

when the collapse will come. It has come in Australia with a vengeance. If the parties who furnished the money had reflected on the nature of the transactions, they could easily have foreseen what the outcome must be. Unless land and mines can be made to yield a return, the money put into them will be unproductive, and there will be no source out of which interest can be paid, much less a return of the capital secured.

#### BANKING REVIEW.

The year 1891 is so near to a close as we write, that although the last of the Bank Statements—that for the month of December—will not be published for a fortnight, we can enter upon a review of the salient features of business and banking as they have developed themselves this year.

Let it be noted, in the first place, that there has been no bank failure last year; nor was there one in 1890. What was unsound and rotten in Canadian banking culminated a year or two ago in the failure of that wretched concern, the Central Bank, an institution which would never have been permitted to exist if the Legislature had acted with reasonable precaution in the premises. It is a satisfaction, however, that owing to the careful provisions of our banking law, making bank notes a first charge on the assets, the bills of that bank were all redeemed within a short time of the stoppage. It is a further satisfaction, so far as the public is concerned, that the depositors of the Central Bank have been paid 93%; but the heavy loss to the stockholders will be a source of very bitter reflection to a number of confiding people as long as they live.

During the present year, too, the last, or nearly the last of the assets of the Exchange Bank of Montreal have been realized. The public had a glimpse of the style in which the money of the unfortunate depositors of this concern was lavished in enormous amounts to reckless borrowers, in the publication of the names of the final debtors of the concern, with the amounts they respectively owed. It is a significant commentary upon the methods of that bank that debts to the amount of hundreds of thousands of dollars were disposed of finally at auction for "a mere song." The lessons of these two affairs are bitter enough, and it will doubtless be a long time before the public can be inveigled into subscribing stock for a new bank in Canada, even if parliament can be induced to grant a charter.

In judging by the banking returns, the condition of Canadian banks during the year has been one of quiet prosperity. There have been no "leaps and bounds" about the business of banking this year—that is certain. On the other hand, we are not aware of any great disaster having befallen any of the banks individually, nor do we think that the average of losses has been higher than usual, taking them as a whole. That this average of losses, taking one year with another, is far more than is desirable, we have often said: we must repeat it now, and emphasize the fact that a large

part of such losses is to be traced to unreasonable competition. For such competition leads to bad banking methods, to poor loans, heavy advances to weak concerns, advances without security, and eventually to lock-ups and losses. This competition ultimately leads to nothing in the way of profit, for if rates are cut by one bank to attract customers, other banks must follow the same course of cutting to protect themselves. And if the competition take the much worse form of easy lending, indifference to security, or large sums to men of small capital, other banks are driven in these directions also. This cutting and driving, and pushing for business, therefore, has no profitable termination, but invariably tends in the other direction. If the new Bankers' Association, recently formed, could bend its energies towards a reform of the methods of banks in lending money, and could bring about a change for the better, they would do the whole body of bank stockholders and the whole mercantile community a most valuable service.

In speaking of the year having passed without banking disaster, we are well aware that the seeds of banking disasters in the future may already have been sown in the operations of the year, or even last year. Numbers of loans now on the books of banks that have been considered good, may be the source of heavy loss in time to come. That is a common experience. Nothing but incessant vigilance can prevent the quality of loans from deteriorating, owing to the changing circumstances of borrowers; and it is perfectly certain that the sound rules of common sense and banking experience which guide conservative bankers cannot be violated by anybody with impunity. The pushing and dashing banker generally comes to grief. And so does the banker who pays more for the use of money than it is worth, and lends it either for less than it is worth to a few good borrowers, or, as is generally the case, at high rates to the impecunious and untrustworthy.

Money has been throughout the year plentiful enough for all reasonable purposes, and no good borrower has been turned away from any banking door because money was too scarce for him to get it. There has in fact, in the money market generally, been neither plethora nor scarcity, on the whole perhaps the best condition of things possible.

The clouds that were hanging over many lines of business up to the time of harvest are likely to be dissipated as the realization of our splendid crops takes place. But it will take more than one year of good crops to put every line of mercantile business in a sound position. The number and amount of failures this year have been far too large for comfortable trading. We have little doubt that the profits of a good many concerns have been entirely swallowed up in necessary charges and losses by bad debts. In fact the question of bad debts has come to be the crucial one in nearly every mercantile establishment. Profits are continually cut down by competition, while charges are continually increased from the same cause. The margin of merchants' net profits tends therefore always to de-

crease. Unless, then, losses by bad debts can be kept at a correspondingly low figure, the hope of an ultimate residue of profit has to be abandoned.

Taking the condition of the country after all, as reflected in the leading bank items, its position has considerably improved. Circulation is \$1,100,000 more; deposits are nearly \$20,000,000 more—an enormous increase, partly owing to transfer from the Government Savings Banks. But this is only a very partial cause. By far the greater part of this sum of \$20,000,000 represents a real addition to the savings of the country. The banks as a whole have kept themselves continuously in a strong position. But this cannot be said of every member of the fraternity. A review of the banking returns during the whole year shows many instances of undue expansion of discounts and undue contraction of reserves. This ought to be corrected if we would have a prosperous year in 1892.

#### THE CIVIL SERVICE.

We continue to receive letters from different quarters referring to the subject of the incivility of certain public employes, and the too considerable proportion of incompetents whom the country pays. One correspondent in the Maritime Provinces, who signs himself "Civis," speaks well of the sentence in our issue of 14th instant, which says: "Unfortunately, it seems that there will always be some snobs in the public departments; they cannot be entirely got rid of; but they can be, and they should be made to understand that they owe the public not only good service, but civility." This, according to "Civis," "strikes the nail on the head, and it is to be hoped it will be driven home and clinched, if I may so speak, for it is true."

Another man, who has apparently been himself a civil servant, writes that our articles must please and encourage every civil servant who tries to do his duty, and is capable of filling a position of any importance. A letter written weeks ago on the subject has the following sentence: "The writer for one—and he thinks in this respect there are countless numbers with him—would be inclined to support to the utmost a political party that would pledge itself to suppress that insolent spirit, so often keenly felt by our sons and daughters, and as often displayed by many (not all) public officials, who, in plain English, do not know their place."

The letter we print to-day gives, as other letters received from actual employes have given, confirmation, if such were needed, of the lack of capacity in certain well-paid officials. It reveals a state of things which is plain enough to any one who has ever spent an hour or two in a public department, and observed the foolish, time-serving conduct of some and the intelligent industry of others. Then as to the snobbish employe, "Civis" asks that we have an article on the insolence of office, and proffers us some hints towards it. Insolence can be borne from some quarters to a certain extent; but when it is evinced by petty Government officials towards the very peo-