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CANADA'S BANKING FACILITIES.

In last week's issue of THE CHRONICLE the matter of Canada's growing trade was dealt with, and some figures were given to show what measures the banks had taken to increase their facilities so as to be able the better to cope with the industrial and mercantile demands for credit. It will be worth while now to go more particularly into the question of the future. How will the banks handle the problem of the next five years? In what manner will they provide the resources necessary for keeping their customers supplied with adequate credits, and for maintaining their cash, call loans, and other liquid assets at a proper proportion of their liabilites?

It should be remarked, in the first place, that should an important industrial depression ensue, the bank resources would not stand much in need of replenishment. Then, instead of wanting to borrow and expand, bank customers would want to repay and contract. After it had been awhile in force the trouble of the banks would be that they had more money to lend than they could find borrowers for.

But at present scarcely anybody is thinking of curtailing operations, and nobody talks of it. Seemingly all are intent upon enlarging and extending. That circumstance adds pertinence to the question as to how the banks can add to their loanable funds.

In the first place what may be expected from growth of deposits? From 31st December, 1902, to 31st December, 1906 ,deposits of all kinds increased $252,600,000, an average of $63,000,000 a year. It should not be out of the way to expect a like increase in the four years to end 31st December, 1910. In all probability the growth of deposits will be at a faster pace, because in the natural course of events, outside capital will be coming in quantity, with the immigrants and for investments of various kinds. Such portion of this outside capital as comes in the shape of cash is reasonably certain to find its way, in one way and another, into the banks as deposits.

The growth of their deposits should furnish the most important relief. Roughly four-fifths of the new funds, or three-fourths, at the least, are available for loaning. But if things keep on the way they are it is pretty certain that the banks will be obliged to supplement these prospective gains by calling up new money from their shareholders on stock issues. This part of the question has most interest, and presents the more difficult problem. When money is in great demand all can press forward and do their utmost to augment their deposits. With new capital issues it is somewhat different. Once made they cannot easily be recalled or cancelled. Therefore it is natural that the bankers should want to be satisfied that they can find a *permanent* use for the new monies called up before they call them. This desire would tend to induce a slower movement along this line.

However, it seems pretty clear that most of the bankers are pretty well satisfied that they could find permanent profitable employment not only for what capital they have already issued, but for a good deal more besides. Outside the banks the opinion is quite decided that they could.

In the bank statement for May it is seen that the amount of authorized capital, excluding the Ontario Bank's $1,500,000, is $133,466,666. The amount of paid-up capital is $96,167,889. It would hardly be safe to count all of this difference, $37,298,777, as likely to be issued in the next two or three years. Glancing over the list of banks that have authorized capital in excess of paid-up capital,, it is noticeable that they may be divided into two camps—one containing the institutions that have been in the last few years, increasing first the authorized, and later on the paid-up capital ,in other words those whose capital accounts are kept open; the other containing the banks which some time ago fixed the authorized capital somewhat in excess of the paid-up capital, but have made no recent issues of stock, in other words those whose capital accounts may be regarded as temporarily closed. All the new banks except one are included in the first named class. Taking them in this way the banks with open capital accounts show authorized capital of $80,000,000 paid-up capital of $46,000,000, or an unissued margin of $34,000,000. The others show an unissued margin of $3,300,000. If general conditions remain as they are it is reasonable to expect that a considerable part of the $34,000,000 will be issued from time to time in the next few years. And besides, there will quite probably be further increases in the authorized and paid-up capitals of these banks and of some in the other class. The prospective increases promise to enable the banks to easily provide all the currency that will be re-