

present crisis. The Canadian Bank Note is as good as gold. It is protected in the first place by the double liability of the stockholder; secondly, by the five per cent. guarantee fund which is deposited with the Minister of Finance and which is made up of a levy of five per cent. on the annual average circulation of the Canadian Banks; thirdly, the note is safeguarded by having a first lien upon the assets of a bank in case it is obliged to go into liquidation; and lastly, the note is made perfectly good by the fact that it bears interest at five per cent. in case of a bank's failure, until it is redeemed.

Under these circumstances, there is no reason why the Canadian people should not have complete and full confidence in the quality and soundness of the Canadian Bank Note. Not only is it safeguarded in the ways which we have mentioned, but it is backed up by all the liquid assets held by the issuing bank. Even if the Canadian banks should fail in the extraordinary pressure of war times, the notes would be abundantly protected by the assets of the Banks and no note holder could lose a cent through holding such currency. However, it is unthinkable that our financial institutions will be obliged under any circumstances to close their doors. In an interview, which a representative of the Journal of Commerce had yesterday with a leading banker of Montreal, assurance was given that the Canadian banks were never in a sounder position than they are at the present moment.

It is an especially wise step which the Minister of Finance has taken in permitting the Canadian banks to deposit securities with the Government in exchange for legal tender notes. Our banks hold a vast sum in high grade gilt-edged securities and warehouse commercial paper. This collateral is as good as the wheat and the Minister is not only adopting a financial policy, but an extremely wise one in issuing to the banks legal tenders on these securities. In this way, the banks will be able to build up their reserves and be placed in an extremely strong position to meet any possible emergency. The third provision, viz. the permission granted to the banks to issue emergency currency, which in ordinary times they can make use of only from September 1st to the end of the following February, is also a wise procedure. In our judgment, the Government might well, if other arrangements proved insufficient, permit the banks to issue notes to any extent without reference to paid-up capital or rest funds provided that they maintained the proper ratio of reserves to the notes issued, say fifteen per cent. These reserves they could maintain readily under present conditions by depositing securities with the Government and receiving legal tenders therefor.

The Government might, should the emergency require it, go even a step farther and suspend specie payment in this country. Thus our gold reserves, which now amount to almost \$100,000,000, would be maintained to meet any crisis that the country conceivably may be required to face. If we are to send expeditionary forces to Europe, this gold reserve may have to be drawn upon. In any case, the Government should not hesitate to suspend specie payments and so protect the credit of the nation if events should make such a policy necessary. In the meantime, we have nothing but commendation for the wise and courageous policy that the Minister of Finance has adopted. He can count upon the cordial co-operation not only of the banks of this country, but of the whole Canadian people.

It must, of course, be understood that these are extraordinary proposals, which could not be allowed under ordinary conditions. But the present situation is one calling for extraordinary safeguards, and even departures from the requirements of the statute law may be approved, with reliance on Parliament to make good what has been done.

If the need arose, Canada could send a quarter of a million men to aid the Mother Country. The enthusiasm being shown by the young men everywhere throughout the country should prove most gratifying to the authorities.

The outbreak of hostilities in Europe has dwarfed to insignificance the Mexican situation. People are already almost forgotten that there was a man named Huerta as head of that country a few weeks ago.

The announcement of Sir Edward Grey has been well received throughout the world. The British Foreign Secretary is noted for his moderation and for his calmness. He put the issue fairly up to Germany and if that nation interferes with Belgium, it attacks the shores of France, it will mean war.

In the excitement attending the war in Europe, citizens forgot to note that the Montreal Base Ball team won the three last games. It is all very well to watch Serbia and Austria fighting around Belgrade, but as patriotic citizens, we should not overlook the struggle taking place each afternoon on the Montreal Amateur Athletic Association grounds. The latter is real war, if the errors can be counted as casualties.

