

it was exceedingly extravagant and might lead to physical bankruptcy without being used to excess." Even those who are not convinced that abstainers are better risks than others, or who doubt the absolute reliability of the actuarial arguments of Mr. Van Cise, cannot but be impressed with the emphatic declarations of Sir Frederick Treves which suggest the wisdom of exercising the utmost moderation in the use of stimulants.

BANKS AND BOND INVESTMENTS.

Financial journals in the States lately have freely criticised the policy of the American banks in largely increasing their investments in bonds. No exception is taken to bond investments by the Savings Banks, as it is admitted that, under certain restrictions, they can safely and properly put the bulk of their funds in bonds of a certain standard.

In Canada we have but the one class of banks, but across the line the banks are divided sharply into two classes. For several reasons the Savings Banks are treated entirely apart from the ordinary banks. The ordinary banks are patronized by business men who have a much higher intelligence in financial matters than is possessed by the work-people and others who use the Savings Banks. The latter institutions are therefore regarded as being in a peculiar sense the wards of the Legislatures. Those who have charge of Savings Bank are restricted in the employment of their deposits. They may not invest as they like. Even in railroad bonds indiscriminate purchases may not be made. Unless a railroad has paid dividends at a certain rate regularly for a term of years its securities are not eligible for the Savings Bank list. The ordinary banks have a greater freedom. It is with their funds that the day to day business of the country is transacted, crops raised and transported, manufactures carried on, goods of all kinds distributed.

In New York and other great monetary centres, these ordinary banks are divided again into two classes—financial banks and commercial banks. To the former falls the duty of financing the trading on the stock exchanges, the flotation of new securities, large loans to governments, cities, railroads, and other corporations, and, in fact, nearly all special undertakings which require at short notice large blocks of capital for use for a short or a long period. The commercial banks, as their name implies, are those identified with mercantile transactions.

In the criticisms referred to above the point taken is that the savings banks may invest altogether in securities, their liabilities being payable after notice and being moreover of a fixed or permanent nature, but that there are grave objections to an unduly large investment in securities by financial

banks and commercial banks. Obviously the practice is less objectionable for the former than for the latter. Financial banks, which are constantly putting through deals in bonds have or should have knowledge of the merits and demerits of the various securities in the market. They are on familiar ground when buying and selling; but the objection is, that they are in danger of becoming too closely connected with the big manipulators and jugglers of the stock market. Some of them in New York are now finding this out to their cost. In spite of their great solidity and wealth they have lost a measure of the respect and confidence of the people. There is little doubt but that, had they not been so indisputably solid they would have been called upon lately to meet important withdrawals of deposits from this cause. Perhaps they have had to meet such withdrawals.

If the rapid increase in bond investments by financial banks is objectionable it can be easily shown that for surely commercial banks to put too much money in this form would be more objectionable still. The strongest argument against the practice is the fact that it withdraws capital from the commercial and puts it into the financial field. When banks have made heavy purchases of securities and regard them with satisfaction they are not so much disposed to consider favourably the propositions made to them by would-be commercial borrowers. Although they could sell securities and provide funds when urgently needed for mercantile purposes, not all of them would do so unless the remuneration offered was attractive, and usually it is not until conditions are somewhat upset that attractive rates prevail.

Turning to Canada we find the one class of chartered banks carrying on all the kinds of business done by the savings banks, financial banks, and commercial banks in the States. Our banks, in reality, are commercial banks. The collection and retention of the savings of the people is regarded as their proper function quite as much as the discounting of notes and the operating of mercantile current accounts. The large banks also attend to the big financial transactions required in Montreal and Toronto, and do it too without stinting the supply of credits placed at the disposal of trade and commerce. So far as our system of savings banks is concerned there cannot be any doubt that it has done good work for the Dominion. Practically all the savings of the people, except those held by the Government Savings Banks, and by the two savings banks of the Province of Quebec, have been used in the commercial development of the country. In the States the vast sums held by the savings banks have gone to help build railroads, to provide money for State governments, etc. Our railroads have been built and our provincial governments and