

"The President, his cabinet and the officers who have made the investigation ("Maine") are entitled to the highest commendation for their self-possession and their keen sense of their responsibilities."—N. Y. *Journal of Commerce*.

And so, despite the avowed mad longing of some Senatorial swashbucklers for glorious war, regardless of wild appeals from their pulpits of notoriety seeking preachers, oblivious to the martial aspirations of youthful militiamen, President McKinley is still negotiating in statesmanlike manner with haughty Spain.

It will indeed be a triumph for modern diplomacy, a good illustration of the power of money, and testimony to the tact and wisdom of Prime Minister Sagasta and President McKinley if in a few days the daily newspapers are able to announce not the purchase of another ironclad, not the departure of a company of senators to join the Cuban insurgents, not the intervention of the Pope, but the virtual conclusion of terms of peace honorable alike to both nations.

It is true that no great friendship can exist between the United States and Spain so long as the cause of the disaster to the battleship "Maine" is a mystery. But to fight for the independence of Cuba is too much to ask of an eminently shrewd and business-like people, unless their leaders regard bleeding as a relief from the internal dissensions which have so often threatened the national life during the past few years.

#### A REASONABLE REDUCTION IN INTEREST.

According to the published reports of the budget speech, the only subject dealt with by the Hon. Minister of Finance which provoked an interruption to his lucid explanation of the financial position of Canada was the reduction in the rate of interest paid to depositors in the Government Savings' banks. That the Hon. Mr. Fielding emerged triumphant from the brief skirmish with the poor man's champion is not surprising to those who know what a reputation the Finance Minister enjoys for being quick and ready in debate.

However, we are glad that Dr. Sproule was induced to stigmatize the recent reduction in the rate of interest as "a grand stroke of business for the poor man," because it enabled the Finance Minister to draw public attention to the fact that, even if the depositors in the Government Savings' banks could be regarded as poor men, the interest paid to said depositors is contributed by a much larger number of poor men.

But it is not with that view of the question we desire to deal. In our last issue we expressed unqualified approval of the action of the Government, and with it the hope that the chartered banks would also reduce the rate of interest on special deposits and, in course of time, be thus enabled to give the borrowers of money for business purposes more favorable terms. The Finance Minister advanced a sound reason for the action of the Government in this matter of interest reduction, and manufacturers and business men on both sides of politics who have occasion to borrow

from their bankers will approve of and endorse the contention that it is to their interest that an artificial value should not be given to money in Canada. That payment by the Government of a larger rate of interest than was fair and reasonable value for the money deposited, even if the deposits belonged to the poor man, gave an artificial value to money cannot be denied. We even doubt if the bulk of the deposits in Government Savings' banks in past years were made by the so-called poor man. The rate hitherto paid by the country for the savings of the people was sufficiently high to attract wealthy men, and individual deposits became so large that it was found necessary to impose a limit in amount to the deposits to be made by any one individual. Such is the history of Canadian Government Savings' Banks, and we again venture to approve of the latest reduction in interest made by the Finance Minister and to believe with him that the aftermath will be "a good thing for the country."

But, to the argument that by means of reducing the rate of interest on deposits the Government expected to bring about a reduction in the cost of money for manufacturers and merchants, Dr. Sproule very rightly, retorted: "It has not resulted that way to the borrower since the last reduction (by the Government) because the discount of the banks is still high."

In this connection, both the Minister of Finance and Dr. Sproule must have forgotten that a reduction of the rate of interest on special deposits in our banks will not always justify a corresponding reduction in the discount or "borrowing" rate charged by our banks to customers. If money is in demand, it is only right that the banks should obtain a fair and reasonable or market value for same. That the rate of discount should, strange to say, have recently advanced is due to the disturbed condition of the stock markets. But, fortunately, even in periods of excitement or depression in business circles, we are never subjected by our banks to the variations in borrowing charges so demoralizing to the mercantile interests of the United States.

Those who deposit with the Government or any chartered bank their savings or surplus means must remember that, low as the rate of interest allowed them may seem to be, it is always accumulating, paid regularly, and is free from the risks inseparable from employment of the same money by the Government and banks in stimulating and supporting the growth and business enterprise of the Dominion. The fallacy of supposing that the rate of interest on special deposits should vary in the same ratio as the rate of discount charged by the banks must be apparent to every business man.

Moreover, we can safely trust to the keen competition in banking throughout Canada to control and regulate the price of money, knowing that the lower the rate of interest paid to those who are content to save their surplus means the more reasonable will be the rate of discount charged to borrowers.