Does the bank branch in the little town promptly reduce its rate and continue to extend credit as before? The executive of the bank may decide to keep the branch open; but even if the branch stays, there will be a radical change in its policy. All the borrowers who cannot qualify for class one are cut off entirely. The risk in connection with their loans is too great to put them on the 7 per cent. basis. So they get nothing from the chartered bank. Also, some of the weaker members of class one are required to pay up. Then the bank puts into force higher rates applying to transfers of money and for services performed by it; and probably it reduces the rate of interest allowed on deposits.

But if there is not much margin of profit at this point, the head office may elect to close the branch. Then appear our friends, the private bankers, who take over the premises formerly occupied by the chartered bank; and there they are, as large as life, ready to do business with the local people—but not at 7 per cent. They have an arrangement with a chartered bank in the financial centre of that district, whereunder the chartered bank agrees to advance funds to them at 7 per cent. on approved collateral notes with 20 or 25 per cent. margin. So, under the new conditions, bank money or credit is laid down in this town at a net cost of, say, 7¼ per cent. But these newcomers must have their margin of profit; and it is no light or small margin. Perhaps two or three of the best risks among the business men will get a 10 per cent. rate. No one else can borrow under 12; and many of the farmers are obliged to pay 15 per cent. And that is not all. These newcomers make a specialty of chattel mortgages, assignments, etc., etc. When you go to borrow from them you will be invited to execute something of this nature—and, of course, there is a healthy fee or commission to pay. And when their high interest rates, fees, commissions, etc., have nearly eaten up the equity of a poor borrower in his farm, they may dispossess him and take his property for themselves.

This little picture illustrates one way in which fixing the price of money by act of parliament does not operate to the advantage of the borrowing classes.

OUTLOOK FOR CUSTOMS REVENUE

According to the unrevised figures published in the Canada Gazette, the total revenue of the Dominion for the fiscal year just ended was $165,528,137. The revenue for the fiscal year ended March 31st, 1912, was $132,745,386; and the increase is, therefore, about $30,000,000, or 25 per cent. It is noteworthy that the customs revenue in the past year represented 68 per cent. of the Government's total receipts, as against about 65 per cent. of the whole in the preceding year. On comparing the customs revenue for 1912-13 with the record for 1911-12, it is seen that the increase amounts to, roundly, $26,700,000, or 31 per cent.

These figures naturally draw one's attention to the huge imports of merchandise which serve as the basis or foundation of the great increase in revenue. Canada's total foreign trade in the fiscal year crossed the billion dollar mark for the first time. Of the foreign trade for the fiscal year, roundly two-thirds were imports and one-third was exports. The excess of imports was, roundly, $300,000,000. This excess compares with an excess of $220,000,000 in 1911; an excess of $154,000,000 in 1910; an excess of $79,000,000 in 1909, and an excess of $35,000,000 in 1908. The year 1908 may be taken as the commencement of the present era; and the excess of imports shown each year may be taken as largely influenced by Canada's borrowings abroad and the general movement of capital to this country.

There was in the preceding era, as in this, a gradually rising excess of imports, and a gradually rising national revenue. Thus in 1903 the excess of imports was $31,000,000; in 1904 it was $56,000,000; in 1905, $52,000,000; in 1906, $73,000,000; and in 1907, $128,000,000. The movement of capital towards the Dominion was temporarily checked by the tight money of 1907; and monetary stringency at the world centres, through its action on the flotation of new securities, eventually produced in 1908 a drop of $70,000,000 in our imports, and at the same time it had a tendency to stimulate our export business.

One naturally, therefore, looks somewhat closely at the latest statistics of the customs revenue to discover whether the monetary stringency of the past six months has had any marked tendency to check the increase of the monthly collections. Taking the fiscal year as a whole, as remarked above, the showing is eminently satisfactory. An increase of nearly a third, over the figures of the preceding year, must be counted very favorable, indeed. The Balkan war broke out early in October; and on the 17th of that month the London bank rate was pushed up from 4 to 5 per cent. The Bank of France also raised its rate on the 17th October; and since then money has ruled high enough at London and other European centres to discourage all but necessitous borrowers.

Now let us see in what manner the check to our borrowings has affected the customs collections. So far as monthly increases are concerned, the best showing in the past fiscal year was made in July. In that month the customs revenue was $9,950,000, as against $6,881,000 in July, 1911—the increase being $3,069,000, or about 45 per cent. In August there was an increase of $1,955,000, or 25 per cent.; in September, an increase of $2,100,000, or 27 per cent.; in October, $2,202,000, or 28 per cent.; in November, $2,432,000, or 35 per cent.; in December, $1,840,000, or 27 per cent.; in January, $2,614,000, or 41 per cent.; in February, $1,720,000, or 24 per cent., and in March, $1,748,000, or 22 per cent.

Thus, from August to the end of November there was a steady rise in the ratio of increase. A considerable drop occurred in December, but the figure was back near the high record in January. A sharp drop took place in February, and a further drop in March. The closing months of the year show the smallest ratio of increase—the March ratio being just half the ratio shown in July, 1912. It is reasonable enough to attribute this fall to the monetary stringency in Europe and at home in this country. As conditions have not been favorable for the placing of loans in London, the borrowing corporations in Canada have been less disposed to import machinery, iron and steel goods, and other dutiable goods for direct or indirect use in construction work. At the same time the limitations imposed by the banks on borrowers at home would have a tendency to prevent importers bringing in more merchandise than they absolutely needed.

It is to be remembered that when the stringency made its appearance the importing merchants and corporations would be under engagements or commitments in respect to certain transactions which would, perhaps, require several months for completion. That is to say, they would have orders outstanding in process of execution. So it might be four or five months before the check to the import trade became particularly noticeable.

At this point arises the question, What are the revenue prospects for the current year? At the time of writing it does not appear probable that the customs revenue for 1913-14 will show an increase of 30 per cent. over that for 1912-13. An increase of 30 per cent. on last year's figures would produce in 1913-14 a total customs revenue of over $146,000,000, or say an average of $12,000,000 per month; and, taking the customs revenue at 70 per cent. of the entire income of the treasury, total receipts of $210,000,000 would be indicated.

The chances are that the actual results will fall short of those figures. The effects of the monetary shortage may be seen in the first quarter of the new fiscal year. The banks are not yet encouraging their importing customers to cut loose in the matter of bringing mer-