

quer bills as a supplement to the note issues of the Bank of England. Happily for the money market, these bills are now being issued not to relieve monetary distress, but to provide funds to meet a grave national emergency without locking up capital by enlarging the national debt for a term of years. Had the Government so decided, they might have drawn upon the Sinking Fund for the entire cost of the war. But their confidence in the war being brief, and in being able to levy tribute on the Transvaal is so decided, the financing for the war was made of a temporary nature, leaving the permanent debt and sinking fund unaffected. What resources has the Transvaal to pay for the war? The revenue of that Republic is about \$23,000,000 yearly. A very large amount of this has been wasted on preparations for the present war. The great bulk of this income indeed which has not been squandered on arms, ammunition, etc., is believed to have found its way into the private coffers of Mr. Kruger and his colleagues, and most of the revenue has been derived from taxes paid by the oppressed Uitlanders.

An authority affirms that it will be an easy task for the Transvaal to find all the money needed to redeem the Exchequer bills' issue of ten million pounds sterling, so there seems little reason to fear any long continuance of whatever advance in rates has been caused by raising funds for the war. When peace is declared, as we believe it will be before winter is over, there will be a lively reaction from the strain and timidity caused by the war. The money withdrawn from mercantile channels will begin to flow back, the Exchequer bills will be gradually called in, and there seems every probability that the money spent over the war will prove, in the long run, to have resulted in the establishment of such conditions in South Africa as will add materially to British trade.

THE EVILS OF COMPETITION IN BANKING.

The very nature of a banker's business places him in such a position to his customers as to render competition between banks more injurious than in other spheres. Between two traders, competition may be kept up with positive benefit to both, and, at the worst, this rivalry will only reduce the profits of each, or lead them to unduly extend credit, the mischief of which is within a limited range. When, however, banks enter into competition, they are apt to give such an expansion of credits as leads up to the demoralization of business over a very wide area. One of the chief safeguards of trade is the care exercised by bankers in discounting mercantile paper. Every merchant and manufacturer who sells on time has constantly to submit the acceptances of his customers to the judgment of his banker, who buys them, or leaves them alone, according to his opinion of their value. This scrutiny of customers' paper by a banker places

at the disposal of every person who discounts trade bills, the matured judgment and wide experience of that banker, who thus renders to the trader an invaluable service as a controlling and advisory element. To maintain this service at its best, to enable it to be given most efficiently, it is necessary that the judgment of the banker should be absolutely independent. He ought to discount or refuse to grant extension of credit, or curtail them, strictly on banking principles. We are pleased to think he usually does so. When, however, fierce competition breaks out between banks there is an element introduced between banker and customer which reduces the independence of the former, and tempts the latter to use that competition as pressure to secure accommodation and discounts that under other circumstances would be refused.

Bankers are themselves traders; they deal in credit as others deal in merchandise; naturally, therefore, they do not like to see business pass their doors and customers' accounts withdrawn by the attractions of a rival. Thus they are sometimes induced to relax their rules, and to make their judgment as to paper more elastic in order to secure or retain business. Traders soon discover when they are getting the whip-hand of a banker, and use their opportunities without scruple. Bankers too soon find that one concession involves further ones. Bad paper seems to breed rottenness in a bank's bill case. A merchant who can get any paper he offers discounted begins to extend his business and give credit imprudently. The banker's vigilance being weakened by competition, he begins to discount doubtful paper, he loses control over his customer, and his salutary advice is not heeded when that customer is being solicited to transfer his account to a banker offering better terms. Then comes a period when the banker is largely at the mercy of the customer whose worthless paper, again and again renewed, is still held among the current loans of the bank, and the concealment of the true condition of things is the beginning of the end for manager, directors and all concerned.

The mischief one small bank may do in this way is very seriously out of all proportion to its power for good. One trader, for example, in a town may ruin legitimate business by holding a sacrifice sale. So one banker who cuts rates, who offers more for deposits than his neighbours, or who sells exchange below its market value, may not get any business worth having by his competitive offers, but he sets the whole body of customers at work to secure the terms he unwisely offers. Traders who assist such a movement may fancy they are having a good time, when they find bankers are subjects to moments of weakness under the pressure of rivalry. But in the long run it will be discovered that there is grave danger in easy terms of credit, and that the independent judgment of the banker, his careful scrutiny of trade paper and his judicial firmness are of incomparably greater value than any concessions that can be secured by competition between banks for the business of a trader.