the methods employed for securing business have been made a matter for the Association to deal with, and unless the banks become less active, or can agree upon a redistribution of territory, the growth of competition threatens to disturb the harmony which has always characterized the meetings of a very important body. However, this emulous contest for business will probably result in the ultimate disappearance of weak and unsuccessful institutions, and pave the way to the same amalgamation of financial interests which is fast reducing the number of banks in Great Britain. The business of the Dominion could be more safely and economically conducted by a few strong banks with numerous branches, than by the many institutions whose managers so frequently complain of the mischievous effects of banking competition.

BANK RESERVES.

Are They Adequate ?

The question as to what amount of cash a bank ought to have on hand to meet the contingencies of its business is one that is not capable of being decided dogmatically. The ordinary conditions of each bank in this respect differ very widely. Those conditions are under the daily observation of the general manager. It is one of his functions to watch the ebb and flow of the funds of the institution he controls, in order to make the most use of the same for active employment while at the same time keeping available amply sufficient for the calls that are liable to be made in the ordinary course of business, and to have resources for times of emergency. Some years ago, a theory was advanced that each Canadian bank should be compelled by law to hold an amount of cash up to a certain percentage of its liabilities, much higher than what they now have on hand. It became a question whether our banks should so regulate their affairs as to enable them most efficiently to carry out the objects for which they obtained charters, under the normal condition of business, or whether they should be constantly guided by a policy only necessary in times of extreme financial disturbance. We venture to say that the whole financial affairs of the Dominion would have been paralyzed, and the growth of business retarded if the bankers had every day to pursue the policy then advocated of being at all times fully prepared to meet such calls as only come in times of panic. But it was never contemplated that the reserves held by our banks would be permitted to become so inadequate to what prudence would suggest as safe and proper, as they are in some instances at present.

An attempt was made in 1870 to compel the banks to hold always a fixed percentage of resources to liabilities.

Sir Francis Hincks was strongly bent on this scheme. A deputation of the leading bankers met at Ottawa to resist such a change. They differed widely as to what constitutes an "adequate reserve," the business of each bank represented probably being unlike in its conditions to that of others. But their unanimity in opposing the imposition of any legal obligation to maintain a specific amount of reserves killed the scheme. In 1890 another strenuous effort was made to get "fixed reserves" embodied in the present Banking Act. The contest with the Finance Minister was so keen that the bankers appealed to the whole Cabinet. The result was that the banks were left free to manage their own business without being controlled by any regulation as to their reserves, which would have hampered their operations, and reduced the capital available for the active business of the country.

Of course, what is a strong reserve to one bank may be a weak one to another. The only fair, rational, and proper statement of a bank's position is to take it in all its available resources. But even in times of prosperity such as the present, every bank should follow the path of prudence, and not permit critics to be able to say aught about "inadequate reserves.

The object of what is called "a reserve" when it is applied to the cash resources of a bank, is to provide for some exceptional demand for money, such as that caused by a withdrawal of deposits or a flood of notes for redemption. The latter contingency is exceedingly remote. In regard to the former, a reserve which had to be maintained up to a fixed percentage of liabilities would be useless in case of a run for deposits. It will be easily seen that at the only time when it might be regarded as a valuable provision and safeguard, such a reserve would be entirely useless, it would be locked up in the treasury vault, by order of the Government, when customers were clamoring for it. So that, instead of a fixed or compulsory reserve of cash being either added strength to the banks or a protection to depositors, it would weaken the banks by causing a lot of money to lay idle, earning nothing; it would reduce business by creating an artificial scarcity of money; it would keep up the rate of interest beyond the normal figure of a free market; and it would absolutely lessen the protection to depositors by locking up funds which, if left free, would be available to meet their demands. A column in the monthly returns rendered by the chartered banks to Government giving the amount of "immediately available resources" would be useful. In order to show what proportion of their deposits are held by the banks in specie and Dominion notes, resources which are immediately available, we have prepared the following table:—

As at 31st August, 1899.

BANKS WITH HEAD OFFICES IN QUEBEC.

Deposits on Demand..	$52,759,000
Deposits payable after notice	68,048,000
Specie and Dominion Notes..	12,784,000