

she will be able to cross the Atlantic in a little over six days. It remains to be seen whether she will beat the "Etruria," which has made the voyage in six days and two hours. What is claimed for the new steamer reads, if we look between the lines, like a confession that at present the utmost attainable speed has been already, if not quite, reached by the "Etruria." The public will watch with interest the performance of the "City of New York" when she gets fairly agoing. She will be capable of being utilized as a war vessel, carrying fifteen guns. In this way some addition to the effective naval force of Great Britain is made.

Whether the law is strong enough to restrain bucket shop harpies from pursuing their undesirable calling is to be tested. The raid made at the reputed bucket shop of Hanrahan & Co., Toronto street, will supply the test. There seems to be no defect in the law; difficulty of proof there will be, and this is the only one. It does not matter whether the business is carried on in New York or here, or partly in one place and partly in another, if the fact be capable of proof. Should the prosecution succeed, we shall soon hear the last of the bucket shops; should it fail, the difficulties of enforcing the law will probably be seen to be insuperable. In that case, an amendment, authorizing heavy fines in place of imprisonment, and making it possible to obtain the evidence by means of a commission, would spoil the game. The bucket shop men, if they escape now, can scarcely hope to continue to evade the law after another session of Parliament.

#### BANKING REVIEW.

Undoubtedly the most remarkable feature of the bank statement for the last month is the great increase in deposits. This amounts to \$7,600,000. An increase, in fact, has been going on ever since last March. But the true significance of it is apt to be mistaken. A large part of the increase in the deposits of the banks has proceeded from the various Governments. The Dominion Government deposits have increased in that time \$7,500,000. Those of the Provincial Governments have increased \$1,200,000. All this is the result of borrowing abroad, and evidently borrowing before the money was needed. Yet the money will be needed for Government purposes of some kind. This is evident; for no Government would commit the folly of borrowing what was not wanted merely because money was cheap abroad. Government will want the money; therefore banks are bound to be careful how they employ it. They cannot lend it to carry on the regular business of the country. For money lent by banks to mercantile firms cannot be recalled at a day's or a week's notice. The whole mercantile business of the country would be disturbed if the banks used Government money to extend their loans for business purposes; for the day would come when such loans required to be called in sharply and decisively. Mercantile firms who had borrowed the money would probably have used it to pay off their own liabilities or buy goods for cash. They

could only respond to a sharp call for payment by either selling goods at a sacrifice for cash, or by incurring fresh liabilities to mercantile houses, or by borrowing elsewhere; but the first two would be a work of time. The second would probably be difficult, if not impossible, at a time when calls were being made upon the banks by the Government. All which shows that it would be highly inexpedient for the banks to extend their mercantile loans on the strength of temporary deposits made with them by the Government.

Indeed, with one particular sum of \$5,000,000 deposited with the four leading banks by the Dominion Government it was expressly stipulated that the money should be both received and repaid in New York. The banks, therefore, for their own protection, would take care to employ the money in New York and not venture to bring it into Canada at all, otherwise they would run the risk of losing heavily in exchange. As a matter of fact, the money, having been received under such conditions, has been employed in New York, we believe, in temporary loans on bonds and stocks.

The large amount of money borrowed by the Government abroad has not therefore had much effect upon loans for mercantile purposes in Canada, nor is it likely to have. What it has affected is the class of temporary loans on stocks and bonds, which are entirely out of the range of mercantile discounts, and are of an entirely different character. The distinction between these two classes of loans is not always kept in view; but they are distinct in three particulars: First, in the fund from which they are drawn; second, in the kind of security given; and third, in the time and mode of repayment. As to the fund from which they are drawn, this is not the ordinary working fund of the bank, but rather that which constitutes its reserve against immediate liabilities. Such loans therefore must be short, and kept well in hand. As to the security: it is such as could be put upon the market and sold any day at an hour's notice. As to the time of repayment: it is either immediately, i.e., repayment will be expected the very day it is asked for, or within a few days, definitely named in the agreement. Money lent under these conditions is obviously subject to a lower rate than money employed on mercantile transactions and subject to all the risk of such. A man might as well complain that he had to give 90 cents for a bushel of wheat while he could get a bushel of barley for 50 cents, as that he had to pay 6 or 7 per cent. for discounting mercantile bills while he could borrow on stocks at call at 4 per cent.

There are some signs, however, that the exceptional moneys that have been brought into the country are being absorbed. The provincial Governments are drawing down their deposits to meet various items of expenditure; and other corporations are gradually placing out the amounts that have been brought out under their auspices. A very considerable movement of trade is in progress, which calls for the usual amount of money to carry it on. When money is cheap the surplus is soon borrowed and things resume their natural

position again. This process is taking place undoubtedly.

As a matter affecting the whole Dominion, we cannot but refer to the ill-advised measure for an adjustment of the debt of the Province of Quebec which has been consented to by its Legislature. Let us say at the outset that to reduce the interest on Government loans and to lessen the burdens of the people is a most desirable object. This goes without saying. If loans were repayable at the option of the borrower, and were bearing a higher rate than current interest, the borrower would certainly exercise his option of borrowing at the lower rate and paying them off. This, too, goes without saying. But in the case before us, money was borrowed and lent for a specific term of years. Time was of the essence of the bargain; and there are rights and duties on both sides which bind both borrower and lender. The lender would have no right to demand his money during the currency of the loan, or to demand a higher rate of interest while it was in progress. The borrower, on the other hand, could not compel the lender to take a lower rate of interest, or to take payment of the principal against his will. Some sentence in the civil code in Lower Canada has been brought into play in this matter, and twisted to an interpretation it was never meant to bear; but in the first place, the civil code of Lower Canada does not apply to the case for the contract, because the sale of the bonds was made and the issue carried out in another country. But if the civil code did apply, and does say that delay is always presumed to be a favor of the debtor, it merely expresses in well-known general truth applicable to the majority of cases in which the debtor would be advantaged by having more time granted him. The civil code never contemplated the breaking of a specific contract and compelling a creditor against his will to accept a reduction of time or a lower rate of interest for what was owing him. The truth is that the Quebec Government have been utterly misled, and have become befogged by the peculiar local financial influences of the place. And thus, in endeavoring to serve the people of the Province, they have laid the foundation of irremediable injury, not to that Province only, but to the whole Dominion.

The prospects of the crops are assuming more definite shape every week. Taking the Dominion as a whole, and considering every variety of field production, it seems likely that a good fair average will be realized; unless indeed some unforeseen circumstances develop between now and harvest. None such are in view at present.

#### ABSTRACT OF BANK RETURNS.

30TH JUNE, 1887. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in other Prov's.	Total.
Capital paid up..	\$ 35,200	\$ 18,300	\$ 7,315	\$ 60,815
Circulation .....	15,616	10,395	4,427	30,438
Deposits .....	57,108	45,507	11,868	114,483
Loans & Discounts	89,166	66,725	17,430	173,321
Cash and Foreign balances (Net) ..	11,285	876	1,858	14,019