

BANKING PROFITS IN CANADA (III).

In presenting on page 253 the summaries of earning power and of disposition of profits, it is necessary to explain again the reason why in some cases the profits shown in the table of earning power do not correspond with the profits shown in the lower table. In the upper table the intention is to show the earning power of the capital invested in banking. Therefore, special items such as the \$3,400,000 realized by the Bank of Montreal through writing up premises account in 1911, and the item of \$500,000 "recoveries" shown by the Commerce in 1911, are excluded. But such items must necessarily go into the other table.

With reference to the differences appearing between the balances carried out of one year, and into the next, these can be explained as follows. Taking 1911-1912 as an example, it is seen that the balance carried out of 1911 was \$5,664,883, while the balance brought into 1912 was \$5,413,917—the difference being \$250,966. That is accounted for by the balances carried out of 1911 by the Traders (\$181,208), the Eastern Townships (\$65,608), and the Weyburn (\$4,150). So the absorption of banks, and failures, too, in past years, affected these figures in the same way.

As regards earning power it will be seen that the general upward movement of the ratio of profits to capital continued throughout 1912. This movement dates from 1909. The increase in the ratio is influenced mostly by the reservation of stockholders' profits and through the collection from them of high premiums on new stock issues.

The ratio of profits to capital and rest reflects the true earning power of the money invested in banks by the owners. In the last eight years the profits in banking have ranged between 7.50 per cent. and 8.84 per cent. on the money invested. From 1905 to 1907 there was an increase of 0.44 p.c. In 1908 and 1909 the ratio declined 0.87 p.c. And between 1909 and 1911 it rose 1.34 p.c. The year 1912 saw the rise checked. But it should be noted that if the Bank of Montreal had not written up the premises account in 1911, and thereby increased the rest \$3,400,000 without any increase in the actual funds employed by the bank, the ratio of profits to average capital and rest in the case of all the banks for 1912 would have been 8.85 per cent. instead of 8.71 per cent. as shown in the table. So, actually the earning power of capital invested in banking was fully maintained in 1912.

The ratio of profits to total assets shows a decline. Notwithstanding mergers and concentration of banking power, this ratio tends to fall. It reflects in a measure the charges made by the banks for their services. And the comparisons with preceding years shows rather conclusively that these charges on the whole are not exorbitant.

SOME ENGLISH BANKERS' VIEWS.

The speeches delivered at the recent half-yearly meetings by the chairmen of the English banks contain a good deal of matter which is of interest on this side, particularly to bankers. Those guiding the destinies of great financial institutions in the world's clearing-house are naturally concerned with world phenomena and circumstances. The London addresses thus differ considerably in character from those given by the heads of the Canadian banking institutions. The latter are concerned mainly with the developments of a particular dominion, and with outside affairs only in so far as they have an influence upon Canadian affairs. The English bankers on the other hand are concerned primarily with world movements. Sir Felix Schuster, chairman of the Union of London and Smiths Bank, and one of the most eminent of living English financiers, devoted a good deal of attention to the international monetary outlook. In his opinion there is not likely to be an early return to easier monetary conditions, and for these reasons. The restoration of peace will undoubtedly give a new stimulus to trade and enterprise throughout the world, and while the renewal of confidence will lead to the release of large sums of gold, which have been hoarded in various countries on the continent of Europe, yet the cost of the war, and of war preparations by several states who have not been actually engaged in conflict, has to be financed. This will involve large issues by several of the Continental states. So that in Sir Felix Schuster's view, even if peace be promptly concluded, an active demand for money is to be anticipated during the next few months, and in his opinion a decline in the Bank of England's official rate is not yet in sight.

Sir Edward Holden, of the London, City and Midland Bank, also emphasised the probable needs of the European continent, and at the same time devoted attention to discussion of a phenomenon which is now vexing economists and financiers throughout the world—the continued absorption of gold by India. In spite of the higher money rates which have been in force, the proportion of the English reserve of gold to liabilities is about $3\frac{1}{2}$ per cent. lower than it was a year ago. In fact, Great Britain and other countries have not been able to retain sufficient gold to finance their expanding trade, owing to necessary supplies of the metal having been absorbed by India. During the last two and three quarter years India has taken 67 millions sterling of gold in bars and sovereigns, and but little of it has returned. Apropos of gold reserves, it was remarked by Mr. Cecil F. Parr, of Parr's Bank, that there is a growing consensus of opinion, both in Great Britain and on the Continent, in favor of the holding of increased gold reserves by both indivi-

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