

thinking, and perhaps questioning the value and stability of the investments they held. But as this first flurry among stock holders subsides, another question becomes frequent and important, namely, what value are the average securities given to depositors and other creditors by our Canadian chartered banks.

There can be no doubt, but in organizing our present system of banking security to the public received fully as large a share of consideration as any other point. The Canadian system is undoubtedly a mixture of the Scotch and American systems, and while we have evaded some of the weak points of both, we have not by any means secured all their good points.

That in Canada there should be some doubts about adopting many points in the United States system is only what might be expected. It is only within the last ten years that the value of that system has been demonstrated. Before that all the evils or rather weak points of the system had been displayed in a depreciated currency and national credit, and many people still believed that the great financial creation of Solon Chase was but a temporary fixture that must disappear with returning national credit. That belief is fast disappearing, and the system is every day adding proofs that it will adapt itself to a time of national peace and prosperity. The deposit in the hands of the Government of the paid up capital of each bank, and the regulation also by the Government in accordance with this deposit of the issue of bills by each bank are points of the American system adopted in Canada. One notable difference however is, that the Canadian chartered bank can issue bills to twice the value of its paid up capital, while the United States National Bank can issue to the value of only ninety per cent. of its paid up capital, thus always leaving a margin of ten per cent in government hands, and as security to bill holders. The United States bill holder is therefore absolutely safe, while the Canadian holder is only comparatively so. Thus one good point in United States banking is left out in the Canadian system.

But in Canada we have imported points from the Scotch banking system, no doubt with the intention of furnishing a security to the bill holder, as good if not better than that in the United States. One is the liability of the stock holder to twice the face value of his stock. This at first

sight seems like borrowing considerably upon the old Scotch unlimited liability of stock holders, and thus far guaranteeing all creditors. There is this difference however, that in the old Scotch system the liability is jointly and severally, and while a stock holder owns a shilling the unpaid creditor of the bank can by law demand the same. The Canadian stock holder is liable only to double the face value of the stock he holds, and in many instances holders would be unable to pay any further demands upon them, while a far larger number who were able but unwilling to pay, would make it impossible for the law to collect anything from them. The rock of safety to the outside creditor, which has always been the boast of Scotch banking, although often heartless and cruel to the shareholder, finds but a poor substitute in the Canadian double liability consideration.

Another point of the Scotch system copied here is the nationalizing of banks in the Dominion instead of having them local institutions like those in the United States. This is often a great advantage, but when a bank failure takes place it proves a great disadvantage and often makes depression and panic national in their spread instead of being local troubles as they usually are in the United States. Another good point from the United States banking left out of Canadian, is the guarantee of the Government on every bank bill, which not only gives safety, but compels the acceptance of these bills as a legal tender everywhere in the country, instead of the bills of one bank being subjected to a shave by another as they are sometimes in Canada.

To sum up our banks and the securities they offer to the public doing business with them, they are by no means as good as they should be, nor as they might be. The bill holder does not possess the security given to such by either the Scotch or American system, while the depositor has but a lame security, and one such as few bank managers would themselves advance money upon unless accompanied by additional evidence of the stability of the institution offering it. In short, Canadians have to satisfy themselves of the financial strength of the bank they do business in outside of the guarantees furnished by the banking laws. It may fairly be questioned if our banking laws furnish the public with value for the privileges conceded to banks, and as the time for renewal of bank charters draws near, this question should receive the more serious consideration.

THAT INEXORABLE EIGHT PER CENT.

There is considerable smouldering discontent amongst our best mercantile houses here, over the rise in the discount rate to eight per cent., and the feeling is all the deeper because of the undenied fact, that the rise is in no way due to local causes, but on the contrary there never was a time in the history of the Northwest, when the commercial field offered greater safety for banking investment. That this feeling is justifiable seems plain to any but a banker's mind, and it is questionable if some of our local managers do not coincide with this view of the matter.

About a year and a half ago, when most of our leading wholesale merchants had without solicitation their discount rate lowered to seven per cent., the state of trade was far from as satisfactory as at present, and even bankers will admit, that the outlook here was far from as bright as it now is. Therefore in finding an argument for the present advance, banks are compelled to refer to eastern influences, as their past actions show plainly, that they can have no cause here.

We have no desire to shirk the fact, that money like every other commodity subject to purchase and sale, has its value ruled by supply and demand, and the demand everywhere being now very active its value is correspondingly higher now, than some months since when the demand was lighter. But we maintain that banking is safer here now than it was a year ago, while in the east it is by no means as safe as formerly. In short we maintain that business is in a state here at present, which should command as low a discount rate as is fixed in the eastern provinces, and there the rate stands at seven per cent. An inquiry among merchants there and here proves plainly, that in proportion to the volume of business done, a much larger share of renewed and old paper generally will have to be carried in the east than in the west during this winter and next summer. In fact we question if any province of the Dominion offers at the present time a better class of commercial discounts than Manitoba, and we fail to see why banks should make a discrimination against it of one per cent. We call the arrangement a great injustice to merchants here, and one that should cease to exist. The day for banking discrimination against this province is about gone, even under ordinary circumstances, and under present ones it savors somewhat of an extortion, that only the combined banking power can enforce.