

**THE CIRCULATION AND PAID UP CAPITAL QUESTION.**

The proposed enlargement of the paid-up capital of the Bank of Montreal from \$12,000,000 to \$15,000,000, puts the question relative to the best method of enlarging the note issuing power of the banks in a practical form. The bank by this increase of capital would be enabled to advance its circulation to the extent of \$3,000,000, and, consequently, to enlarge its capacity to develop its active business proportionately. That this great institution and other banks absolutely require to have larger note issuing powers is shown conclusively by the

bank statement for last month. On the 31st October last the Bank of Montreal had notes out for \$11,289,484, which was only \$710,516 from its limit, and a few days later even this narrow margin was entrenched upon. A small demand for notes at each office of the banks would have quickly run their circulation so near the limit as to cause anxiety. It is certainly imprudent of a bank, which has a number of branches at a distance from Head Office, to put out notes to its full capacity, though the penalty would probably not be enforced, if the circumstances were explained, precedents for which could be formed in English practice. The following table shows:—

The paid-up Capital, Circulation and Margin for increase in October of each and all the Chartered Banks.

BANKS.	Paid-up Capital, 31st Oct.	Circulation, 31st Oct.	Margin for Increase in Circulation.	BANKS.	Paid-up Capital 31st Oct.	Circulation 31st Oct.	Margin for Increase 31st Oct.
	\$	\$	\$		\$	\$	\$
Bank of Montreal.....	12,000,000	11,289,484	710,516	Union Bank of Halifax.....	1,205,900	1,156,881	49,019
Canadian Bank of Commerce..	8,000,000	7,207,115	792,885	Sovereign Bank.....	1,173,478	759,995	413,473
Merchants B. nk of Canada....	6,000,000	5,662,579	337,421	Standard Bank .....	1,000,000	948,208	51,792
Bank of British North America	4,866,666	3,972,645	894,021	Provincial Bank.....	818,271	796,069	22,262
Imperial Bank.....	2,914,504	2,805,336	109,168	People's Bank of Halifax.....	700,000	689,339	10,661
Dominion Bank.....	2,888,834	2,724,819	164,015	Halifax Banking Co.....	600,000	569,875	30,125
Molsons Bank.....	2,500,000	2,378,464	121,536	Bank of New Brunswick.....	500,000	484,710	15,290
Bank of Toronto.....	2,500,000	2,421,922	78,078	Western Bank.....	434,889	407,735	27,154
Quebec Bank.....	2,500,000	2,446,028	53,972	Bank of Yarmouth.....	300,000	80,719	219,281
Union Bank.....	2,229,850	2,163,344	66,506	Merchants Bank, P. E. Island..	300,013	292,198	7,815
Bank of Nova Scotia.....	2,000,000	1,917,657	82,343	Bank of St. Hyacinthe.....	327,365	324,035	3,330
Royal Bank.....	2,000,000	1,825,719	174,281	Exchange Bank, Yarmouth...	266,070	90,703	175,367
Bank of Hamilton.....	2,000,000	1,878,595	121,405	Bank of St. Jean.....	263,417	163,328	100,089
Bank of Ottawa.....	2,000,000	1,886,226	113,774	St. Stephen's Bank.....	200,000	126,600	73,400
Eastern Townships.....	1,984,690	1,968,680	16,010				
Brnk of Hochelaga.....	1,986,860	1,964,103	22,757	Totals....	71,137,510	65,928,973	5,208,537
Ontario Bank.....	1,500,000	1,441,648	58,352	Totals—Oct., 1901.....	67,548,410	57,954,779	9,593,631
Traders Bank.....	1,500,000	1,455,790	44,210	“ Oct., 1900.....	66,264,967	53,198,777	13,066,190
Bank Nationale.....	1,496,703	1,141,059	355,644	“ Oct., 1899.....	64,327,636	49,588,236	14,739,400

The above is a remarkable exhibit. Since October, 1899, the circulation has increased \$16,340,737, and has so far advanced towards the limit as to have reduced the margin for further note issues from \$14,739,400 to \$5,208,537. This amount is as small a margin as any experienced banker would consider desirable, though an emergency demand for notes might compel its reduction.

That the paid-up capital of our banks has not increased in anything like the proportion of the increase which has taken place in their business is manifest from the following table which shows the proportion borne by the paid-up capital to the total assets for each of the previous seven years, and 1892 and 1872:—