INCORPORATION has been applied for by "The Toronto Wire Mat Company," with headquarters at Toronto, Ont., and capital of $100,000, in shares of $100 each. "The J. F. Pease Furnace Co. of Toronto, Ont.," with capital of $12,000, in shares of $100 each; "The Powell & Jones Company, with headquarters at Peterboro, Ont., for the manufacture of stoves, tinware, etc.; capital $200,000, in shares of $100 each.

INCORPORATION has been applied for by "The City and Suburban Street Railway Company of Toronto," capital $150,000, in shares of $100 each; and by "The Molecular Telephone Company of Toronto," capital $500,000 in shares of $100 each.

SCOTTISH BANKING CHANGES.—The Scottish banks have resolved to make some important changes in the conduct of their business, to come into effect as soon as instructions can be sent up the different branches. Hitherto the rate of interest allowed on money placed on deposit receipt has never fallen below 2 per cent; but it would seem that at times like the present, when rates for money are so low, the banks have frequently been unable to get more than ½ per cent. on money lent in London at call. It has therefore been resolved that the rate of interest on money placed on deposit receipt may be reduced to 1½ per cent. The other change is one which affects more closely the commercial community. Interest has heretofore been allowed by the banks on money placed on current account calculated, in the option of the lender, either on the minimum monthly balance at one rate, or at a lower rate on the daily balances. The latter arrangement is now to be discontinued altogether, and only the monthly balances taken into account. Other changes contemplated are more to the public advantage. The lowest rate for discounting Scottish bills having not more than three months to run has been 3½ per cent. That is to remain unchanged, but two months' bills are to be discounted at 3 per cent. Four months' bills and those of longer dates have hitherto been charged for discounting at a higher rate than those for three months. The bills, however, for the longer periods are henceforth to be the same as those for bills at three months. It need hardly be said that the rates will vary as the price of money changes from time to time. Those matters have been considered at meetings at which each of the banks have had representatives, presided over by Mr. Wenley, of the Bank of Scotland, as representing the oldest bank —*Scotsman.*

TRADE DEPRESSION AND LOW PRICES.—It is not unpleasant to recognize that there are one or two signs of the present depression passing away. In the United States, where matters happen to have been worse than in England, the traffic of the railway companies has begun once more to increase. This is an excellent sign. Prices all round have also begun to pick up, sugar and many other commodities being all appreciably higher than they were some months ago. According to all experience, a period of low prices, like that through which the country has been passing, is invariably good for trade. The masses save more with low prices than they can do at other times, and these savings in time furnish an additional demand for commodities and additional employment for labor and capital by means of permanent investment. We should be surer of the immediate future if wages had fallen more than they have done, if, in other words, the adjustment of money wages to the low prices of commodities had been more complete. It is difficult, however, to meas re the precise degree of adjustment required, and the signs point rather for the present to a speedy recovery in trade than to a postponement of recovery until fresh adjustments have been made in respect of the wages of labor and the means of production employed.—Robt Giffen in *Cont. Review.*

Correspondence.

BANK ISSUES.

To the Editor of the JOURNAL OF COMMERCE.

SIR,—I ask permission to say a few words in explanation of my letter of 19th ult., and in reply to your criticism thereon.

In the first place, I must admit that I misunderstood your article on "Bank Issues." I took it that you were discussing the best method of arranging or securing these, and that you considered the system followed for the Bank of England the best to be adopted here. I now find that your method for reforming our Bank Issues is to abolish them altogether, and to substitute Government issues in their stead. This will account for many remarks which were only apposite in a discussion of Bank circulation.

That the Government *might* arrange and carry on a satisfactory system of paper currency is of course quite possible, but, I should say, highly improbable. Our experience of its action in regard to the present Dominion note issue should warn us against the change you recommend. Your own statements as to their departures from the sound principles of the original law respecting Dominion Notes are sufficient evidence of this, and I cannot admit, with you, that "no danger has yet been experienced from the changes made." No serious results have occurred, but that we have been in danger of them during the last year or two is notorious.

This gradual departure from sound principles is apparently inevitable when a government controls so facile a means for borrowing money; and I do not withdraw the statement that such a course is admitted "on all sides" to be fraught with danger. Direct Issues are opposed simply on the ground that experience has shown that a Government, with power to confer the Legal Tender quality on its Issues, will drift into a currency practically, if not in theory, irredeemable; and I am certain that, with the exception of the advocates of 'rag-money', the sense of the community will be almost wholly against you.

