

BANKING REVIEW.

The figures of the Bank Return for the past month, as given in our last issue, all indicate a healthy and steady growth in the business of the country. The banks have increased their loans and discounts by a million and a half dollars: a natural movement at this time of the year when operations in the woods are requiring considerable expenditures and stock of produce of all kinds require to be carried over during the winter.

The reserves of cash and available moneys in the hands of banks have been drawn upon to meet this demand, thus adding, of course, to the profits of the banks. Money lying idle has been put out at interest.

The circulation has been redeemed to the extent of \$680,000, the liabilities of the banks to the public being thereby decreased.

An increasing line of discounts is not always a source of permanent profit to the bank. It is very easy on lending a given amount of money to lose the whole of the profit that may accrue therefrom, and an increase in lines of discount sometimes indicates a departure from those sound principles of banking, which experience has demonstrated to be essential to safety. Many a large and prosperous institution has fallen into the error of unduly enlarging its loans, and has thereby been brought into difficulty when a demand from its depositors or noteholders has set in. For it should never be forgotten, either by the public or by bankers, that the larger part of money lent by a banker belongs to other parties. Much of this money is only payable by a banker after notice has been given him. He is thus allowed to call in the loans which he may have made, and so meet the demand made upon him. But very large sums are in the hands of all the banks which are repayable on demand. The whole of the vast sums in the hands of banks which are subject to be "chequed" must be paid out at once. And the whole of the circulation of a bank must be redeemed the moment it is presented.

A banker is, therefore, constantly under two influences proceeding from opposite directions. He must lend money and discount bills, otherwise he cannot earn a sufficient profit on his capital. He is constantly under the pressure to lend as much as he can, for this very reason. If the members of the board of directors are sluggish and quiescent, and do not earn reasonable profits, they will be called to account by their stockholders, and also by an omnipresent public, who weigh and measure the position of every bank and buy or sell its stock accordingly. Self-interest, therefore, strongly presses upon every board of directors to lend all the money and discount every bill they can. What presses upon the board of a bank presses also upon all of its officers who meet the public. Every manager is under pressure for his own interest to lend all the money he can, for only by so doing can he make his branch profitable, and his own position and chance of advancement secure. Besides all this, there is a constant pressure from without: numbers of persons are con-

tinually asking the bank (some of them with great importunity) to loan them money, and at times are bitterly offended if they are refused. Both from within and without therefore the pressure of this current of influence is steady and strong.

But there is a steady pressure, equally important, from another quarter. The banker has hosts of people who draw money from him every day of their lives. No banker knows exactly at the beginning of everyday how much money he will require to meet the demands made upon him. And in spite of a careful adjustment of averages by which he can calculate in general what may reasonably be expected, every banker, at times, finds out the truth of the French proverb, "it is the unexpected that happens." He is bound, therefore, to keep a large margin for this "unexpected" element. For the moment a banker cannot pay clean across the counter, on the spur of the moment, the money his customers can rightly ask of him, he must close his doors and wind up his business. This tremendous contingency is an ever present one to every banker who understands his business. It thus happens that he is bound to restrain himself in lending money, no matter how desirable the transactions are that are offered him, and no matter how much profit he could make out of them. If he lends too much he will run himself bare of money, and bring himself to the very verge of stoppage and destruction. The total therefore of a banker's loans, as compared with the total of his available money is a question of daily and pressing moment. Many an improvident banker who has forgotten this and has been tempted to enlarge his loans, and still enlarge them, has been brought up short by a heavy drain from depositors which he could not meet, and which compelled him to bring his business to a close. In the case of joint-stock banks the losses to unfortunate stockholders in connection with this course may be imagined, and for illustrations we need not travel beyond the bounds of our own country. This is the real reason why prudent bankers watch not only the totals of their own loans, but the total loans and discounts of the whole country, the "sum tottle of the whole," as old Mr. Hume used to call it.

For bankers, and especially the larger ones, know that the total discounts when viewed alongside the total calls that may be made upon the banks for money, and the amount of money they have to meet such calls, is a matter of interest in the whole banking community. No one bank can act imprudently and suffer for it, without great danger of entailing suffering and disaster upon others. If a bank fails, numbers of its customers are sure to fail. If they fail they drag others down who are customers of other banks. So the circle of disaster goes widening on until the wave has spent itself, often after months of anxiety, suffering and loss on the part of those who are perfectly innocent of any imprudence on their own part.

These considerations explain what some persons find it hard to understand, namely, why the banks insist so strenuously on the

repayment of advances at certain times. The security, say these objectors, is perfectly good; why then is the bank not satisfied? Why do they want their money? If they got their interest surely they should be satisfied. The reason is two-fold. A banker sometimes wants to satisfy himself that the loan is good, and no more conclusive mode of testing it can be found than repayments. But principally, bankers insist upon repayment of loans because it is only by such repayment they can provide the money that they are called on to pay every day of their existence. Every banker arranges his loans in such a way that he can calculate the money at such and such a time. So it comes to pass that every day he has money falling due to him just as he has every day to pay demands upon him. It is on the harmonious working of these two factors that a banker's comfort and safety depend. It is obvious, then, that if payments due to him on a certain day are not made, to that extent an untold and embarrassing element will be introduced into his business. Men should never borrow money from a bank without making careful calculations beforehand about their ability to pay, and when once they have agreed to repay they should rigidly adhere to the agreement.

ABSTRACT OF BANK RETURNS.

31ST DECEMBER, 1886. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in other Prov's	Total.
Capital paid up..	\$ 35,930	\$ 17,590	\$ 8,243	\$ 61,763
Circulation	16,697	11,367	4,300	32,364
Deposits	57,019	42,150	12,102	111,271
Loans & Discounts	83,575	61,130	17,360	162,065
Cash and Foreign balances (Net) ..	24,124	9,681	4,830	38,608

31ST DECEMBER, 1886. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in other Prov's.	Total.
Capital paid up..	\$ 35,203	\$ 18,227	\$ 7,800	\$ 61,230
Circulation	17,295	12,392	4,891	34,578
Deposits	53,958	45,544	12,628	112,130
Loans & Discounts	87,834	65,251	17,617	171,702
Cash and Foreign balances (Net) ..	18,429	9,165	4,693	32,287

THE RETIRING PRESIDENT OF THE BOARD OF TRADE.

The speech of Mr. Darling, the retiring president of the Toronto Board of Trade, covers the commercial situation with marked ability. Most of the subjects touched on have been discussed in these columns during the year, generally in the sense in which Mr. Darling approached them.

That gentleman is in favor of a railway commission, a subject on which great diversity of opinion exists. But he cannot be wrong in claiming from railways uniform treatment of individuals, and the "removing from these corporations of the power, without redress, of building up one man or the prosperity of one particular point at the expense of others." Nevertheless, individuals appeared before the Royal Commission in Toronto, to defend the contrary of this, and