

ment by the force of brains, industry, character and good health. Is it not natural that this condition should result in considerable trust and responsibility being placed in the general manager?

That all but two or three employees owe their positions entirely to the general manager's favor is a misstatement, as is known by those who have watched for many years the filling of banking vacancies. Generally speaking, few, if any, bankers in high positions, or elsewhere, owe their success to anything but merit. The principle of promotion in the Canadian bank is thoroughly recognized. It is related of one prominent bank officer that upon his appointment he informed the directorate that, as theretofore, vacancies would be filled strictly according to capability. While this expression was unnecessary, at the same time it emphasized the principle which rules throughout Canadian banking.

That savings bank depositors in Canada are not generously treated is the conviction of the outsider, says Professor Johnson, although later he chronicles the opinion that three per cent. is a higher rate of interest than most of the savings depositors in the chartered banks have a right to expect. There are two good reasons for the rate remaining at three per cent. The first is that the Dominion government pays that rate on deposits in its savings banks. The second is that the Canadian banks have no such unity of thought and action as Professor Johnson seems to indicate in several parts of his monograph. Therefore, it is unlikely that the twenty-nine chartered banks would agree as to the rate of interest. Some, if not all, of the banks would probably be glad to pay more than three per cent. for savings deposits when money was dear, as it was in 1907, while they would be anxious to reduce the rate to two and a half per cent. when money became plentiful. It is doubtful whether the reduction would appeal to the savings bank depositor, especially as, in any case, he can earn four per cent. elsewhere if he chooses to deposit with mortgage and loan companies.

With most of our branches throughout the West, the expense is great relatively to the amount of business. But our banks are national banks, and look for the prosperity and development of the country as a whole. If we borrowed our money in the East and lent it in the East we could afford to lend to the borrower at a somewhat lower rate. But we send the surplus over the country and pride ourselves on its equitable distribution over the whole country. If we paid a higher rate of interest to the depositor, we could not afford to do this because of the expense of the Western branches. The margin would be too small for us to work upon. If the money were all kept in the East it would benefit local interests in a way, but our banks are not local. They are national, and we pride ourselves on that fact. Our aim is rather to provide money for the borrower throughout all Canada at reasonable rates than to pay high interest to the depositor. The advantage of our system will be seen by a comparison of the rates of interest on loans in Western Canada and in the Western States.

The making of a sharper distinction between demand and savings deposits is advocated by Professor Johnson as the right solution of the problem. Many bankers will probably agree, although there is a sharper distinction between the two than is indicated by the writer. Current accounts, unless a special arrangement is made, receive no interest. The fact that some savings depositors having checking accounts is due to the lack of unanimity of opinion and action among the bankers. The fact that the practice has not been discontinued is due largely to the same cause. In other words, when one bank commenced to hand cheque books to savings depositors, the others felt obliged to do likewise, not because they desired, but because competition compelled. The cheque book system in this connection entails considerable bookkeeping, and it is doubtful if, when introduced, it was thought the facilities given would be so widely patronized.

On the subject of call loans made in New York, so frequently criticized in Canada, Professor Johnson says:—

"Some people assume that the money loaned in New York rightly belongs to Canadian industries, and that it would be loaned in Canada if only their bankers were not so eager to make 'easy' money in Wall Street. This criticism betrays ignorance of the nature of the Canadian banking reserve. If either the law or public opinion should prevent the banks from lending money in Wall Street, Canadian borrowers would be no better off than now. The banks merely would be obliged to carry in their own vaults the money they now lend in New York. As their earnings would be less than now, quite possibly their equipment and facilities would also be less and the Canadian borrowers not so well cared for as now." This disposes of the criticism in a very fair manner.

One of the most serious criticisms is that the Canadian branch banking system has really checked the development of business and industry in the Maritime provinces. The Maritime provinces will themselves scarcely endorse that statement. The branch bank system gathers deposits where money is plentiful and makes loans where it is most needed. The transfer of funds from sluggish to active communities, says Professor Johnson, is the inevitable result of our banking system, and is the cause of the tendency of the rate of interest toward uniformity in all parts of Canada. That fact is surely one of the strong features in supplying the financial need of the Dominion. In the East, where money for commercial purposes is more than sufficient, the surplus is used for commercial purposes in the West, where money is not so plentiful and the need therefore is strongly defined. The chartered banks foster commercial development particularly for many good reasons. Loans on land are made by the life insurance companies, the trust companies, private estates and loan companies. Without a uniformity in the interest rate, it might be possible to lend money at, say, one per cent. less to certain sections of the country, while other sections would pay higher than they do now, but obviously this would work disadvantageously to the country as a whole. Again, the volume of business and prosperity in the Maritime provinces depends largely upon the credit and facilities afforded to Western Canada by the banks. The separation of savings and commercial banks is a natural thing for a man from the Eastern States to advocate. There such a division has worked fairly well, but it would have been attended by very bad results in the Western States. If savings banks were allowed to lend money only on real estate it would withdraw a great deal of money from commercial enterprise, and rates would be higher all round. We argue that every dollar of the people's savings should be used for commercial purposes. As an evidence that this reasoning seems correct, witness the fact that in the Western States, where the deposits are needed for commercial purposes, the savings banks do a regular banking business.

The emergency circulation, which Canadian bankers are now allowed to use, has the disapproval of Professor Johnson, who advocates, as an alternative, that an increase of the capital account should be sufficient in the future to permit untaxed circulation adequate at all seasons of the year. But it should first be understood that there is no profit made by the banks directly due to the use of the emergency circulation. Canada, practically speaking, is a one-crop country, and the strain upon our financial facilities is chiefly in October and November, and in a lesser degree, December and January. Increasing the capital of a bank merely to cope with the crop movement—the heaviest financing of which is largely during one or two months—might mean that the new capital would be more or less idle during the remainder of the year. By means of the emergency circulation, the banks pay for the privilege of using extra capital required especially for the crop movement, this privilege extending over but the necessary months. The bank thus does not