

"I didn't see that procession, and I don't know that I particularly wished to," concluded his Worship."

The information that students of Toronto University—for we presume these are the students referred to—"throw stones at the soldiers every day" without finding their way to prison is also indicative of a liberty in the air of Toronto that will attract notice. The students, it would appear, divide with the soldiers the freedom of the city.

The remarks of Colonel Dennison leave room for a suspicion that he is not a very enthusiastic supporter of the prohibition cause. The fact that he was careful to say that he did not see the procession, and did not know that he particularly wished to, certainly is not calculated to lead the prohibitionists to count his vote as a sure one on the referendum day. But while prohibitionists may have no right to complain of this, since freedom of thought still exists, even in Toronto, the ordinary citizen may feel that magistrates are commonly supposed to be appointed to assist in the maintenance of law and order, and in the punishment of transgressors. This seems to be a view with which Colonel Dennison does not sympathize. What right have people to march through the streets of Toronto, carrying banners which Colonel Dennison does not wish to see? Or if they dare to think of such a thing, why should they intrude on the principal streets? Why not confine their march to the streets of the poorer classes who do not favor mob law? Why march through the streets lined with stately buildings dedicated to the use of students and soldiers? If misguided people will do such things they must expect to be

attacked by mobs. If a police officer, with ancient ideas concerning duty, arrests a man of the mob, especially a soldier, the prisoner must be promptly released, with an apology for the trouble that he has had. If by reason of some obsolete statute it be deemed necessary to impose a fine, the amount must be merely nominal, and the hat will be passed around to make the fine a sort of hero fund.

Colonial Drama in London

IT may be a compliment to the Dominions that they are at this moment the subject of two plays that are offered to London theatre-goers, but neither Australia nor Canada is likely to find satisfaction in what are presented as pictures of Colonial life. "Mrs. Pretty and the Premier" is a play in which a Labor Premier of Australia is pictured in a very ridiculous light. Now a so-called Canadian play entitled "The Love Thief," has come before the public, the chief scenes being laid in Toronto. From the reviews of the performances it does not seem that the authors of these productions have exhibited either literary merit or intelligent presentations of life in the Dominions.

Winston Churchill

WHAT a pity it is that a man of the ability and capacity of Mr. Winston Churchill is so lacking in discretion and ballast! In various capacities Mr. Churchill rendered good service to the nation, and proved his capacity

to do more. When he accepted a minor position in the British Cabinet to enable Mr. Asquith to form the Coalition, he did himself credit; and when, a little later, he retired from that office in order that he might go on active service he was keeping in a path that was appreciated by the public. His latest movement, when he came back from the trenches to make an attack on the Cabinet, and particularly on the naval department over which he had formerly presided, now under the direction of Mr. Arthur Balfour, Mr. Churchill made a grave mistake. Mr. Churchill's weak point apparently is a desire to be in the limelight. To pursue quiet paths in any field in which he may be is not to his taste. He must be at the front of the stage, and he is not as careful as he should be in the methods employed to place himself in the spotlight. Mr. Churchill's ability and his political connections will still mark him as a person of importance, but it is safe to say that his latest move has diminished his influence and his prospect of future usefulness.

A correspondent of the Toronto Mail suggests that the two cent postage stamp be printed in purple. This, he says, "would prevent confusion and would be in keeping with the postal conventions." There are many ways in which the present confusion between the two cent stamp and the alleged three cent stamp might be prevented. But in this matter the Post Office Department seems to have a supreme contempt for such things as public convenience. Mr. Casgrain, from whom better service was expected, seems to be incorrigible.

Why the Banks can Buy Government Bonds Freely

By H. M. P. ECKARDT

Now that the necessity has arisen for our banks to invest large amounts, perhaps continuously during the war, in the bonds of the Dominion and Provincial Governments, and of the British Government, the wisdom of Canada's official attitude towards the banks in past years in reference to investment of their funds becomes more strikingly apparent. It is well known that the responsible statesmen who guided our affairs during the past few decades have made it a point to refrain from forcing the bankers to invest a large proportion of their funds in these special securities. A number of other countries in Europe and America have passed legislation from time to time with the object of loading the banks to a considerable extent with government bonds. This has been one method of creating a market for the governmental issues.

