

BANKING REVIEW.

The condition of the Canadian banks on the 31st August exhibited a gratifying contrast to that which has been presented for some time back. There was a large diminution in loans and discounts, accompanied by a corresponding increase in available resources. This is also accompanied by a considerable net decrease in liabilities. The position therefore is stronger all round, as indeed it was desirable it should be. The position of the banks as a whole had become weaker than was prudent, and the outlook for the business of another banking year was not of a desirable character. It might appear desirable enough to those who take a superficial view of things. A large expansion of loans is always accompanied by a large increase of apparent profit; and nothing is more common than a sort of rejoicing over expanding profits, so called, with an entire forgetfulness of the increased risks attending them. The risk is of a two-fold character. Loans and discounts may be unduly expanded so that insufficient reserves are retained, and the position of a bank is endangered thereby. Most of the banks have kept fairly clear of this error for some time back; but it occasionally happens that a bank, in its eagerness to make profit, will stretch its advances at the expense of its reserves. This, if continued long enough, cannot fail to bring the institution into embarrassment. But there is another danger of expansion in discounts, namely, that a larger and more expanded volume of loans is more likely to embrace transactions of an inferior character. No banker of course will take up a transaction that he knows to be bad or even seriously dangerous. But there are many degrees of risk between absolute safety and a contingency of real danger; and a banker when in the way of extending his loans is apt to err on the side of accepting transactions such as under other circumstances he would pass by as undesirable. The reduction of discounts therefore means a reduction of risks as well as of profits. Experience shows that the net result of carrying a moderate line of loans is more satisfactory than that of carrying an unduly extended one, for while banking profits are made up of a vast number of small items, a single loss is generally expressed in figures of considerable amount, and is often such as to destroy the profits of a multitude of transactions.

The increase in circulation this year is rather marked as compared with the increase of last year, and indicates a far more active condition of internal business than was the case in 1888. And the harvest that has just been reaped and is now stored up in the country awaiting distribution or export will undoubtedly be the foundation of a very active business during the fall and winter. The circulation of the banks is largely employed in carrying on these operations, and as we have pointed out before, our system of bank circulation enables this to be done without the slightest disturbance to the money required to carry on other lines of business. If our bank circulation were analogous to that of the United States, there would invariably be a

heavy call for money at this time of the year of such a kind that it could only be met by drawing in funds lent to merchants and manufacturers. There would, in fact, be a periodical stringency every fall, accompanied by a rise in the rate of discount, a calling in of traders' loans, and serious embarrassment to many. A state of things analogous to this often transpires in New York at this time of the year, and the stringency of money now prevailing there is due in part to this cause. The operation of the United States currency law is to concentrate large masses of money in New York at certain seasons of the year, and to drain it off in large amounts at another. These disturbances occur periodically, and are inevitable where circulation is of a uniform amount, and does not fluctuate naturally according to the requirements of business. From such embarrassments Canada is free; and the large disbursements required to move the crop can be made without disturbing loans to traders and manufacturers. Whatever arrangements are made with regard to bank circulation in the renewal of the charters, it will be incumbent upon Parliament to see that this point of a natural expansion is duly provided for.

The important matter of price for the products of the present harvest will soon call for attention. The barley crop, which usually comes first to market and furnishes the most ready article of export, is likely to lag behind this year, in consequence of the low price prevailing for it at present. Into the final reason for the low price we do not care just now to enter. It suffices that the law of supply and demand is operating, and that between the two the price for barley is much below the usual average. When farmers get 50 cents per bushel for an average crop they are fairly remunerated for their labor. It may probably be said with safety that anything below 50 cents is a drawback, and anything above this is a substantial benefit. The present price hardly remunerates the farmer at all. The value of the article has got down to cost of production. No large deliveries can possibly be expected under the circumstances. Farmers who can hold, will hold. If by holding the foreign buyer can be induced to enhance his price, the farmer and the country will be the gainer. The wheat crop is appearing in the markets and the price is only moderate. Anything under \$1 a bushel is always accepted with dissatisfaction, unless the crop is a very abundant one. In that case 80 to 90 cents will be accepted in good humor. The crop is certainly not overabundant and the price will barely remunerate the farmer. Wheat is unlike barley in this respect, that the Canadian farmer has practically to compete with all the world in growing it. It is vain to attempt to influence or control prices when the article can be produced not only in the United States and Canada, but in England, France, Russia, and Hungary, as well as in India and Australia. For his wheat crop the farmer had better always take the current price of the market. Taking the quantity and price together, the monetary return of the whole crop is not likely to be

more than an average at any rate. It is a question if it will not fall under the average.