ONE CAUSE OF H. C. OF L.
In a circular addressed to housekeepers the New York state bureau of weights and measures gives the following bit of practical advice: "Don't be afraid to carry a bundle, unless you are prepared and willing to stand the expense of having it delivered to your home. Somebody has to pay the expense of a horse and wagon. If you are willing to have this expense, well and good, but realize that you are doing it if you have your products sent home."
-Buffalo Courier.

WORTHLESS STOCKS AND BIG ESTATES.
It is not particularly surprising that the estate of the late D. O. Mills, which is valued at \$36,000,000, contained a liberal percentage of wild-cat stocks whose value is simply that of waste paper. Such possessions are not uncommon among those who struck it rich, as well as among those who haven't, but want to. The explanations why the hard-headed financiers acquire such property have a wide range. The most charitable theory is suggested in the case of Mills, that he acquired most of these securities as collateral from friends who possessed more enthusiasm than ready cash. But a very cynical theory is that operators engaged in hazardous ventures and liable to be caught sometimes napping, provide a round list of these fake stocks, to turn in if they are ever obliged to make an assignment, while valuable stocks are safely retired in the hands of a relative or trusty friend. This has been declared specifically that there must be some foundation in some cases. That is, of course, when-

ever practiced as a deliberate cheat. If it can be proved the practitioner can be sent to prison; but it is rarely, if ever proved. -San Francisco Journal of Commerce.

INDIA'S ECONOMIC GROWTH.
India's trade has increased during the last half century from \$300,000,000 to more than \$1,400,000,000. It has in operation 32,000 miles of railroad, which places India fourth in the world in its railroad mileage, carrying 330,000,000 passengers yearly at the rate of five miles for one cent. It maintains 76,000 miles of telegraph line, over which messages can be sent for more than 2,000 miles at a cost of only twelve cents.
India is now the largest exporter of rice in the world, holds first place in its exports of tea, next to Argentina is the largest exporter of hides, and next to the United States is the largest exporter of cotton in the world. Next to the United States and Russia it is the largest wheat-producing country. The Tata Iron Works in Bengal, employing 3,000 men, have laid down iron in San Francisco at less than the price charged by the United States Steel Corporation.
India's system of irrigation stands easily first in the world, being far more extensive than that of Egypt or America. It has more than 46,000 miles of irrigation canals have reclaimed more than 22,000,000 acres of land, and famine has been prevented forever in some districts. -World's Work.

"A LITTLE NONSENSE NOW AND THEN"

Teacher—Tommy, paraphrase "the coolness arose."
Tommy—The Boston girl stood up.—Judge.

Life is just one baked apple dumpling after another. -Baltimore Sun.

Everything in this world is relative. Lots of people have forgotten all about Mexico and the baseball revolt. -Philadelphia Ledger.

Who empties the soap boxes which anarchists are said to use when making speeches? Surely not the speakers or their sympathizers. -Louisville Courier Journal.

Representative Henry, apropos of the latest international marriage, said, philosophically, the other day: "In the dictionary, under the word 'heiress,' I'd suggest a new definition, namely: 'Heiress—a restorer of ruined castles.'" -Exchange.

A Glasgow merchant, famous for his stinginess, came into his office one morning and found a young clerk writing a letter in rather a flourishing hand. "My man," he observed, "dinna mak' the tails o' yer's and y's quite so long. I want the ink to last the quarter out." -Buffalo Commercial.

Small Boy—"Father, what is an equinox?"
Fond Parent—"What in the world do you go to school for? Don't you study mythology? An equinox is a mythical animal, half horse, half ox. The name is derived from the Latin 'equine,' horse, and 'ox.' Dear me, they teach you absolutely nothing that is useful nowadays!" -London Opinion.

During a marriage ceremony in Scotland recently the bridegroom looked extremely wretched, and he got so nervous, looking on one side and then on the other, that the "best man" decided he would find out what the trouble was.
"What's up, Jack?" he whispered. "Hae ye lost the ring?"
"No," answered the unhappy one, with a woeful look, "the ring's safe enough; but, man, I've lost ma' enthusiasm." -London Observer.

