in the same period it increased $705,146, that is not allowing for July's setback. Last year between June and September inclusive the customs' collections increased by $619,808; this year in the same period they increased $438,644. The table of ratios of increase with its general tendency downwards, and the trade returns tell the same story of somewhat of a slowing-down in our rate of progression. It is not, of course, anything more than the settling down into a steady stride after a burst of speed, the process is extremely gradual, and in our view there is nothing on the horizon which suggests that it is to be uncomfortably hastened. On the contrary, we believe Canadian conditions to be essentially sound at the present time.

DR. JOHNSON'S REPORT ON CANADIAN BANKING.

Canadian bankers and the general public have reason to thank Dr. Joseph French Johnson for his excellent report on the Canadian banking system, which has just been issued by the National Monetary Commission, and of which a condensed production appears in to-day's CHRONICLE. There are very few financial writers in the United States who possess such a thorough knowledge of banking affairs and conditions in this country as Dr. Johnson and Dr. Breckenridge; and anything that these two experts write upon Canadian banking is certain of receiving the most respectful and interested attention at the hands of our bankers and of everybody concerned in our financial affairs. The tone of the report is distinctly friendly and appreciative. No one can read it without at once perceiving that Dr. Johnson has applied himself with friendly open-mindedness to the task of acquiring information about the operations of our banks. This being understood, his criticisms have a special value. There is plenty of praise and commendation in the report. The author designates the system as probably the best that could be devised for Canada's needs, and he freely expresses his admiration for the working of its main features.

Among the things criticised is the 3 p.c. interest rate allowed depositors in the savings banks. It is argued that the depositor who does not cheque on his savings balance should get more than 3 p.c. for his balance. The report says, "In the United States he (the depositor) gets 4 p.c. on his savings even in the large cities. In Canada, a country where real estate mortgages yield from 7 to 9 p.c. and the bonds of new corporations are selling at prices giving the investor a higher return than he can get in the United States, it is certain that a real savings bank could well afford to pay depositors 4 p.c."

In discussing this question it should be borne in mind that the law here forbids the banks investing in real estate mortgages. And the bankers and other financial experts consider that the prohibition makes for sound banking. It is moreover in line with the banking opinion of Great Britain. Also we might observe that generally speaking the bonds of new corporations are hardly regarded here as suitable investments for the banks. And it is necessary to remember that the funds may be unemployed for a part of the year. There are many advantages enjoyed by Canada from the fact that the savings bank deposits are not segregated as they are in the States. Here they constitute the main source whence discounts to the public are made. What would become of the mercantile borrowers if their credits were taken from them and the funds represented thereby put into bonds and mortgages?

Australia furnishes an illustration of the bad effects that may follow a policy of embarking bank funds in real estate advances.

The report criticises the banks for not increasing their capitals more rapidly, and says it would have been better policy to have increased the capitals instead of devoting so much effort to the building up of the rests or surpluses.

One can easily see the force of Dr. Johnson's contention regarding capital increases. It would have been better in many ways if the capitals had been kept large enough so as to have made it unnecessary to introduce the complication of the extra or excess circulation into the currency system. And possibly enough the consenting to a tax on the excess issues may cause the bankers some trouble in avoiding taxation of their ordinary issues. But at the same time the strengthening of the rests has done good service in maintaining the credit of the banks and in strengthening the position of their stocks. We doubt if Dr. Johnson has taken sufficiently into account the fact that the large reserve funds or surpluses are exceedingly valuable in neutralizing the effects of the double liability on bank stock. The holder of bank stock regards his investment the more complacently when he knows that the bank has a rest equal to its capital; and his readiness to subscribe to new stock is greater because of his freedom from uneasiness regarding the double liability.

About the excess circulation there is a variety of opinion. On the one hand there are many who think it desirable that the banks should have a little leeway for moving the crops, and it is a good thing that they are able to utilize the excess issues. But the 5 p.c. tax is too high. When considered along with the other expenses incidental