THE DECEMBER BANK STATEMENT.

The bank statement for December came too late for review in this issue. The principal changes were: circulation reduced from $67,420,586 to $62,539,407; deposits in Canada increased over one million; call loans outside Canada increased from $33,221,069 to $34,991,423; call loans in Canada reduced $79,953; current loans in Canada increased from $380,638,701 to $384,419,697, and those outside Canada, reduced from $21,208,965 to $18,615,518.

THE PRICE OF CONSOLS.

The low figure to which Consols have recently fallen has elicited comparisons and comments which are open to grave objections on two grounds. In the first place, the present price of Consols, when the interest rate on them is only 2 1-2 per cent., is compared with the price when the interest rate on them was 3 per cent., and later on, until last year, 2 3-4 per cent. The true basis for a comparison of values is the "yield" of a "security" at the market price. Has the price of Consols declined proportionately with the reduction in their rate of interest? Would they now yield less to an investor than in the periods during which their prices are compared with present prices? Consols bought at the present price, say 88, would yield over 2.84 per cent., whereas, when Consols bore 3 per cent. interest they yielded 2.84 per cent. at the price of 105.25. Yet they were selling as low as 88 1-4 in 1870, when they yielded 3.40 per cent. Consols at 2 1-2 per cent. would have to be depressed below 73.25 to bring them on a parity, as regards yield, with Consols at 3 per cent., costing $105.25. In other words, Consols at the present price, 88, yield as good revenue as Consols at 105.25, when their interest was 3 per cent.

In 1870 it required only $8,825 to buy $10,000 of Consols, which yielded $300 per annum, whereas, to-day, it would require $8,800 to buy $10,000 of Consols, the yield of which would be only $250. As Consols only bear 2 1-2 per cent. interest, it would require $12,000 to be bought to yield $300 per annum, and this amount of Consols, to-day, would cost $10,560. As then, $10,560 invested in Consols would be required to-day to yield the same revenue as $8,825 invested in Consols yielded in 1870, it is not correct to say that Consols, proportionately, are lower, or cheaper than in 1870.

As to the "absolute" security of Consols at present, as compared with other periods, it is overlooked by those who make such a comparison, that British Consols stand in a class by themselves, or with few rivals. The element of uncertainty as to the payment of the interest regularly, or, of their being redeemed at par can be said to be non-existent in regard to Consols. Buyers or owners of these securities do not take these risks into consideration, for the universal opinion endorses the judgment, attributed to the Duke of Wellington, that the security of British Consols could on'y be shaken by the destruction of this planet.

THE ROYAL BANK OF CANADA.

One of the noticeable features in the bank statements recently published is the development of the business in the past year, in proportion, or in a higher ratio to the increase of paid-up capital. The two things are by no means necessarily connected as cause and effect, for there may be more capital called up without any increase following in either circulation, deposits, or loans. When, however, as more capital is flowing in, there is a synchronous inflow of deposits, a greater demand for circulation, and loans, these activities are evidence that the management showed business prescience, when it was resolved to call up more capital. Enlarging the paid-up capital, means more profits being necessary to pay the usual dividends, so that, unless business expands as capital increases a bank will be rather weakened than strengthened by additions to its paid-up capital.

The statement presented at the 34th annual meeting of the Royal Bank of Canada is somewhat exceptional in the above respects. The net profits for the year were $373,252, this being added to $99,625, the balance brought from 1902, and $500,000 paid in as premium on new stock at $200 per share, made a total of $972,877. This sum was appropriated as follows: two 4 per cent. dividends, $220,172; transferred to officers' Pension Fund, $10,000; written off Bank Premises, $50,000; transferred to Reserve Fund, $500,000; the balance, $192,705, being carried forward to next year. The Reserve Fund was thus raised from $2,500,000, to $3,000,000, which is the same amount as the paid-up capital..

During the past year the principal charges in the business were as follows:

	1903.	1902.	Increase or Decrease.
	$	$	$
Capital paid up........	3,000,000	2,481,000	Inc. 519,000
Reserve Fund..... ...	3,000,000	2,500,000	Inc. 500,000
Circulation......	2,303,518	1,920,713	Inc. 382,805
Deposits	16,087,446	13,929,120	Inc. 2,158,326
Current loans and discounts....	13,634,845	11,085,744	Inc. 2,549,101
Call and short loans...	2,467,047	2,790,753	Dec. 323,706
Immediately available assets........	10,922,751	10.429.975	Inc. 492,776
Overdue debts.........	9.653		Dec. 2,968

Mr. Edson L. Pease, general manager, must be highly gratified at the result of the enterprise he has thrown into the management of the Royal Bank.