

circumstances wholly unforeseen should arise to drain away the deposits of the banks and the loan companies. Loan companies are included in this calculation, for the reason that in case of a heavy demand from their depositors, they in their turn would have to fall back upon the banks, and become competitors of mercantile customers for loans of money. This, by the way, emphasizes the wisdom of what was stated at a recent meeting of one of the Toronto mortgage companies, viz., that properly speaking, it was foreign to the business of such companies to receive deposits at all that were payable on demand, or short notice.

All this bears upon a question which has been brought before the mercantile community in various ways of late, viz., the rate of interest and discount charged by the banks, the statement being made that such rates were too high, and that a Canadian trader was placed at a disadvantage in consequence. There is a good deal of fallacy in this mode of stating the case.

In Great Britain there is scarcely any difference between the rates paid for discount by manufacturers and merchants for the same class of transactions as those which prevail in Canada. The banks in Great Britain, in many trade centres as large as Toronto, charge a regular commission on every cheque that is drawn in the account, and they are in the habit of grading the amount of accommodation given according to the total amount, which is turned over in a way which is quite unknown here. Bankers there, as a rule, require their borrowing and discounting customers to keep considerable balances at their credit, without interest. Then further, the almost universal custom of making bills payable in London makes an immense difference in favor of the English banker in the expense in handling the bills of his customers.

It is a mistake to compare the rates charged by London banks for the discount of first-class bills, that is, such as are reckoned as first-class *there*, with the rates prevailing for trade bills *here*. The first-class bills of the London market are of a quality entirely unknown in Canada. They nearly always bear the name of one bank, and very often of two banks, together with two wholesale houses, one abroad and one at home. It is bills like these that are discounted at the rates the newspapers quote for first-class bills. But the rates for such bills as are generally offered in Canada, are often three times as much as those at which such high classed bills are done.

When A1 bills are discounted at one and a half or two per cent., such bills as the "run" of Canadian bills are made up of would be charged five, and that with the accompanying modes of profit in the shape of free cash balances, commissions, etc., will be found to be more than equivalent to our Canadian rates, leaving the element of risk altogether out of the question.

Moreover, English banks and banks in New York make a sharp difference in rate between short-dated bills and long-dated. Whatever the rate for bills at two months and under may be, those at three months are about one per cent. more; and those at four months about two per cent. more. Such long-dated bills as are frequently discounted in Canada would be either rejected altogether or charged a higher rate than prevails in the Dominion. There can be no doubt that the risks of bankers' loans and discounts in Canada are much greater than those of the same class of transactions in England, and greater than banks are willing to accept as a rule in the United States.

Further, the rate charged for loans, as distinct from mercantile bills, is invariably two or three per cent. higher than the rate at which good mercantile bills are done. And unsecured loans are charged a higher rate than secured

ones. The truth is, that the rates at which money is lent to commercial borrowers in Great Britain are scientifically graded according to the quality of the security, exactly as rates are graded in a fire insurance corporation. In Canada such a thing as grading of bills is almost unknown, a broad general average being struck as applicable to all classes of transactions, the matter being finally subject to the law of supply and demand.

But a certain amount of grading might be introduced here with advantage. For example: Long-dated bills ought to be charged more than short-dated ones. Bills accepted by retailers should be charged more than bills accepted by wholesale houses. Long loans should be charged more than short loans. Renewals more than original bills. And loans without security, whether long or short, should be charged the highest rate of all.

Taking everything into consideration, it will be found that our mercantile community is at no disadvantage in comparison with persons in the same line of business, in business centres of the same size in other countries.

ABSTRACT OF BANK RETURNS.

31st Jan., 1895.

[In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in other Prov's.	Total.
Capital paid up	34,806	17,692	9,187	61,685
Circulation	14,086	10,001	4,830	28,917
Deposits	95,057	73,132	24,567	192,756
Loans, Discounts and Investments....	109,710	76,516	33,436	219,662
Cash, Foreign Balances (Net), and Call Loans	40,970	30,528	6,597	78,095
Legals	6,118	6,876	2,585	15,579
Specie	3,996	3,165	1,305	8,466
Call Loans	7,035	10,132	919	18,086
Investments	7,184	9,869	4,280	21,333

31st Jan., 1896.

In thousands.

Description.	Banks in Quebec.	Banks in Ontario.	Banks in the other Prov's.	Total.
Capital paid up	34,819	17,789	9,588	62,196
Circulation	14,341	10,073	5,015	29,429
Deposits	90,973	73,517	29,184	193,674
Loans, Discounts and Investments	113,978	82,935	35,858	232,771
Cash, Foreign Balances (Net), and Call Loans	34,337	24,366	9,865	68,568
Legals	5,882	5,006	2,744	13,632
Specie	3,895	2,824	1,474	8,193
Call Loans	5,419	8,878	1,612	15,909
Investments	7,120	12,174	4,516	23,810

DEPOSITS.

Government Savings Banks	\$45,123,600
Montreal City and District Savings Bank	9,793,100
La Caisse d'Economie, Quebec	5,185,000
Loan Companies, 1895	19,000,000
	79,101,700
Bank Deposits	193,674,000
Total Deposits of all kinds	\$272,775,700

GOVERNMENT CIRCULATION.

Small	\$7,301,026
Large	12,383,250
	\$19,684,276

Gold held, \$7,921,500, or..... 40.24 per cent.

THE INDEPENDENT ORDER OF FORESTERS.

The Independent Order of Foresters has, as our readers know, been applying to the Dominion Parliament for amendments to its Act of Incorporation, and the Banking and Commerce Committee has finally disposed of the bill of the Order, making very considerable changes therein. The bill as reported to the House gives the society the privilege to issue contracts to the limit of \$5,000. This in itself is an immaterial point, and we do not know that there was any serious opposition to it. One of the clauses