new in the experience of those at the helm of affairs. Circulation which has been freely paid out, and with great apparent profit, now obeys its inevitable tendency and flows back as fast as it flowed out. Deposits, too, are apt to fluctuate with the times. Then comes the first note of difficulty—for it is obvious that a bank, under these circumstances, cannot lend any more money. The declining to do this gives offence and brings the bank into disfavor with its former patrons and friends. This, however, does comparatively little harm.

But another development is almost as certain as the foregoing, viz.: the inability to collect in money when it is most particularly wanted. The bank comes to learn the meaning of that very ugly term a "lock-up," and to perceive its consequences. The bank is tolerably certain too, before long, to experience what has an uglier aspect still, viz.: "losses." Two or three years are are generally sufficient to bring all these events about. If the management take the lesson of the first losses and lock-ups seriously to heart, and reform the administration of the bank, stop all abuses, cease unreasonable competition and get rid of unprofitable servan s, they may in time establish the institution on a firm and sound basis. If not, the bank will probably run along for some time longer, to end either in a total collapse or a wind-up with more or less of disaster; possibly a period of agitation, excitement and change, to be followed by a heavy reduction of capital, and a new start under entirely different auspices.

The dividend of the Bank of Montreal has been the subject of speculation amongst the speculating fraternity for some little time past. The matter was set at rest yesterday by the declaration of the usual dividend with a bonus of one per cent. in addition. On the announcement of this the stock boomed up about six per cent., a result which circumstances scarcely seemed to justify. The bonus brings up the distribution for the year to eleven per cent. It is entirely erroneous to calculate the bonus as on the business of the half-year, and to imagine that the bank is distributing profit at the rate of twelve per cent. per annum. The half-yearly dividend of a bank is, strictly speaking, an *interim* one. From the returns of profits, that are forwarded it is possible for the directors of a bank safely to set aside a certain sum for a dividend for the six months composing the first half of the current year. But it is impossible to form an accurate estimate of what the whole year's business will result in until a whole year or thereabouts has elapsed. The matter really resolves itself into a question of appropriation for losses. Here it is that there is the greatest necessity for the exercise of an experienced judgment. It is seldom that the losses of a year really culminate or a sume a definite shape within the course of that year. A mercantile house fails; the bank has scores and perhaps hundreds of bills under discount for the house, made by people in all parts of the country. It is almost certain that some of these bills will fail of payment. Some will require renewing. In other cases the parties will themselves fail, compositions will be offered, spread over, in some cases, a term of years; the renewals themselves after a time may end in like manner; securities, too, will require to be realized, mortgages foreclosed; property disposed of. Thus one single mercantile failure may result in the Bank's having the estates of a dozen or twenty more insolvents to look after and realize, while as to properties, mortgages and such like securities years will almost certainly elapse before they are finally disposed of.

It is in many cases impossible to estimate accurately what the ultimate loss by a mercantile failure will amount to until liquidation has far advanced. This on an average will take from two to three years. But it sometimes spreads to five or six years or even in exceptional cases to ten. It is customary with all bankers to make appropriations for losses before the books are finally closed for the year. These of course are made to the best of the judgment of the directors of the bank, assisted by all the information furnished them by the management. That such estimates and appropriations may sometimes be immensely wide of the mark, we have abundance of evidence to prove. It is entirely a matter of good judgment and sagacity. How widely such estimates may differ, we may see by what occurred in the troubles of the Federal Bank last year. The authorities of that bank thought a sum of less than $100,000 would cover all losses, present and prospective. When the judgment of others was brought to bear upon the question, it was estimated that it would take about three millions to accomplish it.

This of tourse is a very exceptional case and one which we trust will never be repeated. Such a state of things indicates a perversion of judgment amounting to moral blindness. Bank stockholders need not suppose that the judgment of their Boards of Directors is as likely to be as far wide of the mark as this. On the contrary with the banks that have an established position amongst us, and are known to be managed on cautious principles, they may rest assured that estimates of bad and doubtful debts are near enough for all practical purposes. There is all the difference in the world between a sober and a sanguine temper in these matters. A moderate and cautious-tempered Board will be inclined to make provision for bad and doubtful debts on as full and ample a scale as possible. This course makes the ultimate loss neither more nor less in reality; but it prevents disappointment, and perhaps recrimination.

As to the particular bonus in question, there can be little doubt that the authorities of the Bank of Montreal are pursuing a judicious course with regard to it. The "Rest" of the bank is on a most ample scale. There seems to be no special need for increasing it, unless indeed it is proposed to form a "guaranteed dividend fund" which can be used to keep the distribution steady. Eleven per cent. for the year just closed is a dividend upon which in such times as these, holders are to be congratulatet.

The Merchants' Bank of Canada has declared a dividend at the rate of seven per cent. per annum as usual. What the ultimate result of the year's working will be we cannot tell until the annual meeting. But the directors of this bank are pursuing a wise policy in keeping the dividend down to a moderate sum and adding surplus profits to the "Rest." The Bank of Hamilton declares a half yearly dividend of four per cent.

As to commercial matters generally, there is some reason to hope that the worst of the depression has passed. The record of failures for the first three months of the year presents a very satisfactory diminution. Manufactures are certainly looking up. Our stock of grain has sensibly enhanced in value owing to European complications, and the cloud in the North-West we trust will be dissipated without serious disturbance to commerce.

BANKRUPTCY LEGISLATION.

Mr. Darling, president of the Toronto Board of Trade, has addressed to the members of the Dominion Legislature, in Parliament assembled, a circular embodying reasons for legislation on the subject of insolvency. It is pointed out, first, that the commercial organizations of Canada opposed the repeal of the Insolvent Act of 1875, and that none of those who succeeded in securing the repeal in Parliament advocated the advantage of being without a law on the subject; but expected that the Act repealed would be replaced by another measure.

The necessity, under the existing state of things in this country, for credit in commercial transactions is strongly insisted upon, and the fact that one of the necessary consequences of the credit system is a larger or smaller proportion of failures, is pointed out. It is then insisted that every protection should be afforded to the honest and competent debtor; that creditors should be compelled to deal honestly by one another; and that a means of escape should be afforded to the honest but unfortunate debtor, who can satisfy a large majority of his creditors that he is entitled to a discharge.

The anomalies of the present state of things are tersely but forcibly stated. So far as this province is concerned the Creditors' Relief Act is shewn to be inefficient and expensive. The frequency of preferential securities, payments, and arrangements is urged anew, and the weaknesses necessarily incident to the present system of assignment forcibly dwelt upon. The circular closes with an appeal for the passage by the House of the bill reported by the committee presided over by the Hon. J. J. C. Abbott. It is to be hoped this appeal will not, like so many of its predecessors, be allowed to pass unheeded.

In view of the uncertainty of the enactment of the Dominion law, it may not be amiss to refer briefly to the measure of relief which may be expected from the Act which it is proposed in this province to bring into force if the Dominion Government fails to pass an Insolvent Act this session. That relief is embodied in an Act entitled "An Act respecting Assignments for the benefit of Creditors," which is not to go into force until proclaimed.

The measure begins with a repeal of the