THERE'S SOMETHING IN THE ENGLISH AFTER ALL.
"I've been meditating lately that, when everything is told, There's something in the English after all; They may be too bent on conquest, and too eager after gold, But there's something in the English after all; Though their sins and faults are many, and I won't exhaust my breath By endeavoring to tell you of them all, Yet they have a sense of duty, and they'll face it to the death. So there's something in the English after all. If you're wounded by a savage foe and bugles sound "Retire!" There's something in the English after all; You may bet your life they'll carry you beyond the zone of fire. For there's something in the English after all; Yes, although their guns be empty, and their blood be ebbing fast, And to stay by wounded comrades be to fall, Yet they'll set their teeth like bulldogs, and protect you to the last, Or they'll die—like English soldiers—after all.

When the seas demand their tribute, and a British ship goes down, There's something in the English after all; There's no panic rush for safety, where the weak are left to drown. For there's something in the English after all, But the women and the children are the first to leave the wreck. With the crew in hand, as steady as a wall, And the Captain is the last to stand upon the sinking deck. So there's something in the English after all. Though the half of Europe hates them, and would joy in their decline, Yet there's something in the English after all; They may scorn the scanty numbers of the thin red British line, Yet they fear its lean battalions after all; For they know that, from the Colonel to the drummer in the band, There is not a single soldier in them all, But would go to find destruction, were their country to command. And call it simply "duty" after all. -Bertrand Shadwell.

THE IMPERIAL YEAR BOOK.
At no time in the history of the British Empire did Imperial matters play as important a part as they do at the present time. The relation existing between component parts of the Empire, their history, political organizations and their social and economic problems present one of the most fascinating studies imaginable. As a matter of fact, the British Empire is composed of so many different people with ways peculiar to themselves, that a study of the Empire, compilation of facts and figures relating to its trade and commerce, its government and its many problems is a task beyond the grasp of the ordinary individual.
For this reason all who are interested in the social, political and industrial development of the Empire will welcome the Imperial Year Book of Canada, edited by Mr. A. E. Southall. The book which has just made its appearance is a compilation of practically everything relating to the British Empire. It is not full of dry statistics. It is undoubtedly true that statistics play a prominent part in the work, but the introduction to the tables, the arrangement of material, the comprehensive grasp of the salient features make the book a unique and valuable publication.
In his introduction Mr. Southall very ably sums up the salient features of the book.
"In The Imperial Year Book I have tried to give a concise and comprehensive review of Canadian life and activity since Confederation, to show Canada's present position as a nation and her status as a self-governing Dominion, to outline the constitutions and resources of her sister Dominions, and the other dependencies of the Empire, and to give comparative statistics of the trade relations of the various parts of the Imperial domain, and particularly of those affecting Canada."
The Imperial Year Book has been three years in the course of preparation which furnishes one with some idea of the painstaking efforts put forth by Mr. Southall to carefully compile his facts and figures. As a matter of fact, the book is an encyclopedia dealing with Canadian trade, railways and canals, shipping, fisheries, customs, immigration, agriculture, minerals, education, religion, etc., etc. The relation of the provinces to one another and to the Dominion and of the Dominion to the rest of the Empire are clearly stated. Interimperial trade figures and many other facts relating to the Empire are carefully compiled. In brief it is the most comprehensive and thorough compilation of facts and figures relating to the Dominion and the Empire which the writer has seen. The price of the book is \$1.50 cloth, and \$1.00 paper cover.

THE HUMANIZING TOUCH.
The idea that the humanizing touch in business affairs may be encouraged by life insurance agents is a thought developed by Robert Lynn Cox, which fits in with present views of business economics. The idea of service to policyholders which the life insurance companies have been striving to develop will be assisted by collective service on the part of employees in big corporations who realize that their interests and those of their employers are identical.
In speaking of present day reforms in "big business," Mr. Cox shows how the life insurance companies were the first to inaugurate the changes in methods of operation which have placed the insurance business on a higher plane than was ever possible before.
The life insurance companies, therefore, have an advantage at this time not shared generally by business corporations in the industrial world. Service to customers is one of the latter day developments of business competition which cannot be too strongly emphasized. Service to policyholders is being extended by life insurance companies, in increasing number. That this service is appreciated and has already produced tangible results is not doubted by anyone conversant with current conditions.
If life insurance succeeds in adding a humanizing touch to the operations of the business world, it will have accomplished much for the welfare of the race. -Insurance Press.

