

the deposits in the bank will exceed the loans. In another locality where business is brisk and money is in demand the deposits will not equal the loans. The bank takes from one branch the excess deposits and uses this excess in the branch where there is a deficiency. This takes place with many branches, the excess in one making up the deficiency in another, with the result that the difference in the rate of interest charged to borrowers in different parts of Canada, except just now in the Northwest, is largely accounted for by the express charges in sending money from one place to the other and by the loss of interest during transit. Of course, the prevailing rate in a community where the borrowings greatly exceed the savings will be higher than in a community where the contrary is the case, and where a rapid development is going on, such as in our Northwest, the interest rates will be maintained at a higher level than elsewhere, but even there the facilities possessed by the banks in obtaining and distributing money by means of their branches and the competition between them will keep down any excessive rate.

The Borrower

A proper banking system "should supply the legitimate wants of the borrower not merely under ordinary circumstances but in times of financial stress, at least without that curtailment which leads to abnormal rates of interest and to failures."

The branch system is almost essential in order that this requirement may be properly met.

I have not so far made any comparison between the Canadian banking system and that of any other country—time would not permit of this,—but I can best illustrate the division of the subject which we have now reached by referring to the conditions in the United States. There the branch system is not in force, and the result is that the excess of the people's savings in one community does not readily find its way to the place where a deficiency exists. Banks in the East, as a rule, have immense deposits, and lend largely to banks in the South and West, by rediscounting customers' paper and by direct loans, but this is very different from a bank, say in New York or Boston, sending to its branches in the South or West, the excess on hand, to be loaned direct to customers of those branches. The capitals and resources of most of the banks doing business in the thousands of towns and small