The crop of Manitoba will not sell for much more money than the crop of last year, although the quantity is so much larger.

The cheese product of the year will, however, make some compensation. There is a large production, and a large export demand at good prices. The export of cattle, too, has been large, and the value returned to our farmers will be very considerable, even at the low price prevailing.

With regard to the money market, that is at present in a normal condition. It is never safe to forecast the future, and we shall not do it except in very general terms. But there can be little doubt that during the coming banking year all who are entitled to bank credit will be able to obtain it. The mischief is, however, that so many persons obtain credit both from merchants and bankers who are not worthy of it at all, or who are at any rate not worthy of the amount they ask and obtain. This is the root of all the bankruptcies and failures that afflict the country.

ABSTRACT OF BANK RETURNS.

31st August, 1888. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in other Prov's.	Total.
Capital paid up..	\$ 34,414	\$ 17,780	\$ 7,930	\$ 60,124
Circulation	16,460	9,124	4,863	30,447
Deposits	71,102	46,802	15,215	133,119
Loans & Discounts	94,316	64,036	18,895	177,247
Cash and Foreign balances (Net)...	28,246	8,885	5,955	43,086

31st August, 1889. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in other Prov's.	Total.
Capital paid up	\$ 34,449	\$ 17,783	\$ 8,024	\$ 60,256
Circulation	15,927	9,861	5,302	31,090
Deposits	70,058	48,425	16,564	135,047
Loans & Disc'ts.	100,886	66,790	22,028	189,704
Cash & Foreign balances (Net)...	21,173	7,931	4,250	33,354

FIRE APPLIANCES IN MONTREAL.

The chief of the Montreal Fire Brigade has been taking a turn abroad, and makes public his views as to the position that city occupies with respect to fire-fighting appliances as compared with other cities. In his estimation neither Boston nor New York can compare with Montreal in water pressure. Neither of those cities has the large hydrants of the Canadian metropolis; they have only small ones, with one or two outlets. Strange to say, New York has no chemical engines, the chief of the brigade, Mr. Potter, not approving of them. But in Boston there are nine chemicals in use, and they think so highly of their value that more are being procured. New York city has fifty-six steam fire engines, and Boston thirty-four, both cities using the Amoskeag and the Clapp & Jones engines. Boston has a few Silsby engines besides. The horses in use in those cities are considered by Mr. Benoit to be not so good as those of the Canadian city, and that gentleman prefers the Montreal hose reels

ought would have a contrary effect on the outlook poor. On the whole, the harvest may be set down as at least as good as that of last year. There is no reason to fear that, unless great care is taken, the average of the grain crop will be less than that of last year. In Ontario, especially wheat, will continue to decline. There has undoubtedly been a falling off from the primitive yield of virgin soil, though it is something to be able to produce nearly as great a crop as in the United States. The margin of decline is probably altogether represented by the loss of the control of the cultivator at the control of the cultivator. The appliances at his command, but in a proportion, it is reasonable to suppose, has not always been made the most of. In the Province of Quebec the decline in the production of wheat is marked. From being able to produce a million of bushels in a year, at the beginning of the present century, it now produces enough for its own consumption. With this change, the position of the town population has had to do; an exhausting system of agriculture is probably more. A large and profitable decline of production, in any form, argues defective farming; and when the decline has been entered on, it is impossible to call a halt in the downward course. Is it possible to do so by methods of agriculture greater profit? That is the question for the farmer. In the old settlements he has to contend with the competition of new lands in remoter places; which cost little or nothing, which are cultivated for the plough without the pains of clearing wood lands, and of fencing is the most serious problem. In the new settlements, it is a question of the cost of the crops to market, and against a freight for long distances has to be diminished yield and higher rent in the settlements. It is probably a wise policy to take a fair proportion of farms from old to new settlements; for in any way it is possible to increase the production without reducing the quantity of the hands of each cultivator beyond what can be most economically cultivated. The size of farm that can be most economically managed is a problem to which the extension of costly machinery is giving a new aspect. Culture on a large scale is, for this reason, already on at a great disadvantage. What has been true of manufactures in the past has now become true of farming; profitable it can best be carried on on a large scale. A narrow jealousy somewhat in the way of the extension of the size of farms; but the question is which the principle of economy must be followed, or later settle, and the sooner the better. On the whole, Ontario agriculture is doing its own fairly well, though efforts at improvement would be in vain.

Halifax Gas Light Company has declared a half-yearly dividend of three per cent. The company has yet been declared by the Electric Light Co., which has the contract for lighting the streets of Halifax. The company, judging from the reports of the newspapers, does not give satisfaction to the people of that city.