

ducts from the face of the note, the usury charged for the time, so that in case of a legal demand, all he asks is the amount of the note having received the interest when he cashed the note. The great benefits arising from this clause in the Law, is the inducement it offers to the individual to loan upon real estate, this class of loans had however, previous to the passing of the present Law almost equal advantages they have now, through the Trust and Loan Companies where they have been allowed by law to charge 8 per cent.

But the Banks are limited to 7 per cent., any rate above that was considered dangerous, considering the great powers they wield among the commercial community; to give them unrestricted power, would place the business men at their mercy; such was evidently the opinion of the majority who voted this Law; 7 per cent is as high a rate as any man in a regular business ought to pay for money; to pay a higher rate the profits of the business must be much higher than the ordinary profits upon dry goods, hardware, groceries, &c, and the losses must be much less than is usual among parties engaged in these separate departments.

Granted for instance that the Banks had unrestricted power, that they might ask any rate they liked, would such a course be for their interest. Most decidedly not. Supposing they were as unscrupulous as the most unprincipled shaver, would such be their interest? No. Would it be their interest to charge high rates upon dangerous risks or lower rates upon safe security. Most decidedly the latter. Any other course would be most disastrous to them; any other than an honourable, safe, system of transacting business with their customers, would be their ruin. They know well that any attempt to charge a higher rate than the actual value for the use of their money, would diminish their business with those they considered safest; a universal restriction among the commercial community would take place, and the Banks finding their capital lying idle, would soon see the folly of such a course.

While our Banks have been getting only six per cent. upon their loans, it is well known they have, during the last five years, been paying their stock holders 7 and 8 per cent dividends. Were there no other means for the Banks making money than discounting paper they could not have paid more than six per cent, although their circulation and deposits enables them to loan twice the amount of their capital, the heavy expense of carrying on their business, and losses would prevent them paying more than 6 per cent were their business confined to the profit on discounting paper; but they have another source of profit, that is buying and selling exchange.

Banks like Merchants are enterprising, ambitious, industrious, surrounded by competition, there is, to a certain extent, a desire for superiority; this is the natural spirit of man whether singly or associated. In a new country like Canada where its resources are but partially developed, where the steady and certain progress of the country demand a continuous increase of Banking capital the spirit of emulation is maintained. The more profitable a Bank is to its stockholders the more valuable is its stock, and in case of the Bank extending its business by increasing its capital, there is no difficulty in doing so, and if the stock is at a high premium, the premium is so much profit to the Bank, so that among the Banks there is a competition for one to give as good return to its stockholders as the other.