

period of two years, to give effect to which the Canadian Government is taking authority from the legislature. The chances are that this is the expedient to which the two Governments will find it necessary to have recourse.

The bill to provide for reciprocity in wrecking has been defeated at Ottawa, chiefly on the ground that its passage would imperil the prospect of a more extensive maritime arrangement between Canada and the United States.

#### BANKING REVIEW.

The figures of the Canadian bank statement for March last will be found in condensed form below, and are compared with those of the previous month. The statement bears date, Ottawa, April 16th, 1888.

#### CANADIAN BANK STATEMENT.

LIABILITIES.		
	Mar., 1888.	Feb., 1888.
Capital authorized..	\$ 76,079,999	\$76,079,999
Capital paid up....	60,965,612	60,355,928
Reserve funds ....	17,966,215	17,951,215
Notes in circulation	31,985,285	31,363,400
Dominion and Provincial Government deposits....	6,766,532	7,131,507
Deposits held to secure Government contracts & for insurance companies .....	375,950	480,790
Public deposits on demand.....	46,622,036	46,459,367
Public deposits after notice.....	60,250,301	59,933,619
Bank loans or deposits from other banks secured...	1,247,000	1,700,171
Bank loans or deposits from other banks unsecured.	1,801,624	2,221,682
Due other banks in Canada .....	931,388	833,009
Due other banks in foreign countries	261,320	311,415
Due other banks in Great Britain...	1,138,767	1,211,628
Other liabilities....	250,490	186,094
Total liabilities..	\$151,631,694	\$151,832,685
ASSETS.		
Specie .....	\$ 6,201,116	\$ 6,160,297
Dominion notes....	10,248,485	10,310,434
Notes and cheques of other banks..	5,625,285	5,124,656
Due from other banks in Canada.	3,608,130	3,878,824
Due from other banks in foreign countries .....	14,682,178	14,000,796
Due from other banks in Great Britain .....	1,600,474	4,683,037
Immediately available assets.....	\$ 41,965,668	\$44,158,044
Dominion Government debentures or stock.....	2,134,352	2,213,986
Public securities other than Canadian.....	3,764,188	3,716,292
Loans to Dominion & Prov. Govts..	1,263,503	1,135,461
Loans on stocks, bonds, or debent.	10,703,434	9,979,802
Loans to municipal corporations ....	2,441,313	2,431,178
Loans to other corporations .....	16,666,140	16,468,374
Loans to or deposits made in other banks secured....	1,428,597	1,729,165
Loans to or deposits made in other banks unsecured..	189,712	225,481

Discounts current..	138,616,346	136,341,495
Overdue paper unsecured .....	1,836,552	1,679,665
Other overdue debts unsecured.....	151,774	214,442
Notes and debts overdue secured...	1,875,609	1,894,801
Real estate.....	1,161,734	1,229,084
Mortgages on real estate sold .....	703,792	670,847
Bank premises....	3,683,074	3,677,768
Other assets.....	3,499,509	3,682,195

Total assets,....	\$232,085,296	\$231,448,089
Average amount of specie held during the month .....	6,120,343	6,100,124
Av. Dom. notes do..	10,329,919	10,188,527
Loans to directors or their firms....	8,035,243	8,311,492

The course of events during the month of March would hardly seem to have justified the reduction, by the banks, of the rate of discount. A reduction ought naturally to follow an increase in the quantity of money on hand. But the figures of the Bank Statement show that the stock of available money decreased during March by over two millions. A decrease too in the rate of discount ought naturally to follow a decrease in the rate paid for deposits, which decrease itself would come as a consequence of deposits showing a large increase. But the increase of deposits during March was only a little over half a million. The deposits of the banks are really the regulator of the rate of discount; and in the nature of things must be, as indeed they are in all monetary centres. The deposits are a fluctuating quantity of money which a banker has at command from time to time, and over which the only control he has exists in the rate he allows for them. It is largely out of this fluctuating fund that he supplies the demands of his customers. When the fund is high, and continues so, there is what is called an abundance of money. A banker then naturally pays less for it, and charges less for it. It is purely a case of supply and demand. When the supply is large it costs less both to the banker and his customer. When the supply runs low, the banker both pays and charges more. This is the common sense of the whole business; and it lies in a nutshell. A rational working of the rule was experienced last fall. The "fluctuating" fund had been running lower and lower for months, and money became scarcer and scarcer. Then the banks began to pay more for it. And as a natural consequence they charged more for it; they raised the rate of discount. This charging more for money was calculated to produce a wholesome effect. And it did so, by bringing about a reduction in the over-importing and over-producing which had been going on for some time. But what we see taking place now is contrary to sound reason, in the fact that though there is less money, banks are getting the use of it cheaper than before; and the demonstration of the fact that there is not a surplus of money lies in this, that the banks are still keeping up the rate which they pay for money, and are, apparently, not willing to reduce it. This irrational course will do the country as a whole no good. Although it may benefit individual borrowers, it will prevent the continued action of that sound and judicious course in money lending

which is required to put the country in a proper position.

As to the cause of this state of affairs, it must be sought apparently in the increased spirit of rivalry and competition which prevails amongst banking corporations. Within reasonable lines competition is a sound element enough in banking as it is in trading. But we all know well that rivalry and competition amongst traders may be carried to such a degree as to be hurtful to the community in the end, though it may appear to benefit it for the time. Long experience has proved this. So it undoubtedly is with banks. In this connection we must notice the absurd statements that were flying abroad as to the banks arbitrarily raising the rate of discount, and drawing in money from their customers for the purpose of sending it to be loaned in New York. Greater nonsense was never written, and it is difficult to see how any man of common information could set it afloat, considering that money is commonly employed in New York by bankers on call loans, for which they have been getting two to three per cent. for some time back. Such follies, however, are soon exposed; indeed, they carry their own refutation.

It may be as well to remark, here, that the rate for call loans is no index to the rate for commercial discounts either in New York or in London. Commercial paper is discounted in New York at present at  $5\frac{1}{2}$  to  $6\frac{1}{2}$  per cent., according to the names it bears, and the time it has to run.

The increased discounts of March, with the diminished resources of the banks, were fairly well distributed over the different portions of the Dominion, though the decrease in resources was largest in the banks of the Maritime Provinces, Manitoba, and British Columbia. Some of the banks having their head offices in Toronto increased their discounts largely during the month, and correspondingly decreased their available funds.

The liquidation of the Federal Bank is making itself felt in the transfer of mercantile and deposit accounts to other institutions. This process will of course go on for a considerable time. There was still \$135,000 of the notes of the bank out on 31st March, but all the deposits have been paid off with the exception of \$70,000—a result which amply justifies the measures taken by the banks that joined together to assist in the liquidation. It will take, of course, a considerable time before the advances made by the banks for the purpose are paid off, but rapid progress is being made. On the 29th February the Federal Bank owed the other banks \$1,700,000. On the 31st March it owed them only \$1,247,000. There is good prospect of the shareholders recovering a considerable percentage of their holdings. The amount, of course, it is vain at present to estimate.

The Government has been asked several questions this session as to what its intentions were with regard to banking legislation. But no action of any kind has been taken beyond referring the matter generally to the standing Committee on Banking and Commerce. There is no need for haste in the matters as the Banking Act has more