

## BANKING REVIEW.

ABSTRACT OF BANK RETURNS.

30TH APRIL, 1887. [In thousands.]

Description.	Banks in Que- bec.	Banks in On- tario.	Banks in other Prov's	Total.
	\$	\$	\$	\$
Capital paid up..	35,200	18,277	7,506	60,983
Circulation .....	15,644	10,480	4,344	30,468
Deposits .....	52,316	45,407	11,162	108,885
Loans & Discounts	87,468	68,404	16,829	172,701
Cash and Foreign balances (Net)...	17,832	6,138	3,551	27,521

30TH APRIL, 1888.

[In thousands.]

Description.	Banks in Que- bec.	Banks in On- tario.	Banks in other Prov's.	Total.
	\$	\$	\$	\$
Capital paid up..	35,214	17,823	7,930	60,967
Circulation .....	16,481	9,795	4,466	30,742
Deposits .....	62,053	42,738	13,378	118,169
Loans & Disc'ts..	94,659	62,669	19,243	176,571
Cash and Foreign balances (Net)...	21,133	7,531	3,656	32,320

The long and cold period of backward spring has been dragging on for weeks, and reports have been rife of injury to the growing crops in consequence. There may be some measure of truth in what has been said of damage to the fall wheat in some of our counties. Almost always, however, a certain amount of damage is done during the winter in some quarters. But it has often been the case that when two farmers had their fall wheat so injured that one of them thought it desirable to plough it up, the other let it alone and ultimately reaped a fair crop. So uncertain are appearances at this early period of the season. But the general experience has been that a cold and backward spring has resulted in a good harvest. That has been established again and again. Every rule has exceptions, and it would not be safe to count upon this as a certainty. But it is an undoubted fact that such a spring as we are having has generally been followed by good growing summer weather.

The rise in the price of grain has been steady, and will result in considerable profit to Canadian holders, including farmers who have not sold their product. It is altogether too soon to forecast the future of this uncertain market. But there are some shrewd judges who are inclined to think that the era of abnormally low prices for wheat may be drawing to a close. The prices prevailing for several years back have been below the cost of production in most localities. This can scarcely go on year after year without bringing about a change of some kind. It is well known that in England the farmers are giving up the growing of wheat extensively and turning their lands into pasturage. A significant fact is this, that amongst the items in the late successful Budget of the British Chancellor of the Exchequer was included a large sum for a remission of income tax to English farmers who had made no profit out of their lands. It was stated that many farmers had made no profit even when they owned the land themselves. Whatever may be the cause, a quiet and steady upward movement has already given life to the grain trade, while the increase of cost to the consumer of this one

amongst many other articles of daily use will be of small importance so far.

The apprehension that money might become dearer as spring progresses is not likely to be realized. On the contrary there is a perceptible ease in the money market which should naturally lead to a reduction in the value of money held on deposits by the banks. The Government has brought in, at a very seasonable time, its bill empowering it to reduce the rate of interest on savings' bank deposits. But indeed, it had become altogether absurd to maintain a costly and widespread machinery for the purpose of gathering up money repayable on demand at 4 per cent., when it could be obtained in England without any machinery at all at  $3\frac{1}{2}$  per cent. or less. All the world over, and at all times, men pay less for money when borrowed for a short time than they do for long periods. It is exactly thus that the difference arises between money lent by the banks repayable on demand, and money lent repayable in three or six months. There is a difference of 2 to 3 per cent. between the rate for one transaction and the other, and very reasonably so. Our Government has apparently overlooked this distinction, and has been carrying on its savings' bank department rather on principles of benevolence than of business, for some time back. Benevolence is good in its proper sphere; but it can hardly be the duty of the Government to distribute gratuities to each of the vast crowd of depositors who lodge money in its care, all over the Dominion. Yet this is what the Government has for some time been doing. There can be no doubt that sound reason and common sense would dictate that depositors with the Government here should be paid 1 per cent. less than the Government could borrow for in England. All that has been allowed over and above this amount has practically been a gratuity. These gratuities have amounted during the last year to more than \$250,000; and they have all come out of the pockets of the taxpayers of the country. It was high time for such a system as this to come to an end, and we trust the Finance Minister will have the courage to put this great department of the Government on a business-like and rational footing, namely, by adopting the rule already spoken of, allowing at least 1 per cent. less than the rate at which debentures are floated. In fact the Government might safely adopt the rule of allowing 1 per cent. less than the rate allowed by the banks.

It is singular how such an event as the lowering the rate on English consols has widespread and unforeseen indirect effects. This has had more to do with the present ease of money in Canada than any other reason. Investors in England were led to seek out securities bearing a higher rate of interest than consols. This rendered it easy to raise money in London for many Canadian purposes and schemes.

Provincial Governments have floated their bonds without difficulty, and other enterprises which have been dragging for years on the London money market have lately been put through with success. By this means some millions of money has been brought into Canada and added to the resources of the banks. As might be ex-

pected, a large share of this has fallen to the Bank of Montreal, whose deposits have increased over \$3,000,000 during the month. This large sum has been partly employed in making municipal loans and partly in adding to the general volume of discounts. In addition, the bank has become a very heavy holder of sterling bills.

Considerable discussion has been taking place as to this bank contenting itself simply with paying a dividend of 10 per cent. for the year, without declaring a bonus. Many inconsiderate remarks have been made with regard to this. A bonus in the nature of things is a gift, bestowable from time to time, which may or may not be bestowed, as circumstances fall out favorably or otherwise. There are such numerous chances and unforeseen events in the course of a year's banking when carried on on such an enormous scale, as is the case with our leading bank that no one can be surprised at these chances sometimes going against the bank, as at other times in its favor. It is to be regretted that the position and management of the bank have been criticised, evidently with strong political bias, in one of our daily journals. A reasonable and business like discussion of bank management would be serviceable. But when the criticism becomes a mere matter of politics it ceases to be either serviceable or worth serious notice. The stockholders and customers of the Bank of Montreal have evidently rated this criticism at its true value.

## THE WORK OF THE SESSION.

When the session opened at Ottawa, Manitoba was in a state of preternatural excitement over the vetoing of the Red River Valley Railway bill; at the close it is tranquilized. The exercise of the veto can scarcely be regarded as a voluntary act; it arose out of the obligation which the country had contracted towards the Canadian Pacific Railway Company. The federal constitution of the United States contains a clause, that no State shall pass any law in violation of the obligation of contracts, and some of the State constitutions provide that no law shall be passed in violation of acquired rights. The Canadian Pacific had bargained for a monopoly, in Manitoba, for a given period; but so rapid is the development of the new region, the company became unable to perform all the duties which may be exacted even from a legalized monopoly; it was temporarily, at all events, unable to meet all the demands upon it for the conveyance of freight. If this did not place the C.P.R. in the wrong, it brought that company to the extreme verge of its rights, with public dissatisfaction as a result. The company was in want of money, and a Government endorsement of its bonds would enable it to borrow on the best terms. The security of the lands might not be readily, if at all, taken by the general public, but the Government incurs no actual risk in taking it. By means of an endorsement of land grant bonds to the amount of \$15,000,000, the Government gets rid of the company's monopoly, and removes the bar to the construction of the Red River Valley Railway.