THE ABSENT STENOGRAPHER.
The business man who has let his stenographer go off on her vacation, and who tries his hand at manipulating the typewriter himself for the first time, will appreciate the following skit on the subject, in Life, addressed to the author's absent stenographer:
With how sad steps, Oh Mayme, I climb the stair,
And view my office, nowa lone ly scene!
Oppressed? I sit me down at my machine
To do my corrwysfndeNce, once thyscare,
I miss tHee! not alone that thio! wast Fair,
Butthat thou didst achieve with joyous men
The letters that will drive meMad I wene? The tasks that now a tppk of strngence wear,
even thuss two days, And Two dats mbrel told
And could not conqer, howsoer I Trisid;
These d3volish keys hav all my Efforts Foid,
While power of spwling is tome denefit
Ah, donotwait till all my pper's spoiled -
Come back, come BCOK agan, tobless-and gUMB

The estate of James J. Fallon, former warden of the Combs is valued at \$50,000.

Stage of barter—refined barter, it is true, but still barter. They pledge the property they have—securities and so forth—at the bank, and by means of the purchasing power granted them exchange the goods they have for the foods of which they stand in need. Thus products on their way to completion in the factory, even before they are ready for market, may be pledged at the bank as a security for a loan; which in turn, will permit the manufacturer to obtain the foods he needs. The bank insures the transaction, it loses if the goods are destroyed, or if the crop does not come to fruition. Thus, in last analysis, it may be said that the function of a bank is that of insurance.

Should Deposits Be Guaranteed?
A demand has arisen in some quarters in recent years for government guarantee, or some other form of guarantee, of bank deposits. At present the depositor comes fourth as a claimant, if the bank fails. The order is:
1. The note holder.
2. The Dominion Government.
3. The Provincial Government.
4. The depositor.
However, the demand for a guarantee can hardly be met. Business men must accept business risks. The strong bank should not be burdened with the load of carrying a weaker bank, and thus lose the fruits of careful, conservative management. And the government should no more be asked to guarantee the security of a business man's account any more than it should guarantee his success in business. Men and institutions must stand or fall on their own merits.

How Deposits Arise
An enormous growth has been made in the deposit of Canadian chartered banks during the past decade. These deposits do not by any means represent savings. Indeed, a very large part has arisen through loans granted on collateral, which have been left at the banks in the shape of deposit accounts. Business men settle their balances, as has been said by cheque, and not by the payment of notes. As much of the deposits have originated in the first place through loans, it will be found that, as the loans increase, the deposits also grow.
Through deposits men have come back to the old

BANK NOTES AND THE MEDIUM OF EXCHANGE.

(Number Fifteen in a Series of Short Articles on Business Economics. By Professor W. W. Swanson.)

We have hitherto considered the function of government paper currency, but these are of small importance compared with the work performed by the currency of modern banks. This currency consists of two constituent parts: (1) bank notes and (2) deposit account.

The Function of Bank Notes.
Canadian bank notes are not a legal tender. They simply consist of promises to pay legal money on demand, which in Canada means Dominion Government notes and American, Canadian or British gold. It will be recalled that silver and copper coins are a legal tender for small amounts only.

The June statement (1914) shows that the greatest amount of bank notes in circulation during the month was \$101,189,667. These notes find wide and easy circulation because of the safeguards with which they are surrounded. These may be enumerated as follows:

- (1) The notes have a first lien upon the assets of the bank.
- (2) They are protected by a five per cent. guarantee fund, made up of five per cent. of the annual average circulation of the Canadian banks. This fund is held by the Minister of Finance.
- (3) If a bank should suspend payment the notes bear interest until they are paid.
- (4) Shareholders in banks are under double liability.

