to pay depositors a rate of interest, which, when the necessary expenses of administration are added, makes their borrowings in that shape cost them one-half per cent. per annum more than the regular loans, and those not borrowed abroad altogether, for a very large portion of the last loan, as is well known, was taken up at home.

The duty of the Government to find a safe place of deposit, where ignorant and unskilled people may keep their savings, has always been admitted, but our objection has been to the Government taking care of the money of well-to-do people, and allowing them more than the money is worth. The administration of the Government and the post-office savings banks has been altogether too much in this direction, both by permitting large deposits to be made, and by paying a high rate of interest. The latter is an injustice to the taxpayer; the former, even if rates were still further reduced, must be regarded as an injustice to the whole body, for the savings of the people ought to be left as much as possible in the channels of trade, where only they serve to assist in the great work of developing the country.

The second argument in favor of the reductions is practically the first in another form, that is, that the increased volume of money in the country has led to a fall in the rate of interest, which should be considered now by the Government in fixing their rate. The extent to which the business of the country is carried on upon the bank deposits, as contrasted with loans made out of capital, may be seen from the following figures, in which we have compared the Bank Statements to the Government at the end of December, 1887, with that for December 31st, 1897.

Ten years ago the capital and rest of the Canadian banks were as follows:

Capital and Rest amounted to	$ 78,145,000
Deposits of all kinds to	113,261,000
Circulation to	34,354,000
So that the total amount available for carrying on the business of the country was	$225,763,000

Of this very considerable total the current loans and discounts, which may be taken roughly as representing the mercantile business carried by the banks, employed $157,083,523.

The similar figures in December last were as follows:

Capital and Rest	$ 89,805,000
Deposits	232,517,000
Circulation	37,995,000
Total	$360,317,000
Current loans and discounts	$205,931,000

The clear meaning of this is that the mercantile business of the country is now wholly carried on by means of the deposits which the public places with the banks, and not on the capital of the banks themselves, which as in older countries has grown to be a mere foundation and guarantee of the solvency of the various institutions, and, as in older countries, is invested in bonds and similar securities. The cost of the deposits therefore is the chief factor in fixing the rate of discount.

The business public is interested in this question in a very direct way. We cannot get to the normal condition now existing in most civilized countries, where the rates for bank loans and discounts fluctuate freely with the value of money, unless the Government removes this artificial barrier, which even the maintenance of a 3 per cent. rate creates. Under the somewhat artificial conditions existing at present, for the maintenance of which the inflexible and relatively high rate paid by the Government for deposits is largely responsible, the best borrowers are on the same level as borrowers of much less satisfactory standing. This is not as it should be. It is sincerely to be hoped that the Dominion Government, which a year ago took a forward step in the reduction to 3 per cent., and which has quite as much reason and as good grounds for another forward step now, will not lose the opportunity.

ONTARIO LOAN COMPANIES.

There is not a little variation in the experience of different mortgage loan companies in 1897, as far as net earnings are concerned. Some companies, while they have benefited in a marked degree by the results of the good harvest in both Ontario and Manitoba, have experienced drawbacks in other directions which interfere with their profits. The London companies generally make a good, some of them a splendid, showing. They have escaped the results of Winnipeg and Toronto "booms" in former years, and are greatly more prosperous and comfortable by reason of the fact.

The Huron and Erie Loan and Savings Company, at its last annual meeting, presented a very handsome showing, one which, while it probably reflects the improved condition of general affairs in Ontario, assuredly shows to good advantage the earning power of this long-established company. The earnings, gross, $360,356, were at the rate of 6.11 per cent. on the cash value of mortgages, an unusual rate. After paying interest charges, commission, inspection and all other expenses, writing off $5,938, loss on land, and setting aside $15,000 for possible depreciation of securities, there remained enough net profit to pay nine per cent. dividend and place $20,000 to reserve. Such a result is one upon which the company deserves to be congratulated heartily. The reduced rates obtainable upon loans, the report tells us, has been largely met by reduced rates on debentures and deposits, the company's borrowings of which are $4,233,000, about a third of it in Britain on debenture. The home borrowings are thus increased while the British are lessened. It is to be expected in the case of a conservative and strong company like the Huron and Erie that careful valuations of its securities would be made, and writing off doubtful assets would be rigorously done. And we learn that the re-valuation begun in 1896 has been continued till almost every security has passed the test of a second valuator, independent of the first. The amount o real estate upon company's hands is remarkably small for loans of nearly six millions. This company, with 3,600 mortgages upon properties in the finest districts of Ontario, is unsurpassed in the character of its loans, and amply justifies in its results the character of its administration.

Another good statement is issued by the Ontario Loan and Debenture Company, namely that concerning the business of 1897. Not only have the interest earnings of the company been maintained—as a matter of fact, they were a trifle larger than in 1896—but a full and frank statement of losses and lock-ups is again made, a policy that cannot be too highly commended. It is noticeable that so large a sum as $872,000 has been received during the year in interest and repayments of principal, which we take to mean that $662,000, equal to one-fifth of the whole, has been repaid on the mortgage loans. This is a satisfactory commentary on the character of the company's securities, and an indication of the improved ability of Ontario farmers, to whom the loans are mainly made. While competition for loans is keen and the rate still shows a downward tendency, the directors meet such decline by a like reduction in the rate paid for borrowed capital. Thus they continue to pay off such maturing debentures as they cannot renew on terms that will leave the company a fair margin of profit.

But little variation is shown in the course of last year's business of the Dominion Savings and Investment Associa-