

be wise to make it at first. Much depends upon whether the executive council be responsible or the reverse; and what is desired, in this respect, is not at all clear from the memorial of the North-West council. When an elective council and a responsible executive become necessary, the time to form new provincial governments will have come. The council desires to be vested with power to deal with the liquor question, under the B. N. A. Act, and to have the provisions of the Temperance Act extended to the territories, both of which requests will, before long, have to be granted.

### BANKING RETURN.

One of our customary comparative tables for October appeared last week. We now append our usual abstract by provinces:

#### ABSTRACT OF BANK RETURNS.

31st OCTOBER 1886. [In thousands.]

Description.	Banks in Que- bec.	Banks in On- tario.	Banks in other Prov's.	Total.
	\$	\$	\$	\$
Capital paid up..	35,210	18,150	7,796	61,156
Circulation .....	18,174	12,168	4,980	35,322
Deposits .....	54,778	44,802	12,709	112,289
Loans & Discounts	87,054	65,572	17,853	170,479
Cash and Foreign balances (Net)...	20,544	9,027	4,323	33,894

31st OCTOBER, 1887. [In thousands.]

Description.	Banks in Que- bec.	Banks in On- tario.	Banks in other Prov's.	Total.
	\$	\$	\$	\$
Capital paid up..	35,206	18,322	7,317	60,845
Circulation .....	19,186	12,768	5,058	37,012
Deposits .....	55,799	46,014	12,982	114,795
Loans & Discounts	93,193	69,497	18,886	181,576
Cash and Foreign balances (Net)...	17,859	5,399	3,885	27,143

Since our last review of the monetary position we have had to chronicle the suspension of a chartered bank. This is one of those events that does not come about by accident, or by what men call "bad luck." Banks suspend from one cause alone, viz., bad management; but of this bad management there are various kinds: there may be the bad management of lending too much money as a whole and keeping too little money in reserve, in entire forgetfulness of the fact that money that has been deposited may be called for, and that a bank has to meet said calls whenever they arise. It is here where experience and judgment come into play in contrast with ignorance and inexperience. If every one of a bank's loans were perfectly good, that would not prevent a bank stopping payment if it did not keep sufficient cash on hand. What a banker calls his "cash reserves" or *available resources* are the vital element in his business. There are well-recognized rules and principles in this matter, the product of thousands of items of experience in the business, in many quarters, and spread over many years. Any banker who disregards the teachings of experience on this point and seeks to manage his institution on methods of his own, will infallibly be brought to a stand at some time or other. This is a lesson that some bankers are apt to disregard; for in keeping it well in mind involves a certain sacrifice of profit. Every hundred

thousand dollars that is kept in cash or what is equivalent to cash involves a sacrifice of the profit that might be made by using it for discounting. Hence the strong temptation to manage a bank with as little cash as possible. As a matter of fact, in the present case, it has been apparent for some time that the bank was running on far too slender a line of cash in proportion to its liabilities. The management had laid itself out to get what are called deposits, i.e., in reality, to borrow as much as it possibly could from the public. It had thousands of people on its books to whom it owed various sums of money and the aggregate was four times as much as its capital. This immense amount with which the public trusted the bank was obtained mostly by offering a high rate of interest. In addition to this, the bank pushed a class of business which gave rise to the circulation of its notes, and this to an amount up to the limit imposed by law. These were additional liabilities that should have been guarded against. The law very properly imposes a limit on the amount of the notes a bank can circulate, seeing that the same law makes the notes a first charge upon everything the bank has, or can have, including the power to call on stockholders to pay up a double liability. The notes are a preferential claim and must be paid, whatever becomes of depositors and shareholders. This first charge would obviously be a farce unless its amount were limited.

Some curious questions might arise in case it was found on liquidating a bank that an amount of notes had been issued beyond the limit of the law. The case has never arisen; but our impression is that the whole of such notes in the hands of innocent holders would be allowed a preferential rank; but that the directors of such a bank would be required to pay in for the benefit of other creditors the amount issued in excess of its capital. The law makes no attempt to protect depositors, and very wisely, for all such attempts would be futile. In the present case it was not the large amount of deposits that caused trouble to the bank, as some people foolishly suppose. Nearly every bank in England and Scotland has a far larger amount of deposits in proportion to capital than the Central Bank had. The real difficulty in the first place was not providing a sufficient cash reserve. It seems to have been taken for granted that when money was once lodged at the bank there it would remain, the consequence was that when for any reason withdrawals of money became large the bank was unable to meet them.

There is another point, however, and an equally vital one: Bankers need to be careful not only how much money they had as a whole but how much they lend to any one person. Not only so but in what shape they lend it; on what security, and for what time. They need to look also at the probability of easy repayment. The larger the transaction the more all these points require attention. Large transactions may sometimes be of a perfectly safe character, when it is certain they are secure; that they will soon be repaid or that payment can be had by calling for the money or giving short notice of repayment. It is

generally understood in the present case that the bank carried two very large accounts amounting in the aggregate to nearly half its capital. Now, if the bank had lent the same amount on good bonds or stocks which could be realized at once they would have had all this to fall back upon when a demand from their depositors set in. But lending such enormous sums on long time, placing half their capital entirely out of their reach, locking it up in fact, has just resulted in what might have been expected. What general character the loans of the bank possess no one knows definitely but the officers of the bank itself. There appears to be some \$2,700,000 of discounts in all. What the outcome of these may be it is impossible to say. Rumor is busy, as usual, with reports of the bad quality of many of the loans made by the bank. It is very possible the result may verify these rumors. Where there has been bad management in larger affairs it is likely enough there may have been much indiscretion in less important ones. Time only will shew.

The whole affair is fraught with interest both to the banking community and the general public. Banking is evidently not a business to be played with. It is a pleasant thing no doubt to direct the affairs of an institution which has the disposal of millions of money, pleasant to be able to dispense favors and patronage in sundry forms, over a wide circle. When banking goes well and money is flowing freely in and out, and profits are mounting up at every point, it is an agreeable business enough. But it has some terrible responsibilities which are apt to be overlooked, until a storm arises and bursts. Occurrences like this bring up these responsibilities sharply. Directors and officers of banks are doubtless thinking seriously of this at present.

As to the other chartered banks of the country there has been the usual amount of gossip and foolish talk, especially about bank notes. The public does not seem to understand that the notes of Canadian banks are a preferential charge; they are a sort of preferred stock. It is therefore very absurd to set about refusing them. Public officials sometimes make themselves mischievously officious at a time like the present, sticking up notices in their offices without rhyme or reason that the notes of this bank or that bank will not be received by him. Needless mischief is also done by stupid letters and blundering press telegrams. Officials of public companies need sharply reminding of their responsibility in this regard. The suggestion has been made that if some of these busybodies were dismissed for the mischief they cause the warning would be salutary.

As to the general banking position, it is very much as we have foreshadowed for some time back. The demand for money on the part of borrowers has steadily increased. During last month the increase of loans was \$3,500,000. The increase of circulation and deposits enabled this demand to be met without difficulty. But when navigation closes and circulation begins to come in, unless the demand for money slackens the tightness which now prevails will doubtless increase considerably.