

## BANKING REVIEW.

The figures of the Canadian bank statement for May last will be found in condensed form below, and are compared with those for the previous month. The statement bears date, Ottawa, 16th June.

## CANADIAN BANK STATEMENT.

	Mar., 1886.	Apr. 1886.
Capital authorized..	\$81,479,666	\$81,479,666
Capital paid up....	62,360,135	62,303,741
Reserve Funds....	8,125,141	17,870,141
Notes in Circulation	28,900,765	29,281,603
Dominion and Provincial Government deposits....	10,539,474	10,701,644
Deposits held to secure Government contracts & for Insurance Companies.....	768,301	762,805
Public deposits on demand.....	49,348,207	50,070,339
Public deposits after notice.....	51,434,423	49,945,080
Bank loans or deposits from other banks secured...	80,000	.....
Bank loans or deposits from other banks unsecured.	1,200,183	1,150,524
Due other banks in Canada .....	694,415	818,309
Due other banks in Foreign Countries	288,120	412,539
Due other banks in Great Britain...	1,815,895	2,149,680
Other liabilities....	519,651	120,632
Total liabilities..	\$145,589,433	\$145,413,155
ASSETS.		
Specie .....	\$ 6,829,092	\$ 6,869,741
Dominion notes....	11,462,381	11,638,195
Notes and cheques of other banks..	6,235,156	6,686,469
Due from other banks in Canada.	2,435,144	2,333,834
Due from other banks in foreign countries .....	15,197,780	15,134,837
Due from other banks in Great Britain .....	1,909,733	2,103,586
Immediately available assets.....	\$44,069,286	\$ 44,766,712
Dominion Government debentures or stock.....	4,581,563	4,556,701
Public securities other than Canadian.....	3,199,248	3,049,314
Loans to Dominion & Prov. Gov....	2,756,911	2,799,100
Loans on stocks, bonds or debent.	12,004,652	11,940,904
Loans to municipal corporations ....	2,604,494	2,097,141
Loans to other corporations .....	13,275,172	13,404,183
Loans to or deposits made in other banks secured....	296,502	271,502
Loans to or deposits made in other banks unsecured..	730,766	463,356
Discounts current..	132,336,594	132,592,179
Overdue paper unsecured .....	1,546,538	1,444,485
Other overdue debts unsecured.....	101,697	103,084
Notes and debts overdue secured...	1,905,158	2,022,923
Real estate.....	1,311,320	1,339,996
Mortgages on real estate sold .....	660,277	626,258
Bank premises....	3,512,830	3,497,932
Other assets.....	3,234,411	3,360,752
Total assets,....	\$228,127,419	228,336,520
Average amount of specie held during the month.....	6,762,089	6,793,053
Av. Dom. notes do..	11,454,322	11,629,223
Loans to Directors or their firms....	6,964,217	7,095,842

The attention of the public has been so much occupied during the last week or two with the consideration of the position of the banks in detail, that they may have little taste for any remarks at present on the bank returns as a whole. This, however, is not a matter to be lost sight of. We therefore continue our usual line of comment on the bank statement.

There is nothing new nor strange, still less anything startling, in the position this month. Circulation of the banks continues to come in for redemption according to its invariable course at this season. The amount redeemed during the month reached \$382,000. The purchase of wool in former seasons used to exercise a perceptible influence on the outflow of circulation about this season; but the price of wool is just now so low that the amount of money required for these purchases makes no impression on the general aggregate.

With respect to the redemption of circulation, this is an operation that goes on so quietly and silently, that the general public know practically nothing about it. It never comes within their purview, being managed entirely between the banks themselves; but it is the key to the whole position. Take that away and the bills would at once have a fluctuating value, exactly as the bills of the United States had during the period when specie payments were suspended.

In speaking of the United States it must be remembered that these bills were the bills of the Government of the United States. The bills of this government for years together, during the war and long after, fluctuated in value from day to day at values a long way below a hundred cents on the dollar. There was a time when they were only worth forty cents on the dollar.

This was no solitary instance. The bills of European governments have all fluctuated in the same way. In fact experience has proved that of all currencies the bills issued by governments have, under the circumstances which are liable to occur in any country, been the most unstable in value and most treacherous to the holder. These things are constantly forgotten. There are plenty of people now in Canada, and plenty of journals, too, for that matter, accustomed to say, let all the bills be issued by the government. There can be no question that if such were the case Canada would have an irredeemable currency within a few years. An "irredeemable currency" is a technical term. People in general do not take in the meaning of it; but it simply means this—that the bills are not worth one hundred cents in the dollar, and that they fluctuate in value. Sometimes they are worth ninety cents to the dollar, sometimes seventy cents, and sometimes fifty cents. Indeed, on both sides of Atlantic, government currencies have fallen to a value of less than ten cents in the dollar. These are hard facts. It is useless to ignore them in discussing the subject. It is very easy for the general public to forget them. It is for financial journals to point out these dangers and warn the public against specious fallacies.

The subject of giving increased security

for the notes issued by the banks has been alluded to in more than one recent bank meeting, but it is too large a question to be dealt with in a short article like this. We shall, however, keep the matter in mind.

The deposits of the banks, as a whole, have increased by the sum of \$600,000 during the month. The total amount is higher than has prevailed since the year 1882, when they touched \$115,000,000.

Reference was made during recent bank meetings to the unreasonable manner in which the allowing of interest to depositors was managed by the Government. We suppose it is perfectly understood that this journal has no political bias as against one government or for another. Our position and criticisms are purely financial; we have no political object to serve. In criticising the administration of deposits by the Government we desire to save expense to the country and promote the general interests of the people. This being understood, we are compelled to say that this department of the Government costs the country far more than it should do. The principle and main idea of government savings' banks is sound. It is a good thing in itself. Properly managed it would save the Government money and promote habits of thrift among the poorer classes of the population. At the same time it might be, and could be, managed so as not to interfere with the volume of capital available for the use of the mercantile class caused by the deposit of money with the Government Savings' Banks by persons who have more money at command than mere savings. But though the principle is good the management is bad. The Government undertakes to pay money on demand to its depositors. Common prudence would suggest that a large reserve of money should be kept in order to meet this demand. Keeping this reserve, Government should obviously pay a lower rate for these deposits than it could borrow money for repayable at a far distant day. We do not undertake to say exactly what the difference between the rates should be. But it should be something. It may be on percent. or it may be some other figure. But there should be, in all reason, a substantial difference. The Government can borrow money at long periods for four per cent. It is then absurd for the country to pay its depositors the same rate for money repayable at call. It would be scarcely less absurd than for the Government to place some millions sterling of debentures on the London market bearing five or six per cent. interest and sell them at par. Such an act as this would raise a tempest of indignation from one end of the country to the other. But it is not much more wasteful than the present system.

It is, however, stated that the government is bound to pay its own people the same rate that it pays to people abroad. This is perfectly a legitimate argument if the two kinds of borrowing were the same; but people abroad lend Canada money repayable after twenty years. The Canadian depositor lends it subject to his calling whenever he wants it.

But it is rejoined, this high interest is at any rate paid to our own people. This is a fallacy. It is only to a small portion of the