A Government department is not adapted for carrying on this business. It has not the machinery; it is not in daily contact with the people, as banks are; and, more than all, it has not, and cannot have, means for employing profitably, at short dates, any portion of the proceeds of Issues. It has therefore to use them in its ordinary expenditure, at great risk of not having funds to replace them when required, or it must keep them idle, in which case the country is actually a loser.

There are other results to be looked for: By destroying an important portion of banking profits, it would discourage banking, and lead to higher rates for money. This would inflict more loss on the business community than the saving of interest on the debt of the country would compensate.

I should point out here, as bearing on your whole argument, that, although the Bank of England issues are so controlled by law that they are practically those of the State, there is a vital difference between them and our own Dominion notes. They are BANK NOTES, and the Corporation is liable for every one of them. To refuse payment would be to commit an act of bankruptcy. The Government has no power to increase the issue, or to enjoy the capital created by it. It is precisely the absence of this check which makes Government issues so dangerous.

No adaptation of the English theory seems to me practicable in Canada, save that indicated in my former letter—that the issues against securities shall be divided amongst the Banks and the issues against bullion supplied by the Government. This is practically the manner in which the American system works at this very moment; and something very like it would follow from the adoption of Mr. Smithers' recommendation here. The maximum amount of the issue against securities would not be fixed as in England, but the necessity for maintaining convertibility would sufficiently limit it for the present. Until we have reached more nearly the "full measure of our stature" as a nation, a fixed limit would not be desirable.

The currency theories raised cannot well be discussed here, but I must object to your statement as to the effect of the annual expansion of our note issues on prices. The absence of such expansion would be quite likely to cause a depreciation, but the deficiency would operate precisely as might a shortage of cars for transportation, or exceptionally bad roads for hauling. The currency used is as purely a tool for handling and exchanging the grain as the cars which carry it. The price of the grain is fixed by the value in Liverpool, less cost of transportation, interest or the money employed, etc., and the merchant's profit.

As I said before, Banks may lend too freely, give too much credit, and so affect prices; but it is the credit which does this. It gives the borrower purchasing power, and it is evidently immaterial whether he exercises it by giving a cheque or by paying out the Bank's notes.

In the present instance what practically takes place is this: The returns from the harvest release or produce a large amount of capital. To the extent of the increase in circulation, this capital is borrowed by the Banks from the farmers, and lent to the merchants. The latter convert it into money, and repay the Banks, which in turn repay the farmers by redeeming their notes when called on. The whole transaction resolves itself into a simple purchase of the grain on credit, and payment therefor when realized, the Bank acting as the intermediary. There is an expansion of credit for the time being, but for a legitimate and natural purpose, and the expansion ceases when the purpose is accomplished.

It may be true that Banks, by facilitating credit for such business, and placing purchasing power in many hands, do increase the price paid to the producer, but I apprehend that this is one of the functions that render them so useful to the community, and one which they would still subserve even if their issues were cancelled. It is one of the ways in which they bring the producer and consumer into closer contact, to the great advantage of both.

It is quite likely that I do not understand Mr. Lowe's third law; at any rate I do not see how you can apply it to the National Bank currency, as you do. If the law is to be interpreted strictly,—namely, that there shall never be a greater amount of currency in the hands of the public than there would be if there were only gold and silver in circulation, then I cannot see any truth in it. If, for instance, paper currency in Canada or the United States were abolished, does any one suppose that people would carry about in their pockets, and keep in their shops and houses, as much in gold as they do now in Bank notes? If abolished in England, would gold take the place of the large Bank of England notes, which are so portable, and, comparatively speaking, so safe? If bank notes were abolished, their place would be taken almost wholly by cheques or similar instruments of credit. How, then, is such an equilibrium as this law requires, to be maintained? or, indeed, why should it be looked for?

Finally, I may be permitted to note what I think is an error in your second article on this subject,—as to the amount of banking capital which would be withdrawn by a change to secured issues. The cash reserve of all the banks is about 13 per cent on the circulation and deposits. A small reserve would be necessary under the new system, and no doubt a margin would be looked for in the bonds deposited. These would absorb the reserve now