

"tomed to such work" are better than Government "examinations, where the examiners, as a rule "secure their appointments through political influence without regard to their previous training "or experience and where the Governmental head "of the Banking Department secures his appointment in a similar manner. The result is that such "appointees frequently 'strain at gnats and swallow "camels." I should think that internal inspection "of branches, such as is now conducted, along with "compulsory external periodical inspections of the "head offices by competent persons accustomed to "such work and duly authorized under licence from "the Government to perform it would cover the "necessities of the case in Canada. Great catastrophes in banks are almost invariably due to the "operations of or mismanagement by head office "officials and seldom or never to the conduct of "the business of the branches by the branch managers or agents. It would, therefore, seem proper "that depositors and stockholders should have the "assurance afforded by an external check on the general management." The above is of a recent date and is Mr. Forgan's latest word on the subject. I commend his opinion to your special attention, and to the attention of all interested in the subject. Mr. Forgan knows Canadian conditions by experience.

An audit by a Board of Auditors established by Act of Parliament, in my opinion, could not be regarded as a suggestion of a mutual guarantee of deposits. If that objection exists, it must be due to the proposed election of the auditors by vote of the general managers, in which case it may be disposed of by having the auditors appointed by the Judges of the High Court of Justice, as suggested by an eminent King's Counsel.

H. C. McLEOD.

A YEAR OF BANKING EXPANSION.

—Position Contrasted with that of last Year and Two Years Ago.

The most cursory examination of the December statement of Canada's chartered banks, makes clear that 1909 was a year of steady banking expansion for the Dominion. Current loans in Canada increased by \$2,500,000 during the month, the year-end total being almost \$593,000,000—a record showing. Note circulation naturally fell off with the slowing-up in crop moving. While demand deposits decreased during the month, as is usual during the Christmas trade season, savings deposits increased by nearly \$6,000,000 to a total of almost half a billion dollars—an effect largely of proceeds from crop selling. The increase of well on to \$6,000,000 in Canadian call loans indicates the banks' confidence in the general soundness of the local market position—though, during January, increasing needs in other directions have led to some signs of monetary tightening in this connection.

The December total of domestic current loans and discounts was nearly \$593,000,000, as against \$507,000,000 at the close of February. The year-end total was \$81,000,000 greater than at the close of December, 1908, and actually some \$6,000,000 greater than the previous high-mark in Canadian banking history, which was reached at mid-year 1907.

Contrasted with 1907 Position.

But while current loans in Canada are now greater than in the heyday of 1907, the general banking position is a very different one. Loans of all classes are now almost \$840,000,000—over \$120,000,000 greater than two and one-half years ago. For the most part, call loans abroad make up the difference. These totalled \$138,500,000 at the year's close, or about \$85,000,000 greater than at mid-year 1907. In considerable measure these are reserves available for transference to Canada as domestic needs increase with business expansion. Not only have the banks' funds held in this form increased notably, but in the two and one-half years there has been an increase of well over \$30,000,000 in vault cash, and a gain of nearly \$20,000,000 in bank balances abroad—not to mention an increase of over \$10,000,000 in the banks' security holdings. So that, altogether, banking resources are nearly \$150,000,000 greater than they were when commercial accommodations in Canada were near their present volume, back in 1907. Putting it another way, the combined reserve ratio of the banks (by the following computation which eliminates principal inter-bank items) is 29.32 per cent. as compared with 18.57 per cent. at the end of June, 1907. The high-mark for this ratio was reached in August last when it exceeded 31 per cent. The year-end's expanding business needs, resulted in the more active employment of surplus funds.

LIABILITIES.	June 1907	Dec. 1909
Dom. Gov. deposits.....	\$ 5,191,000	\$ 8,205,000
Prov. " ".....	10,450,000	24,592,000
Dep. of public, "demand".....	170,042,000	261,268,000
Dep. of public "notice".....	419,418,000	499,082,000
Dep. elsewhere.....	59,176,000	75,088,000
Total deposits.....	\$654,277,000	\$868,235,000
Note circulation.....	75,510,000	81,326,000
	\$739,787,000	\$949,561,000
*Less notes and cheques other Canadian bank held	29,517,000	45,792,000
Net liability.....	\$710,270,000	\$903,769,000
AVAILABLE ASSETS.		
Specie and legals.....	\$69,656,000	\$100,682,000
Net foreign bank balance.....	6,970,000	25,840,000
Foreign call loans.....	55,299,000	138,565,000
	\$131,925,000	\$265,027,000
Per cent. of liability.....	18.57	29.32

*This item is deducted because it represents obligations of the banks held by themselves.

Influx of Capital from Abroad.

This notable increase in banking strength is correspondingly reflected in the recent growth of deposits. At mid-year 1907 deposits by the public (including government) at home and abroad totalled somewhat over \$664,000,000, while loans aggregated about \$717,000,000—loans being \$53,000,000 in excess of deposits. At the close of 1909 deposits aggregated over \$868,000,000, while loans of all classes were \$838,000,000; so that loans were about \$30,000,000 less than deposits. A steady influx of outside capital—from investors and immigrants—has added notably to Canada's banking funds. Of the 185,000 immigrants coming into the country this year about half are from the United States—most of whom are well-to-do farmers and their families, whose capital will run anywhere from