

some cases, contingent and doubtful business had been carried on for several years without any provision being made for it. And only on matters becoming so bad that the bank itself was brought into trouble was the revelation made of losses that had been accumulated during several preceding years. But after due allowance has been made for this, there can be no doubt that a considerable part of the total must be chargeable against the troublesome year we have just passed through. In making the above estimate we should say that the loss by depreciation of Detroit and Milwaukee bonds, amounting to \$600,000, has not been included.

Parties can judge by this whether banks have escaped disaster in these times. They have, it is evident, met their full share of the difficulties that have fallen on so many interests. It was inevitable that they should; and although skilful management may make an immense difference between one bank and another, it cannot be expected that losses should be escaped altogether.

FINANCIAL REVIEW.

The following is the official return for the banks of Ontario and Quebec in June last.

	May 31, '76.	June 30, '76.
LIABILITIES.		
Capital authorized ..	68,966,666	68,966,666
Capital paid up	61,183,627	61,596,758
Circulation	16,673,224	18,067,137
Government deposits	9,112,363	8,898,643
Public deposits on demand	33,033,370	35,095,371
Public deposits at notice.....	24,033,003	24,420,593
Due other Banks in Canada	1,679,062	1,837,979
Due Banks not in Canada	3,758,750	3,299,373
Sundries	236,897	87,392
	\$88,526,669	\$91,706,488
ASSETS.		
Specie and Provincial Notes.....	14,412,607	14,439,262
Notes and cheques of other Banks	3,882,013	4,958,816
Due from other Banks in Canada.....	2,851,492	3,215,168
Due from Banks not in Canada.....	7,679,354	7,858,346
Available assets ..	\$28,825,466	\$30,471,592
Government stock ..	1,162,262	1,162,262
Loans to Government	105,237	124,251
Loans to corporations	3,616,143	3,691,619
Discounts current ..	120,675,598	122,086,161
Notes overdue	5,944,921	5,938,076
Real estate	919,084	926,348
Bank premises.....	2,935,713	2,945,105
Other assets.....	1,891,756	1,897,271
	\$166,076,180	\$169,242,685

The above figures are according to the *Gazette*, which however, gives the total Assets nearly a million less than the details allow; on the contrary side the Liabilities are

made about the same amount less than the details cast up to. Such discrepancies could not occur if the least care were taken, and certainly the public have a right to demand that every care shall be bestowed in rendering accurate, statistics of such interest and importance. The usual expansion of circulation from wool purchases and disbursements on getting timber to market, have sent this item to much the same amount as last year, while deposits on demand have risen during the month by two millions; a very marked indication of stagnant business. Deposits at notice are again flowing in, and will continue to do so now there is such a plethora of money seeking safe investment. How changed in this respect is the condition of the banks since last July, we may judge by their now having nearly \$4,000,000 more public deposits than a year ago, while their loans to the public are \$4,000,000 less than then, a change all the more striking when it is noted that this amount of overdue paper has been accumulated in the same period. It is early yet to gauge the work of the current year, but in the face of continuous losses, restricted business, and an overweight of capital, the prospect is not bright for the business of a banker for some time to come. The harvest this year appears likely to be large generally, that is, if we have favourable weather; prices will weaken here inevitably, and holders who have speculated for a rise will either lose heavily or fail to realise their hopes. Farmers to a large extent will be taught this year a very old lesson, that it is better to sell early than store, and dealers will once more learn the danger of holding while every day's weather influences the markets. Timber is very dull indeed, sales are made from necessity in too many cases as they involve great sacrifice, but there is little to encourage further waiting. The small amount being manufactured is the only chance of revived prices, and the process is likely to be prolonged.

Quebec merchants are however doing fairly, some very well, and on the whole they will make up some of the heavy losses of last year. Lumber is looking up in Albany, and prospects are brightening. But it is chiefly Michigan lumber which is benefitted, as the duty of \$2.00 is a heavy drawback, this being one of the exceptional instances in which the producer has to pay it.

Money is a drug everywhere. In London it rules at 1½ per cent. for first-class transactions, a sign of depressed trade chiefly, which the prospects of harvest will relieve to some extent. In New York money can be had at 2 per cent. But while money is quoted at this price it is not to be had for anything but call, or short loans without risk, and covered by unquestionable collaterals. Ordinary

commercial paper pays about double this figure, and in many instances far more. The comparison often made between London rates and New York as quoted, and our local rate of discount is utterly fallacious.

The business which calls out money at such rates is almost unknown here. It implies in the first place, an immense volume of such transactions as result in leaving large sums without interest in the hands of bankers and then, a constant demand for temporary uses, or security as sure as a deposit of gold. London and New York are the great reservoirs for the spare money of Great Britain and America respectively. Out of these reservoirs loans are made at a rate depending on the amount they contain. When they are full to overflowing as they are at present owing to the distrust which prevents money being invested or employed in speculation—loans are made at mere nominal rates. But at such a time as this there is extraordinary caution about the security. Men cannot afford to run a shadow of risk when they are lending money for two per cent. By and by, however, a change comes, confidence revives, men get tired of money lying without interest, and are willing to risk it for the sake of a return. Then money is drawn out of the banks in London and New York, and experience shows that, when once begun, this process will go on until the reservoir runs low. Interest all the while advances and continues advancing, with more or less of fluctuation till a panic rate is reached once more.

But it is only in great centres where the alternations are from the lowest to the highest rate. In ordinary places interest fluctuates but little. And so we may see that in interior towns in the States, commercial loans are made at eight to ten per cent., at the very same time that paper is done at two or three per cent. in New York. Interest, in truth, instead of being as many fancy it should be, a fixed charge, is subject to a thousand changing influences, by which it comes to pass that rates can never be the same at different places or at different times, but must veer about as often as the weather itself.

THE QUEBEC LOAN.

The appearance of the Province of Quebec, in the London market, as a borrower, to the amount of some \$4,000,000, to be expended on the North Shore Railway, has been the signal for the *Times* to renew its objections to all further loans for Canadian railways. When Sir Hugh Allan appeared in England, as a borrower on the bonds of a company which had undertaken to build