

7. In their insistence on the rule that a man shall borrow from only one bank, the banks have done more than appears on the surface to make their system a unit. If a merchant is refused credit at one bank, he finds it practically impossible to get help from any other. This rule certainly makes the 29 banks of the Dominion, from the borrower's point of view, a single institution.

8. There is practical unanimity of opinion among bankers with regard to business conditions and the outlook....."

THE MERITS OF THE SYSTEM.

The Canadian banking system, says Professor Johnson, possesses features of extraordinary merit, adapting it admirably to the needs of the country which it serves. But would Canada's banking system stand a real strain?

"Is its gold reserve large enough? Does it not depend too much on London and New York? If England should withdraw her invested capital, or send no more, would not this banking system break down? Questions of this sort, which are sometimes asked, imply that Canada's system contains a weak, but hitherto undiscovered spot, and most of the critics are inclined to think it lies in the smallness of the gold reserve. In the writer's opinion Canada's financial position is of the strongest. Comparatively little gold is needed for the reason that the banks have developed an almost perfect credit system. The people have unquestioning confidence in the credit instruments provided by the banks and never demand that they be converted into gold. Credit settles all debts between the banks and the public. Gold is used only between banks and in the foreign exchanges, and in the latter field a credit balance in London or New York is more useful than a stock of gold in Montreal or Toronto. If England and the United States some day suddenly stop sending capital to Canada, the country will undoubtedly suffer, but the notion that Canada will at once be called on to export large quantities of gold in payment for the imported merchandise now paid for with bills of exchange created by English investments, is crudely mercantilistic. Canada's imports, of course, would decline the moment English capital ceased coming, and the present 'unfavourable balance' of trade disappear. There is no likelihood, however, that Canada will cease to draw capital from abroad. It is estimated that England has sent her a round billion dollars in the last ten years, and prospects are much brighter now than they were in 1900."

THE EMERGENCY CIRCULATION.

At the same time the Professor thinks that the bankers of Canada may regret the use of their power to issue notes in excess of their paid-up capital, an arrangement which, he considers, would have been entirely unnecessary if the banks within the last ten years had taken pains to see that the amount of their paid-up capital had increased in the same proportion as their business.

"In the ten years following 1899 the paid-up capital of the banks increased from \$64,000,000 to \$96,000,000, a gain of about 50 per cent. In the same period, the deposits of the banks grew from \$208,000,000 to \$640,000,000, a gain of 115 per cent. The ratio of capital to deposit liabilities was suffered to decline steadily during this period. Meantime the rest or surplus was increased from \$30,000,000, or about 50 per cent, of the capital in 1899, to \$74,000,000, or about 75 per cent, of the capital at the end of 1908. The banks have made the mistake of increasing their rest funds rather than their capital. During these ten years they added \$44,000,000 to the rest or surplus. If half of this sum had been added to the capital, the banks would have had in 1907 a total paid-up capital of at least \$110,000,000 and would have been abundantly able to satisfy the needs of that year. They would then not have been obliged to ask for the right to issue a taxed circulation, and would not have exposed themselves, as they have done, to the risk of having a tax imposed on all their notes. If it is right to tax the notes issued in excess of the paid-up capital, people are asking, why it is not right and proper that the banks should pay a tax on all their circulation?"

The tendency in Canadian banking, as in all forms of business competition, is unmistakably, Professor Johnson declares, towards combination, and he suggests it will not be surprising if ten

years hence Canada has fewer banks than now. On the question of bank inspection he thinks that logically the power of inspection ought to be vested in the Canadian Bankers' Association.

THE MOLSONS BANK.

The year which closed on the 30th September, 1910, was a period of notable expansion by the Molsons Bank, the general statement of its affairs as at the date named revealing marked progress of the most satisfactory character in every direction. During the period, the bank's paid-up capital, which at its jubilee in 1905 stood at \$3,000,000 only, has been enlarged from \$3,500,000 to \$4,000,000 and the reserve fund, which formerly stood at an amount equal to the paid-up capital has been increased to a figure considerably in excess of the new total of paid-up capital, viz. \$4,400,000. At 31st December last an allocation of \$350,000 was made to this fund and subsequently the amount of the premium realized on the new stock issued during the year—\$550,000 on 500,000 new stock—was also added to the fund making an addition to reserve during the year of \$900,000 in all.

Following, we present our usual table of leading figures for the last two years, in conjunction with the figures of 1905 when the Bank concluded its fiftieth year of operations:—

	Sept. 30, 1905.	Sept. 30, 1909	Sept. 30, 1910.
LIABILITIES.			
Capital paid-up..	3,000,000	3,500,000	4,000,000
Reserve Fund..	3,000,000	3,500,000	4,400,000
Circulation..	2,906,970	3,032,902	3,483,817
Deposits not bearing interest..	3,478,640	4,359,171	4,600,197
Deposits bearing interest..	16,806,024	22,796,980	26,682,242
ASSETS.			
Specific and Dominion notes..	2,021,376	3,142,847	3,592,895
Securities..	3,218,005	2,990,835	2,827,587
Current loans..	17,831,821	24,307,420	27,751,784
Call and short loans..	3,476,345	3,887,213	5,003,370
Total assets..	30,118,464	38,556,337	44,410,832

Thus within five years the total assets have advanced from just over \$30,000,000 to, approximately, \$44,500,000, and progress, it will be seen, has been especially notable during this last year. In the twelve months, assets have increased from \$38,556,337 to \$44,410,832; current loans from \$24,307,420 to \$27,751,784 and interest bearing deposits from \$22,796,980 to \$26,682,242. The bank has in fact, fully participated in the general expansion now going on throughout Canada.

The net profits for the year amounted to \$602,695, a considerable advance upon the 1909 total of \$493,480. From this there has been paid four quarterly dividends at the rate of 10 per cent. per annum; to branch bank premises \$16,137; business taxes, \$19,139; to officers' pension fund, \$10,000, leaving, with the allocations to reserve previously mentioned, \$115,188 to be carried forward on profit and loss account.

The statement is a gratifying one and as satisfactory doubtless to the President, Mr. William Molson Macpherson, and directors, and to the able General Manager Mr. James Elliot, as it will prove to the shareholders, when they meet next Monday.