Developments this week in connection with a railroad rate controversy are hailed by the market as unusually important. The railway lines have been accustomed to quote rates from points east of Colorado to the Pacific Coast, which were lower than those quoted to points intermediate. Shippers in the intermediate points objected, and the Interstate Commerce Commission intervened. The railways then attempted to equalize matters by advancing the through rates; but the commission suspended the advances. The matter has been in controversy for some time. Announcement has just been made to the effect that an amicable agreement has been reached between all parties concerned, and the suspension of the new advanced rates has been in consequence vacated. The market hopes that the railways will now be allowed to make other advances in rates.

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Money market conditions in Canada have shown some signs of easing. It is said that a couple of the banks offered money on the street this week. Call loans are quoted 6 to 6½ p.c. as heretofore; and mercantile discounts 6 to 7 p.c., The continued strength in Canadian Pacific and the improved outlook in London and New York has created a better feeling in Montreal and Toronto. The Province of Manitoba is securing $2,000,000 in London through an issue of 4½ per cent. at 102. The London stock exchange has just listed some $2,300,000 Grand Trunk Pacific Branch lines, 4 per cent. bonds, half of them bearing the guarantee of the Province of Alberta and half the guarantee of the Province of Saskatchewan.

INTEREST ON SAVINGS DEPOSITS: THE SENATE'S VIEWS.

There was an animated discussion in the Senate on Tuesday on the subject of the interest paid by the banks upon savings deposits. The matter had been introduced previously by Senator Power, who had asked that the Government should raise its rate of interest on savings in the Government banks to 4 p.c. On Tuesday, Senator Dandurand replied to Senator Power that the result of raising the rate of interest paid to depositors would be that the cost of money to the public would have to be raised. He pointed out that after making allowance for costs of administration and loss of interest on reserves to meet the demands of depositors, that the cost of savings deposits to the banks was more like 4½ per cent. than 3 per cent. There were, he said, eighteen banks in Canada which paid over six per cent. dividends, and last year their dividends totalled $10,935,425. They had $809,700,000 on deposits as savings accounts. If they were required to pay one per cent. more to their depositors the additional interest would amount to $8,097,000, which would leave very little for dividends. It would mean that, computed on the basis of capital stock, the dividend would be 2.88 per cent.; and computed on capital and reserve the dividend would be 1.42 per cent. It was true that dividends did not represent all the profits earned by banks, but they did represent all the profits the directors thought it safe to part with. It was well known that there were risks in the banking business, and that the banks were partners in all business enterprises from the Atlantic to the Pacific. They did not share in all the profits of those enterprises, but they did share in all the risks.

Senator Dandurand also pointed out that the Finance Minister recently stated that savings deposits, in addition to the three per cent. interest, were costing the Government one per cent. for administration and one per cent. on account of gold reserve. These deposits were, therefore, costing the Government five per cent.

Hon. Mr. Lougheed said that this was a somewhat difficult question for the Government to discuss. Finance was a science and this phase of it was based upon the question of what value the money of savings depositors was to the Government. It would not be fair to non-depositors to pay depositors more than this value. For forty years the Government had been borrowing at an average of three and a half per cent., and it was borrowing at that rate to-day. Therefore, that was the value of money to the Government.

In the case of the savings deposits, there were expenses to be considered beyond the three per cent. paid to the depositors. To hold the ten per cent. gold reserve required, cost at least one-third of one per cent., and the cost of management and administration amounted to at least the difference between three and a third per cent. and three and a half per cent. It had also to be recognized that this money was payable on demand and demand money was always worth less than time money. So it was estimated that it cost the Government at least one-half of one per cent. to meet these factors of the problem.

It was an error to suppose that the deposits were obtained from poor people. When Hon. Mr. Fielding, in 1898 had reduced the rate on Government savings deposits, from three and a half to three per cent. he had made a statement to Parliament that more than half of the deposits with the Government were owned by people who could be regarded as wealthy. This condition has not changed.

In considering this matter there were many people who would say it would not be wise for the Government to induce people to tie up their money in postal savings branches where it could not be circulated for the benefit of trade and commerce and for the general development of the country. Many held that at the present stage of Canada's development the Government should not rely on domestic money, but that it was better to import foreign money in the form of loans, until the country had passed a stage of development beyond that which it had achieved at the present time. For these reasons he did not think that Senator Power had any reason to expect that the Government proposed to change the rates paid savings depositors.

The Merchants Bank has declared a dividend of 1 2-3 per cent. for the two months ending April 30. The declaration is part of the adjustment necessary in connection with the change of the bank's year, decided upon at the last annual meeting. In place of November 30, the Merchants year will now end on April 30, and the first annual meeting under the new order of things has been called for May 21st.