

Flax .. ..	115,290
Flour and Meal .. ..	2,671,824
Hay .. ..	690,033
Hops .. ..	126,015
Malt .. ..	205,260
Peas .. ..	1,246,162
Oats .. ..	180,342
Green Fruit .. ..	264,015

Our exports of foreign goods are made principally to the United States, and the extent of our operations has increased in a marked manner during the last few years. At the beginning of Confederation, "goods not the produce of the Dominion," did not figure in our table of exports to the extent of \$4,000,000; last year, as may be seen above, they ran up to nearly \$13,000,000! These goods were no doubt handled by our merchants at a profit, and we see no good reason why this department of our trade may not be still further augmented.

Our imports in 1871-72 were undoubtedly excessive. The best evidence of this is to be found in the monetary stringency which has for some time existed, and of which the payment for foreign goods has been one of the chief causes. The returns are thus given:—

Goods paying specific duty .. .	\$3,061,675
" " & ad valorem .. .	7,467,825
" 25 p. c. ad valorem .. .	934,393
" 15 " " .. .	49,111,574
" 10 " " .. .	1,061,113
" 5 " " .. .	4,121,898
Free Goods .. ..	36,405,428
Coin and Bullion .. ..	2,753,749
Foreign Reprints .. ..	4,221
Add British Columbia .. ..	1,767,068
Add Manitoba .. ..	1,020,172
Total .. ..	\$107,709,116

These heavy importations from abroad embrace many articles which might be produced in Canada, and there is no use attempting to disguise the fact that several of the classes which expanded so largely last year came under the head of "luxuries." Considering the expansion in our imports during the two previous years, amounting in round numbers to \$20,000,000, the quantity of cottons, woollens, fancy goods, silks, satins, velvets, carpets, shawls, &c., we imported last season was simply enormous, and it is a wonder that more business troubles have not resulted. The country has borne up pretty well so far under this reckless importing, and we have hope that our merchants—and indeed all classes—have seen the danger in time to prevent very serious commercial difficulties, for the customs returns this season indicate more moderation and caution in purchasing abroad. Were this not the case—were our importations, more particularly in luxuries still mounting up at the same rapid pace as during 1871-2—the business outlook would be of the most gloomy character.

Free goods, it will be seen by reference to the statistics given above, comprise about one-third of our total importations. A very considerable number of articles come in under the free list. The following statement embraces the more important of them, with the value of each, brought into the country during the year under consideration:—

Nitre, Soda, Saltpetre, &c. ..	\$366,012
Cotton Wool .. ..	392,322
Nets, Seines, Hooks, &c. ..	270,095
Hats, Boot and Shoe Material ..	363,267
Cables, Cordage, Sail Cloth, &c. ..	698,383
Iron—scrap, pig, bars, blooms, &c. ..	2,423,851
Railroad bars, frogs, &c. ..	3,005,529
Steel—wrought or cast .. ..	624,926
Copper and Iron Tubes, &c. ..	380,840
Coal and Coke .. ..	2,015,247
Flour of Wheat and Rye, &c. ..	2,604,644
Wheat .. ..	4,450,404
Indian Corn .. ..	3,778,256
Other Grain .. ..	303,775
Salt .. ..	312,251
Wool .. ..	1,661,235

By comparing the latter portion of these figures with those previously given relating to our exports of agricultural productions, it will be seen that our imports of wheat, flour, and Indian corn, which are wholly from the United States, almost exactly correspond with our exports of wheat, flour, barley and rye. The difference is less than \$800,000 on an exchange of nearly eleven millions. These figures are calculated to mislead, however, unless the reader bears in mind that *our* sales of flour and grain to the Maritime Provinces no longer appear in our trade returns, whilst those of the United States do, and that although entered among our regular imports, the greater portion of this American grain and flour does not enter into consumption in the Dominion, but only passes through it on the way to the markets of the world.

#### BANK RESERVES.

The liabilities of a bank are for the purposes of practical banking, divided into two classes, so as to distinguish those items which are payable on demand from those which are payable only after notice. It is a well understood principle, applicable to the conduct of a bank of issue and deposit, that in order to ensure safety it is necessary to have on hand an amount of ready money equal to a pretty large per centage of the demand liabilities. Were it possible that all the bills of a bank could be presented, or that the deposits on demand might all be wanted in a single day, it would be necessary to keep dollar for dollar; but the nature of the case renders that practically impossible, and experience has proven that no such contingency need be provided against. What per centage, then, should be kept in hand? On this point

there is great diversity of opinion; and no arbitrary rule can be laid down that would meet every case.

In the year 1868 answers were obtained from various bankers and business men to a number of questions relating to banking subjects. One of these was the proportion of specie reserve that ought to be maintained. On this point one banker gave this as his opinion, "That there be a specie reserve equal to about one-fourth of the amount of the notes in circulation, and one-seventh of the amount of deposits." Another said: "Not less than one-third of immediate liabilities ought to be held in specie and legal tender notes." The manager of a country bank thus expressed himself: "In the country banks experience has proved that a steadier proportion of the line of deposits and circulation may be relied on than in the cities; consequently a smaller reserve of specie is required in the latter. From 15 to 20 per cent was formerly held. I do not think a higher per centage is necessary now." The cashier of a bank in Quebec said: "A demand for settlement in gold or legal tenders at all the agencies of an extended bank, would require that bank to keep at least one-fourth of the amount of its circulation and of its ordinary deposits as a reserve."

The foregoing were the most direct expressions of opinion then elicited. On looking over the last statement, and noticing the position of the reserves, it became apparent to us that no harm could be done by calling the attention of managers to the rules of safe banking on this point, and placing before them the results, which an analysis of the returns give, as touching this subject. During prosperous seasons the utility either of a specie reserve or a rest fund does not become fully apparent. There is a tendency at such times to allow reserves to run low by imperceptible degrees; and to forget that a storm may arise at any moment at which time only the necessity for such a fund is seen. The danger of falling into an error that might not be inaptly termed "fair weather banking," is one that ought to be carefully shunned.

The following figures show the per centage of legal tenders and specie to demand liabilities held by the banks named on the 31st May:—

Name of Bank.	Per centage of Reserve to demand liabilities.
British .. ..	.48
City .. ..	.21½
Commerce .. ..	.30
Dominion .. ..	.12½
Eastern Townships .. ..	.12
Exchange .. ..	.20½
Hamilton .. ..	.11½
Jacques Cartier .. ..	.21