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MONTREAL, FRIDAY MORNING, DECEMBER 8, 1911

PROBLEMS FOR BANKERS.

Increased Circulation, Increased Dividends and Increased Capital are Some of the Problems.

WHAT is to be done about increased circulation? is the question which is agitating bankers at the present time. Coupled with this very pertinent query are other questions which have lately been forcing themselves upon the general managers and the directors of banks. These questions relate to the increase of capital, the increase in dividends and other matters relating to the shareholders. In addition, the banks are face to face with the necessity of revising the Bank Act.

Most of the banks will hold their annual meeting within the next few weeks and almost invariably will show increased earnings over the records of a year ago. A number of banks, it is expected, will show that the past year was a record one as regards earnings. The great difficulty faced by most of the banks during the past year was in regard to circulation. The emergency clause allowing them to increase their circulation by 15 per cent. during four months has been found totally inadequate to supply the banks with the necessary funds for the many large enterprises demanding capital. It has been suggested that the banks overcome this difficulty by increasing their capital, but this is not a feasible plan. Banks cannot profitably employ an unlimited amount of capital. Once this capital was issued and paying dividends the bank would be forced to continue to employ the money throughout both good and bad years.

For various economic reasons it is impossible for a bank to go on indefinitely increasing its capital. Up to a certain point this can be done with advantage, but a point is eventually reached where additional capital will prove a detriment instead of an advantage. There is also the question whether the public would keep on indefinitely assimilating new capital. At the present time the average yield of bank stocks in Canada is but a trifle over five per cent. When one takes into consideration the fact that the holder of bank stocks is subject to the double liability call, a return of five per cent. on your money is not any too attractive. Especially is this true when good industrials, tractions and other stocks with ample security will yield six and seven per cent. It has been suggested that the banks increase the popularity of their stocks by paying larger dividends. This would be all right to the present holders of bank stocks, as there is no doubt the stock would advance in anticipation of a larger yield. It would not, however, help the new investor, as the stock would advance to such a price as to make it return about the former yield of five per cent. There does not seem to be any way of overcoming the problem of increasing the circulation except some such scheme as is in vogue in Scotland, where banks are allowed to issue circulation against their gold reserve. We have reason to believe that some such clause will be put into the revision of the next Bank Act.

It is a matter of gratification that the banks have been prospering. Earnings have been so satisfactory and the future outlook so good that during the year not less than nine of our banks increased their dividends. One of the banks increased its dividend twice during 1911. The following is the list of banks which increased their dividends during the present year:—

Canadian Bank of Commerce	9 to 10 p. c.
Bank of Hamilton	12 to 13 p. c.
Metropolitan Bank	8 to 10 p. c.
Bank of Nova Scotia	12 to 13 p. c.
and later from	13 to 14 p. c.
Imperial Bank	11 to 12 p. c.
Banque de Hochelaga	8 to 9 p. c.
Bank of Toronto	10 to 11 p. c.
Merchants Bank	9 to 10 p. c.
Northern Crown	5 to 6 p. c.

These nine increases compare with seven for the year 1910. In that year the following increases were made:—

Merchants Bank	8 to 9 p. c.
Bank of Ottawa	10 to 11 p. c.
Molsons Bank	10 to 11 p. c.
United Empire Bank	4 to 5 p. c.
Canadian Bank of Commerce	8 to 9 p. c.
Royal Bank	10 to 11 p. c.
Later to	12 p. c.
Union Bank	7 to 8 p. c.

The highest rate being paid at the present time is 14 per cent., while the lowest is 6 per cent., the average rate of interest being 5.1 per cent.

We are firmly convinced that neither the increase of capital nor the increase in dividends will permanently overcome the need of circulation. This can only be overcome by the issuing of money (counters) against the gold reserves. The banks have plenty of reserves, but they need more money during certain periods of the year.

THE BANK OF MONTREAL.

THE annual meeting of the Bank of Montreal held this week aroused more than usual interest. This was partly owing to the fact that the past year was the best in the bank's history and partly because it was announced that Sir EDWARD CLOUSTON, the general manager, would retire, to be succeeded by Mr. H. V. MEREDITH. Another point of unusual interest was in connection with the readjustment of the values of the bank's premises. Up to the present year these had been placed at $600,000, but during the year a new valuation had been made which placed the figure at $4,000,000. The increase of $3,400,000 has been employed partly to increase the Rest account, which is now equal to the amount of the bank's paid-up capital, while the surplus has been carried to Profit and Loss account. The profits for the past year amounted to $2,276,518, making a new high record in the history of the bank.

One of the most interesting features of the annual meeting of the Bank of Montreal is the President's address. Owing to its large number of branches scattered everywhere throughout the country, its position as Canada's premier bank, and the close connection which it has with all classes of industry, enables the Bank of Montreal to secure exact information regarding the progress of the country. The address of the President is, therefore, an authoritative utterance regarding the financial, commercial and industrial status of the Dominion. This year's address was optimistic, expressing satisfaction not only at the progress made throughout the whole of the Dominion, but was full of confidence regarding the future prospects of the country.

In reviewing the year's business, Mr. ANGUS spoke in part as follows:—

"The business of the bank has been fairly prosperous during the year, although the employment of spare funds in call and short loans has been less productive than usual, owing to the low rates prevailing in New York and London. The money markets of Great Britain and the continent of Europe have taken freely Canadian bonds and stocks, municipal, railway and industrial. During the year under review Canada has had a period of great prosperity in almost every department of trade and commerce and has undoubtedly added largely to her permanent and productive wealth. Manufacturers have been fully occupied and new industries of every description are springing up in all parts of the Dominion." In speaking of emigration, Mr. ANGUS pointed out that Canada during the past year attracted 348 633