable. For when that is the case, the notes will be speedily withdrawn from circulation as soon as the pressing need for the currency passes. These outside observers do not perhaps understand that under the plan of daily redemption of bank notes as practised in Canada, there is no need of a tax to drive in a redundant currency. Even when there is no tax any notes in circulation which are not needed are redeemed automatically.

AN INCREASE EACH YEAR.

While two of the older banks have not used the excess issues at all during the five-year period in which they have been allowed, it is to be noted also that a number of the other banks have used them very sparingly. Apparently they have been used in some cases as a means of getting full value out of the ordinary untaxed issues. Thus when the excess issues are in season, a bank can let its ordinary issue run quite up to the limit without fear of being fined if it runs over the mark.

Taking the aggregate of the excess issues it is seen that it increased steadily each year. The following summary gives a comprehensive view of the tendency:—

	TOTAL OF MAXIMUM EXCESS ISSUES.			
	1908-9.	1909-10.	1910-11.	1911-12.
Sep.				\$764,514
Oct.	\$721,296	\$1,411,025	\$2,692,794	\$5,715,405
Nov.	788,307	2,382,732	3,859,617	9,099,096
Dec.	137,781	1,574,301	2,625,110	6,887,937
Jan.		15,608	454,721	815,472

EFFECT OF NEW GOVERNMENT FIVES.

In 1912-13 it is possible to trace the effect of the new Dominion Government five dollar bills on the circulation of excess bank notes. Because these "fives" were available the banks used less of their own excess notes in October and also in November. But in December, 1912, the excess bank notes again rose above the level reached in the corresponding month of the preceding year; and in January, 1913, also, they were well ahead of January, 1912. The figures indicates clearly how the demand for currency