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FINANCIAL REVIEW.

The figures of the Bank Statement for June, as given last week, present the same evidences of continued growth and prosperity that have characterized them in so marked a degree for many years back. Yet it is most satisfactory to find that there is little or no evidence of that over-trading, over-lending and illegitimate expansion, which is sure to be followed by reaction and possibly by revulsion. It is certain that all the legitimate money requirements of commerce are being abundantly met, and that no man who has good paper to offer, or is engaged in a sound enterprise needing temporary loans, has been, or is being turned away by reason of a scarcity of bank funds. Complaints of refusals to lend, or discount, there have undoubtedly been; but such refusals are taking place at all times; and for the very good reason that there are always persons desiring to borrow money from banks who do not deserve to have it. But there is no undue pressure of this character on the banks, and no great wave of commercial "boom," or speculation sweeping over the country such as has, at other times,

caused ordinate demands to be made upon the resources of the banks. From this, of course, we must except stock speculation; but loans on stocks, in a large majority of cases, so far as the banks are concerned, have been kept under strict control; and so managed as in no degree to interfere with legitimate commercial requirements.

The fact is, that banking in Canada has long passed the experimental stage when experience had to be gained at severe cost. It is now on settled foundations; its peculiarities are well understood, and it is largely in the hands of men who understand not only the theory of banking in general, but the practical requirements of banking, as applied to the circumstances of Canada.

And this leads to the consideration of a very important problem which is even now coming to the front; namely, the provision of the large amount of money required to move our crops to market, that is, practically to provide the current funds wherewith to pay the farmer. It should always be borne in mind that the first movement of the crop must be met by actual currency. When grain or other produce gets into the hands of the merchant, all subsequent movements can be carried on by means of cheques, or bills of exchange. But for the farmer nothing will answer save actual currency. Of this, as everyone knows, two kinds are to be found in Canada; bank notes and Government notes; the amount of both being strictly limited by law. And very properly, for an unlimited power to issue notes could not possibly have any other effect than for the notes to depreciate in value. The experience of last year, however, proved that the limit imposed by law required to be enlarged. In the case of many of the banks, this requirement has been met by enlarging the capital, for their circulation is limited to an amount not exceeding the amount of the paid capital. An additional circulating power of several millions has thereby been secured, which may prove sufficient, along with what is about to be mentioned, to tide the country over the approaching autumn and winter.

This resource, however, is not available in the case of Government notes; nothing but an Act of Parliament will avail to widen the limit here. The Finance Minister has therefore taken the matter up, and introduced a measure for increasing the circulating power of Government in respect to promissory notes. The exercise of this power, however, requires to be jealously safeguarded, so as not to interfere on the one hand with the circulation of the banks, nor on the other to transgress the limits of safety. With regard to the latter, our judgment is that the moving up of the limit from twenty to thirty millions, with the same ratio of gold and securities as before, will meet all reasonable requirements; it being, of course, understood, that dollar for dollar in gold is to be held for any excess, beyond the limit. And, by the way, we cannot but commend the judgment that has suggested the making provision of a reserve against savings bank deposits at the same time. This has long been needed. As to the form of this reserve there may be different opinions; but of the thing itself there can be no question. But now with regard to the question of non-interference with bank circulation, this is more