Thus we note that at present the national banks of the United States own roundly \$669,000,000 of United States Government 2 per cent bonds—these bonds being on deposit with the National Treasury as security for note circulation. The American Government has also required the national banks to buy or borrow United States bonds to cover deposits of public funds which might be lying in the banks. In connection with the bond-secured note circulation of the United States national banks, it is to be observed that the Washington Government was able to secure a very large amount of money at 2 per cent interest—as against the 3 or 3½ per cent it would have been obliged to pay had the bonds not been endowed with the circulation privilege. Now provision has been made for the gradual retirement of the bond-secured notes. They have always been absolutely inelastic and often increased in volume, while the need and demand for currency was diminishing.

There are various other methods by which governments on occasions contrive to force banks within their jurisdiction to buy large amounts of bonds.

In the last 35 years there has been temptation at Ottawa as well as at other capitals to use these methods of raising money. During every decade there are parties strongly advocating that the national government have recourse to forced loans of one description or another or that it manufacture unlimited supplies of printing press money. These schemes are always popular with the uninformed; and it is highly creditable to Canada that during the period in which we had no vital need to raise money in this way the temptation has been withstood.

The consequence is that the present occasion, in which we are compelled to adopt heroic measures to finance ourselves, finds the banking institutions have very light holdings of our own Government securities. At the end of July when the war began the total amount of Dominion and Provincial Government bonds held by the banks was \$11,677,385. It is impossible to state what proportion would be in Dominion and what in Provincial bonds. Probably more than 50 per cent of the whole would be in Provincial bonds, as they bore a higher rate of interest than the Dominion issues. It could be said that in the cases of a considerable number of the banks the decks were absolutely clear of Dominion bonds.

The circumstance had a most important effect in enabling the bankers to enter with confidence into the recent arrangements for supporting the Domestic War Loan, and for making the special loans to England in connection with the munition purchases. Had they already been loaded to the gunwale with these bonds they could not contemplate further large acquisitions without extreme anxiety. In view of the broad market at low interest rates which prevailed for Dominion bonds in England before the war, there was no need for the Canadian banks to buy them extensively. They have always been excellently adopted for use as collateral in London against long bills of exchange drawn from this side, or

against direct loans from London correspondents; but, as well selected American railway bonds also served the purpose and yielded 1½ per cent more, these have figured largely in our holdings of securities.

Present conditions are of a nature to cause the banks to seize every favorable opportunity of realizing upon such American bonds as they hold. First of all there is the patriotic motive impelling them to give all possible support to the Canadian and British governments during the great crisis. Next there is the point that the yield obtainable on Dominion and British bonds is now higher than the ruling rates applying to the American bonds in their portfolios. In spite of the relatively large amounts issued from time to time, it is likely that the British and Dominion Government bonds will continue to be rated as the highest class collateral available in London, and this is an important consideration for us.

Of course, there are objections from the sound banking point of view to the concentration of a large part of the banks' resources in one or two investments. The American railway bonds are bought in lots of \$10,000, \$25,000, \$50,000 or \$100,000; and care is exercised so as not to have the holding of any one issue exceed \$100,000 as a general rule. On the other hand the individual bank will probably show in the course of a short time Dominion and British Government bonds from \$5,000,000 up to very large totals. While the war lasts this concentration may be in evidence. Thus on January 31st, 1916, the total of Dominion and Provincial securities had risen to \$30,000,000—this being an increase of \$18,500,000 during the war. At the same time the holdings of "Canadian municipal securities, and British foreign, and colonial public securities other than Canadian" amounted to \$41,700,000 as against \$22,800,000 in August, 1914. The British bonds bought would come under this head; but it should be remembered that the banks have bought largely of home municipal bonds in the period. It is likely that substantial increases will be shown in both classes of bonds, while railway bonds may decrease. At the end of the war there should be comparatively little difficulty in disposing of the extra holdings of British bonds; and if the banks have too much in Dominion bonds, the surplus can then perhaps be gradually distributed among investors here and abroad.