to the issue of notes it makes the issue of excess circulation a loss to such banks as take advantage of the law.

On the other hand it would be deplorable if the consent of the bankers to the tax on the excess notes were to lead to the taxation of the ordinary issues. Every borrower in the land would be injured if the ordinary bank note issues were taxed.

SUMMARY OF DR. JOHNSON'S PAPER.

Professor Johnson's paper runs to 200 pages, and, naturally, in our limited space, we can quote only the outstanding points of interest to which he refers. At the outset the Professor discusses the banking system generally, finding it a product of evolution. Regarding bank notes, he emphasises the fact that there is never any doubt as to their "goodness." On the subject of bank deposits he has this criticism:—

"Canadian bankers feel that 3 per cent. is too high a rate of interest to pay depositors. This rate is a matter of tacit agreement among the banks, and no single bank can afford to lower it, for such action would cause it a loss of business. On the other hand, if any bank, hoping to increase its deposits, should offer to pay 3 1-2 per cent. or 4 per cent., its conduct would be looked upon with grave disapproval by its competitors. Some of the new banks in recent years have obtained business in this manner, and have been severely criticized by the managers of the older institutions.

"To an outsider it would seem that the savings bank depositor in Canada is not generously treated. In the United States he gets 4 per cent. on his savings even in the large cities. In Canada, a country where real estate mortgages yield from 7 to 9 per cent. and the bonds of new corporations are selling at prices giving the investor a higher return than he can get in the United States, it is certain that a real savings bank could well afford to pay depositors 4 per cent. It is doubtless true that 3 per cent. is a higher rate of interest than most of the savings depositors in the chartered banks have a right to expect. A large part of these deposits are not savings deposits at all. Nevertheless, it is doubtful if the banks would be justified in a reduction of the rate.

"The right solution of the problem seems to lie in another direction, namely, in the making of a sharper distinction between demand and savings deposits. The funds received from both classes of depositors should not be treated alike. The money of savings bank depositors should be invested in bonds and mortgages and then could be made to yield a net return of over 5 per cent. If the depositors were not allowed to cheque upon their accounts they would be a source of such little expense to a bank that it could easily afford to pay them interest at the rate of 4 per cent. At the present time the banks are paying 3 per cent. interest on money which they are lending to commercial borrowers and for the care of which they are maintaining an expensive force of clerks. Depositors who have chequing accounts might be allowed 2 per cent. on large balances, but out-and-out savings depositors, people who make no use of the cheque book, are certainly entitled to a 4 per cent. rate in a country where invested capital is as fruitful as it is in Canada."

COMPETITION AND FACILITIES.

Professor Johnson refers at length to the question of the proportion of deposits and loans in the different provinces of the Dominion. He points out that a system of branch banks brings about a more even distribution of capital in a country than is possible under a system of independent local banks.

"The people of the East supply the capital for the development of the West, though many of them, perhaps, are entirely ignorant of the useful purpose their savings are made to perform. In the western cities of Canada, one hears no talk among business men about scarcity of capital. A merchant or manufacturer in Manitoba gets the money he needs as easily as does a merchant or manufacturer in Toronto or Montreal.

"Justifiable as the banks' policy is from a national point of view, one cannot help believing that the branch banking system has really checked the development of business and industry in the Maritime Provinces. If Canada during the last thirty years had depended, like the United States, upon independent local banks, there would have been a plethora of capital in the East, and Montreal, Quebec, and Halifax, like Boston, New York and Philadelphia, would, years ago, have had 4 and 5 per cent. money, while Winnipeg and other western cities, less populous than now, would still be paying 1 per cent. a month. The relative cheapness of capital undoubtedly helped build up the prosperous industries of Massachusetts. The same cause operating in the Maritime Provinces of Canada, would doubtless have led to the establishment there of industries of which the people under existing conditions have not ventured to dream."

Taking into account the uncertainties that necessarily attach to the development of enterprises in new localities, which add to the element of risk always involved in the loaning of money, it may fairly be said, concludes Professor Johnson on this point, that Canada has only one money market and one rate of interest.

THE SYSTEM'S STRENGTH.

Since the present system of banking was perfected in 1890, proceeds the writer, Canada has had no banking panic.

"She has suffered from periods of depression and hard times, caused either by short crops or by failure of outside markets to absorb her produce at satisfactory prices, but never from scarcity of currency, from runs upon banks, from business failures, or from the inability of banks to meet their obligations. It is impossible to escape the conclusion that the credit for Canada's immunity from panic and financial distress is mainly due to the character of her banking system."

THE BANKS AS A UNIT.

The ease of monetary conditions in Canada is due, the Professor thinks, in the first place to the elasticity of the circulation, and, secondly, to the solidarity of the banks, which, he thinks, may be almost regarded as one institution. In support of this thesis, he writes:—

"1. Over 50 per cent. of the banking business in Canada is done by 6 banks. One of these, the Bank of Montreal, has assets exceeding 20 per cent. of the total. Another, the Bank of Commerce, with head office at Toronto, has resources equal to 13 per cent. of the total.

2. The Bank of Montreal is the depositary of most of the government funds and among the people is commonly spoken of as the government bank.

3. The Bankers' Association, an organization created by law, is a medium through which the best banking opinion finds authoritative expression. Through this Association the banks keep advised of all pending legislation in any way affecting banking interests.

4. Bank managers are trained experts and each one has the expert's regard for a man who has had a wider experience or a better training than himself. As a result, no manager will venture far upon a policy which is regarded by his competitors as dangerous.

5. All the banks are equally interested in the unbroken prosperity of the country. The managers of the six largest banks, each having charge of over a hundred branches, are particularly watchful. They realize that speculative excesses in any part of the country will bring loss to them and must be discouraged.

6. On account of this mutual interdependence of the banks, no bank in Canada can hope to achieve success by striking out upon an absolutely independent policy, if such conduct is likely to meet with the disapproval of the banking fraternity. The business public, from which a new bank must get its support, has confidence in the management and judgment of the established institutions. A depositor may feel that he ought to get more than 3 per cent. interest on his balance. He may complain that his bank does not give him credit enough, or that it is not liberal enough in its collections. Nevertheless he would be reluctant to give his account to a new institution or to any institution, whether old or new, if it were managed by men not in good standing with the leading bankers.