

ed by the most eminent authorities. To impose a heavy tax on bank capital discourages the extension of capital for banking purposes and to that extent injures trade.

Every encouragement should be given to capital in a growing province such as this, and the influx of capital will result in the growth and development of business to such an extent as to make up for the taxes imposed ten times over by enlarging the sources from which taxes are drawn.

A Provincial Government should take the utmost care to avoid entrenching upon vested rights. Enterprises in which capital has been invested under conditions created by the provincial authorities in past years, should not be subjected to new forms of taxation, or increases thereof, as such fresh imposts are, more or less, an infringement of the vested rights of the investors in such enterprises. Their property is made less valuable by such new tax, and investors may well hesitate to place their money in Quebec undertakings when their investment is liable to be depreciated by new taxes being imposed. Such a highly injudicious procedure not only wrongs the private investor who is directly affected, but damages the credit of the province, as it weakens confidence in the stability of conditions created by the local Government that would, if permanent, induce investors to place money in local enterprises.

#### BRANCHES OF FOREIGN BANKS IN LONDON.

The pre-eminent position of London as the centre of the financial world is manifested by the number of foreign banks which have offices in London. A table is given on another page which comprises the latest available returns of these banks. We have given the statistics of each individual bank and then classified them according to the country which they respectively represent.

The total assets of the foreign banks that have branches in London amount to \$2,588,710,100, the percentage of those representing France being 37 per cent.; Germany, 29 p.c.; Austria, 2 p.c.; South America, 10 p.c.; China and Japan, 10 p.c.; Turkey, 3.8 p.c.; Egypt, 3.4 p.c.; the balance of 4.8 p.c. being divided amongst 5 other countries.

These returns only refer to such foreign banks as have independent bank office open in London, but enormous foreign banking interests are represented in London by British banks which act as the agents of those in foreign countries. The great Imperial banks of Russia, of Germany, Spain and other countries utilize the Bank of England for financial operations, such as making it the depositary of the proceeds of loans.

It is obvious from the prodigious figures in the table how vast are the financial transactions whose centre is London and how it is that the money market has come to mean, practically, the market for money in London.

#### CANADIAN BANKS AND FOREIGN LOANS.

It will be remembered that the bank position last year in New York began to get uncomfortable immediately after the end of August.

Then, the surplus reserves had sunk to a low level and the call loan market was stiffening up. But for some little time before that date it had become reasonably clear to bankers, and other professional observers that, unless the extraordinary enthusiasm of the bull speculators received a decisive check, quotations for money would rise considerably as soon as the fall drain of currency set in.

From our own bank returns we have seen quite a remarkable increase in the banks' call loans abroad between 31st May, when they were at the low level, and the end of the year; and it will be interesting to take some account of the movement to discover, if we may, how it was financed, or in other words, to find from what sources the banks drew the funds which they placed at the disposal of the necessitous American speculators. How important the investment was is shown by the following table:

1905.	Call loans elsewhere than in Canada.
31st. May.....	\$40,285,841
30th. June.....	43,067,558
31st. July.....	51,254,965
31st. August.....	58,976,531
30th. September.....	58,639,592
31st. October.....	62,280,939
30th. November.....	59,508,234
31st. December.....	61,010,020

Between the end of May, 1905, and end of December, these foreign loans increased over twenty millions, or more than fifty per cent. The increase took place not so much during the period of the extremely high rates as during the three months which preceded it.

Concurrently with this placing of an additional amount of \$20,724,179 in the foreign call loan market, there was also an additional investment in current loans outside Canada, of \$7,754,702, on the other hand there was a decrease of about \$3,000,000 in the net amount due by banks and agents in the United Kingdom and foreign countries, so that the amount sent abroad was, apparently, about \$25,500,000.

It was not drawn, in any measure, from "call loans in Canada," for these increased \$10,217,365; nor from "current loans in Canada," for they also increased—by \$21,154,484.

Neither is there any substantial change to be seen in the holdings of securities, and, as for specie, legals, and other items of cash, they show increases.

To find the source of the fund it is necessary to turn to the liabilities. First of all bank proprietors, or stockholders, contributed \$7,537,741, in new stock payments and reservation of profits earned; next, the note circulation expanded by \$11,845,504; but most important of all was the growth of public deposits. The deposits payable on demand increased \$25,148,361 in this period, and those payable after