

smaller cities are also compelled to borrow very respectable amounts for street railway, power, and other public ownership plans. In financial circles the opinion is gaining ground that the borrowing capacity of the Canadian municipalities would be much larger and probably interest rates on municipal bonds would be lower if the Western cities and towns had moved more deliberately in this matter of assuming obligations covering public ownership schemes. It is clear that in the case of such rapidly growing communities the necessity of providing sewerage systems, pavements, water works, schools, and public buildings, by itself is enough to strain the borrowing capacity almost to the limit. And demands on the money market for expensive municipal ownership schemes serve to put an extra or gratuitous strain on the credit of the municipalities which go in for them most extensively. Another feature of corporation finance which has its favorable and unfavorable side is the advertising or so called publicity commissioner. This method of attracting industries is now very generally practised in the West and in the East. A few years ago there were a few hustling places which lost no opportunity of impressing on outsiders everywhere that they were positively the best places in which to locate. Now every little town of 2,000 or 3,000 population has its commissioner—each one uses the press, by means of whole page ads, to assure the world that "Hustleville" is positively the best and finest place, and the result is confusion. These efforts at self-advertisement are expensive and it is doubtful if in all cases the results achieved are worth the heavy outlay.

INTEREST BEARING CURRENT ACCOUNT BALANCES.

It is well known that stress of competition has led the banks in certain cases to allow interest on the current account balances carried by some of their best customers. Thus a corporation may have an arrangement with its bankers to the effect that the latter shall allow interest at 2 p.c. on all balances in excess of \$5,000. Another corporation may be required to keep \$10,000 free at all times; while a third may keep \$20,000 or \$25,000 according to the nature of the account. Then the rate of interest, on the balance over and above the free amount, may vary considerably. It may be that 1½ p.c. only will be paid on one account while another might get 2½. This practice of paying interest on current accounts is looked upon as questionable banking, but as other banks are ready to pay interest in order to get a big insurance or other corporation account, the bank holding an account so approached is often forced to meet the terms competitively offered in order to keep its business. The banking theory is that when the banker stands ready to pay the customer's cheques on demand up to the full amount of his balance, the customer is not properly entitled to interest. As a matter of fact the practice of paying interest on current account balances is looked upon as having

elements of danger. For when the bank has its current accounts absolutely free of interest, it can with profit carry a large proportion in the form of cash immediately available for meeting withdrawals. And on the other hand when the bank has obligated itself to pay interest on these balances the circumstance has a tendency to cause it to carry smaller proportionate reserves of cash—because its officers will feel under compulsion, to a certain extent, to make a larger part of the interest bearing funds earn some revenue.

On the other hand the corporation customer may take the ground that the payment of interest on balances over a certain amount is merely a matter of convenience. Its officers may say to the bank, "If you don't allow interest on the balance we can take out deposit receipts or transfer funds from our current account to a special account at interest. It will be a little more bothersome to do, so, but we can thereby get interest at 3 p.c. the regular rate. So we make the proposition that you pay us say 2 p.c. on all balances in excess of a certain amount." It will be interesting to investigate the reports of leading banks in order to discover, if possible, what proportion of their current accounts are subject to interest. The Bank Act says that each bank shall in its annual report to shareholders state the amount of its interest bearing deposits and the amount of deposits not bearing interest. The Bank of Montreal gives the total of non-interest bearing deposits as at April 20th last, as \$49,276,602. At the date the bank held \$6,311,997 of Dominion Government deposits which were free of interest. It also held: Provincial Government deposits, \$1,405,497; deposits elsewhere than Canada, \$32,437,877; deposits of other banks in Canada, \$1,665,174. It is impossible to say what proportion of these represented free deposits. If we assume that \$15,000,000 were free of interest the item added to the Dominion Government deposits would make say \$21,000,000 free of interest apart from the ordinary deposits in Canada payable on demand. These ordinary deposits, or Canadian current accounts, totalled \$49,509,375. So if there were \$21,000,000 free deposits outside of them and a grand total of \$49,276,602 of free deposits, then something like \$28,000,000 of the current accounts would be interest bearing. The Commerce on November 30th last, reported \$41,288,032 non-interest bearing deposits. Apart from its ordinary Canadian current accounts it then had: Dominion Government deposits, \$515,504; Provincial Government, \$3,942,261; deposits outside Canada, \$15,943,946; and deposits of other banks in Canada, \$199,618. If \$10,000,000 of these deposits were free of interest, the remaining \$31,000,000 of non-interest bearing deposits would be found in the ordinary current accounts. So on that basis of probability, as the total of current accounts of the public was \$57,798,830, the interest bearing current accounts would work out in the neighborhood of \$26,000,000.

On December 31st last, the Royal Bank reported non-interest bearing deposits, \$24,166,660. According to the Government return of that date the bank had Dominion Government deposits, \$579,823; Provincial Government deposits, \$6,572,290; deposits outside Canada, \$19,162,122; and deposits of other banks in Canada, \$755,066. Taking it that about \$13,000,000 of these deposits were free of interest, that would leave \$11,000,000 interest-free deposits in the Can-