It may be said, in passing, that not a dollar has been lost by a Canadian note holder since the present act went into force in 1890.

Notes are Elastic.

One of the striking features of the Canadian note issue is its elasticity—that is, its ability to expand and contract as occasion may require. This has not been true of the bank notes of the United States, nor of any European country. In these cases some sort of special security such as bonds or short-term commercial paper has had to be placed behind the notes. Up to the passing of the Federal Reserve Currency Act in the United States in 1913 the notes of the National Banks were secured by the pledge of government bonds. These conditions have been changed by the passing of the act mentioned, as it was recognized that the National Bank note circulation was too rigid and lacked the qualities of elasticity. But the systems of note issue of the American and European banks will be later described, and we may here confine our attention to the Canadian system.

Canadian notes are not based upon any pledge of any security with the government. Behind the notes will be found merely the general assets of the banks. They may be issued or retired upon presentation with the utmost ease. No special legal reserve is held by the banks against either the notes or the other demand liabilities. It is left to the banks themselves to determine what proportion of their demand liabilities (including notes) the banks shall hold in legal tender money. While the banks are not required by law to hold any legal reserves, they keep, as a rule, 15 per cent. of their demand liabilities in gold or Dominion notes. In addition to that the call loans in New York and London, which are almost immediately available, may be regarded as a sort of secondary reserve. These call loans amounted in June 1914 to \$137,120,167.

Under ordinary circumstances the note issue of Canadian banks is limited to the paid up capital. This amounted, according to the June statement, 1914 to \$114,811,775.

Emergency Issues.

During periods of particular strain in the money market the Canadian banks may issue an additional supply of notes. From September, to the end of the following February, the banks may issue above their ordinary limit an amount equal to 15 per cent. of their combined paid up capital and surplus. Upon this excess issue they must pay to the government a tax of 5 per cent. until it is retired. Obviously the banks make no profit upon notes issued under these conditions.

The revised act of 1913 provides for an additional method of issuing excess circulation at any time. The act provides for the establishment of a Board of Trustees at Montreal who may receive gold from the banks and issue notes thereon up to any amount whatsoever. Upon notes that are thus based upon gold no interest is paid. It may be expected that the banks will make large use of this privilege. It has been pointed out that no legal reserve is required of the banks in Canada, hence, in ordinary circumstances, they may temporarily withdraw gold from their vaults and issue additional notes when the country demands that method of payment. The privilege will be particularly helpful at times of moving the crops. Of course, in a period of crisis or in monetary stringency a bank could not weaken its position by withdrawing gold from its vaults for that purpose. The June statement (1914) shows that the banks have on deposit with the Board of Trustees, \$3,050,000.

Deposit Currency.

The same statement indicates that Canadian chartered banks have time deposits of \$663,650,230 and demand deposits of \$356,006,229. Deposits outside of Canada stood at \$103,061,603.
These are enormous sums, in the aggregate, and make up the note circulation many times over. The important fact to be borne in mind in connection with the deposits is that they form a large part—by far the greater part, indeed—of the currency of the country. Business men draw cheques on these, and settle accounts in this way, and not by the payment of bank notes or Dominion legal tenders. Indeed notes are used mainly in connection with retail trade and for paying working men their wages. It is becoming the practice of Canadian banks to permit savings depositors to draw cheques against their accounts.

Through deposits men have come back to the old

present crisis. The Canadian Bank Note is as good as gold. It is protected in the first place by the double liability of the stockholder; secondly, by the five per cent. guarantee fund which is deposited with the Minister of Finance and which is made up of a levy of five per cent. on the annual average circulation of the Canadian Banks; thirdly, the note is safeguarded by having a first lien upon the assets of a bank in case it is obliged to go into liquidation; and lastly, the note is made perfectly good by the fact that it bears interest at five per cent. in case of a bank's failure, until it is redeemed.