

CANADIAN BANKS THROUGH AMERICAN EYES.

To see ourselves as others see us is always interesting, often instructive and occasionally amusing, and in the newly published Journal of the Canadian Bankers' Association we see ourselves through the glasses of two young American bank men and students. There are printed in the Journal essays, briefly mentioned in last week's CHRONICLE, which obtained the highest marks in one of the prize competitions of the American Institute of Banking, the prizes being awarded by Professor Joseph French Johnson, of New York University, who has always been a close and appreciative student of Canadian financial affairs. He took an active part in the work of the International Monetary Commission of the United States, which lately completed an investigation of the banking systems of the world, and he was one of the committee, who visited Canada last year in connection with the work of the Commission. Both essays, it may be said, are highly appreciative of the Canadian banking system.

The writer of the first essay, Mr. Christian Bonnet, gives the following as the characteristics of Canadian banks, (1) large capitals, (2) their bank note currency is an instrument splendidly adapted to the needs of the country, owing to its security and elasticity, (3) they operate the branch system, which is made possible, in many instances, by their power of issuing notes.

Mr. Bonnet proceeds to study in detail the career of a Canadian bank note, which he says, from its very birth falls under the provisions of the law which tend to make it strong and secure, in order to insure its healthy life and satisfactory performance of its duties and work. "They are," he continues, "fully adequate to the requirements of the mercantile and agricultural community, during the crop-moving season, when much more currency is in demand. This is made possible by the fact that the issue of notes is not hampered by any deposit of bonds as security, so that inflation or contraction is brought about normally by the natural economic conditions of the country."

The writer of the essay also notes with something like admiration the freedom of the Canadian banking system from Government interference. But, "however, unlimited may seem the privileges granted to them," he says, "it cannot be denied that the banks have contributed to a large extent to the splendid growth of Canada, and that the test of this system has proved to be quite satisfactory."

The second essayist, Mr. H. M. Priest, also refers to the elasticity of note issues as an important feature of the Canadian banking system and he alludes also at some length to the branch system. He writes:—"The result (of the branch system) is an exact equilibrium of deposits and loans. For instance a bank takes the deposits received in Halifax and the Maritime Provinces, where the savings largely exceed the new enterprises and lends them in the Northwest, where the reverse is the case. So perfectly is this distribution made that as between the highest class borrower in Montreal or Toronto, and the merchant in the Northwest, the difference in interest paid is not more than 1 per cent. or 2 per cent. It also ensures to every community of decent size a joint stock bank with

a power behind it greater than the community could afford to support and working in conjunction with its note issues, normalises the rate of interest which is never above seven per cent. at any time of the year. It also ensures accommodation to its regular customers at all times."

Concluding his survey, Mr. Priest says: "A great test of the efficiency of the system is now being made in the building up of the Canadian North-west, and the ability of the banking establishments to stand the strain seems to have been already satisfactorily demonstrated. If there are flaws it can be safely predicted that the Canadians themselves will be the first to endeavour to find them and apply effective remedies. If there are no flaws, the system invites all the more the careful study of other countries in the interests of financial improvement for the commerce of the world at large."

INSURANCE COMPANIES AND THE INTEREST RATE.

To both banks and insurance companies the subject of the rate of interest is a perennial matter of importance. In Europe of recent years, there has been a very great rise in the rate, but as the cause of it has been a rapid and long-continued fall in the values of investments, up to the present no advantage has been gained. On the contrary, both banks and insurance companies have been engaged for a number of years in devoting large sums to meet the depreciation in their investments. While this has been an unpleasant experience, it would appear that in the case of the insurance companies they stand to gain from it in the future (unless, indeed, the depreciation continues indefinitely) owing to the fact that their rate of interest has been permanently raised to a higher level, so that they can look forward to the future with confidence. In America similar causes have not been at work during the past decade, but there also it would appear that insurance companies need have no fear regarding their rate of interest in the future. Such at least is the gist of the conclusion reached by Mr. W. J. Graham, a well-known American actuary, who contributes to a discussion on the subject in the Transactions of the Actuarial Society of America, in reference particularly to American life companies.

Using rates earned on admitted assets as compiled by the Spectator Company from the aggregates of 28 leading American companies, the rate of interest is shown by Mr. Graham for quinquennial periods as follows:—

	P. c.		P. c.
1890-1894.. . . .	5.07	1900-1904.. . . .	4.66
1895-1899.. . . .	4.88	1905-1909.. . . .	4.77

These figures display a pretty steady decline culminating in the quinquennial period from 1900 to 1904, from which there has been a reaction in the period from 1905 to 1909. Taking the returns year by year, they show from 1900 to 1909 percentages as follows:—

Year.	P. c.	Year.	P. c.
1900.. . . .	4.67	1905.. . . .	4.68
1901.. . . .	4.61	1906.. . . .	4.67
1902.. . . .	4.58	1907.. . . .	4.80
1903.. . . .	4.61	1908.. . . .	4.77
1904.. . . .	4.63	1909.. . . .	4.79