

BANKING FACILITIES.

Though there is nothing in the episode to warrant such a proceeding, the Ontario Bank affair is being made use of by a certain class of agitators as an argument for an important curtailment of the powers and privileges of the banks. Even from some quarters where one might expect to find a better knowledge of banking and finance, suggestions come for changes that would, if put in force, not only embarrass the banks but deprive their customers and the people in general of certain facilities of value that they now possess. As we pointed out in THE CHRONICLE three weeks ago, the only people hurt in the Ontario Bank collapse so far are the stockholders. Even if the guaranteeing banks are obliged in the end to contribute under the terms of their guarantee, that loss too will fall on the stockholding class. And that class has the power to protect itself. It is ridiculous to talk, as some do, of interfering with the bank note circulation. There would be no thought of doing so if everybody understood clearly the part played by the note circulating privileges in enabling the banks to provide facilities for the people. When our currency system is compared with the United States system the chief emphasis is laid on our superiority in handling the crop movement. This is a very important advantage. In the States borrowers can never be sure whether they will have trouble or not in getting loans from the banks during the fall of the year. And they can't tell in advance what rates of interest they will have to pay. How different is the situation here. In Canada the people who borrow notice no difference whatever in the attitude of this banks at harvest time. The exception to this is that stock market loans in Montreal and Toronto are sometimes marked up one or two per cent. on occasions when New York rates are soaring particularly high. And the rise in call loan rates here is due quite as much to the New York conditions as it is to the extra demands of our harvest season. But the mercantile borrower does not feel this. His rates remain the same; he goes ahead with his business without having to bother his head with the question whether his bank will continue to take his paper as usual in the Fall. Truly this is a great advantage for our business men to have. They have it, for one reason, because our banks enjoy a reasonable freedom of note issue. The bank note issues have been made positively safe so far as the public is concerned. What risk there is is borne by bank stockholders. One man, the son of an ex-bank president, wrote three weeks ago to a Toronto daily bringing up the Ville-Marie Bank case and arguing strongly that because the Ville-Marie over-issued its own notes the Government should take away from the banks the print-

ing of their notes, to guard against similar over issues by any banks in the future. Every one who follows banking affairs is quite well aware that the Ville-Marie case was in the minds of the Government officers and of the bankers when the Bank Act was last revised in 1900. And that the present system of supervision by the Bankers' Association over the note issues of all the banks was devised as a means of preventing future illegal issues. Until that system has been shown to be weak or faulty it is surely idle to suggest new ones. No illegal issues have come to light since the system was inaugurated. In any the matter of a change, if a change was desirable, is a matter for the banks. They are the only ones concerned because the banks guarantee it from all loss. To have the Government print and keep charge of the notes is not the only method open to them for protecting themselves. They could do it by getting the two bank note companies to send returns to the Association of all notes printed and sent to the various banks, and thus have an outside check on the figures shown in the circulation books of the different banks. Perhaps this is done already. To return to the matter of facilities furnished by the banks. We have seen how valuable it is for us to have no monetary disturbance at home at crop moving. Also that the fact is due in great measure to the freedom of issue enjoyed by the banks. Another valuable result of the present system of bank note issues is this: It has played no small part in enabling the banks to push their branches into every remote corner of the Dominion. But for the fact that each one of these branches could be provided with the bulk of its till-money in the shape of the bank's promises to pay, which represent no lock up of capital, many of these bank branches would never have been opened. It may be that the thing has been overdone and that too many branches have been opened, but even if that is so, it does not lessen the value of the facilities provided to farmers and the residents of very small places. Almost every little hamlet has its branch bank. People who formerly had to do their banking by mail, or by driving long distances, now have a bank right near their doors. A very different condition prevails in the States. The writer had special occasion to observe one place, a noted health resort in New York State, with a population of over 4,000. There is but one banking office, a national bank with a capital of \$50,000. The bank pays no interest on deposits. The only institution that pays interest on deposits is a loan and building society. Those who wish to get interest on their funds are obliged to send by mail to New York City or to towns 50 or 100 miles away, which possess a savings bank. Under our system this place, even with its few factories