

(2) Sir Henry Lennard of Kent, England, who has been in Winnipeg for a few days, recently purchased a block of down-town business property for investment. He is accompanied by C. A. M. Cator. They made other land investments farther west, and Sir Henry stated that he had been driven to place his money in western Canada by the policy of Lloyd George. Sir Henry is the owner of 4,500 acres in Kent.

(3) Lord Clinton arrived in the city yesterday. Rated as amongst the wealthiest of the English nobility, Lord Clinton is a heavy investor in many parts of the world. He admitted that he had already made extensive investments at several points in Western Canada. "In my belief what Canada needs is men more than money," said his Lordship. "Frankly I think you are inclined to over-estimate the value to your country of the investments of men like myself, most of whom buy only to hold what they buy for speculative increase. Of course, I suppose it means so much more capital in the country which immediately goes into active channels, but I think there is much to be said on both sides of the question, and I am not at all sure as yet that you really benefit as much as you think."

This latter is a fairly frank admission for a British landowner, and is at any rate better than the whine of Sir Henry Lennard. Lord Clinton goes on to tell the interviewer that he is interested in colonization schemes now being planned in England, and says that "naturally, the class of men that you will get through these schemes will be high. They will be placed on the land by men who are looking for returns from their investments and who will see to it that only men from whom returns are reasonably assured are sent out."

Naturally, Lord Clinton, naturally.

However, Western Canada may not remain so tranquilly acquiescent under these wonderful "developments," as some of the promoters seem to bank on. For one thing, there is an "insurgent" movement against the high tariff; and the advantage of land value taxation as a substitute is getting a remarkable amount of attention from the farmers and others who are agitating for lower duties. It is of interest to note, too, that the recent Trades and Labor Congress at Fort William, Ont., passed a resolution endorsing the Single Tax.

SEYMOUR J. FARMER.

INCIDENTAL SUGGESTIONS

THE FINANCIAL DANGER POINT.*

Indianapolis, Ind., Sept. 26.

Fortunate would it be for the other banks of the country if they were to open their eyes to the wisdom of sending money to the New York banks to be used in the promotion of bond and stock schemes and for financial gambling on Wall street. It is true that there is a difficulty in their getting away from the control of the national banks of that city. This grows largely out of the fact that so many of the "country banks," as the outside banks are called, are under the management of men who know very little about the particular effect of some provisions of the national bank law, about the financial conditions of the country, or about the essential

principles of financial economics. Such men are blindly allowing the banks under their control to be made victims of conditions that have resulted from provisions contained in the original bank law, because they are able by so doing to secure a small interest rate on what would not otherwise be an interest-bearing resource and ought not to be expected to be.

But as long as the banks outside of New York continue, under any pretext of law or business, to send so large a part of their resources of available cash to that city, any effort on the part of the West to acquire "financial freedom" must fail. The banks of Chicago could if they would start a movement for financial freedom from the control of Wall street; but instead of having done so, the thirteen central reserve banks of Chicago on June 30th last presented in the aggregate a worse condition than the thirty-nine banks in New York. The New York banks had in the aggregate a small cash surplus—less than \$275,000—but the Chicago banks had overloaned or sent their money to New York until they were short in the aggregate of their cash reserves over \$4,000,000.

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The control of the New York banks over the affairs of the country has in large degree been secured through the vicious provisions of the national bank law which permits the "country" banks to deposit three-fifths of their so-called "legal reserves" with banks of the "reserve cities," and the "reserve city" banks to deposit one-half of their "legal reserves" with banks of the "central reserve cities." The New York banks encourage such deposits by the payment of interest on them, and then laugh at the depositors for their foolishness.

No man engaged in the business of banking ought to be ignorant of the fact that in no true banking sense is it possible, by law or in any other way, for a deposit in one bank to be any part of a reserve in another bank. Though the law does permit such deposits, and does call them part of the "legal reserves," they are of no more avail to the creditor bank than any other demand obligation from the "reserve banks."

Such provisions of the national bank law were secured by the New York Association of Banks in the original enactment of the law creating national banks. The purpose was to keep the "country banks" from loaning 9 per cent, and the reserve banks from loaning 12½ per cent, of their deposits to their home customers, but at the same time permitting them to loan it, by deposit, to the New York banks. The New York banks rely upon the cupidity of outside bankers for the success of this selfish and dangerous scheme.

It results in permitting the "country banks" to reduce their reserves to 6 per cent, and the "reserve city" banks to reduce theirs to 12½ per cent, of actual cash. The real and available reserve is called a "cash reserve," and the fictitious reserve is called a "legal reserve."

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Banking experience has taught the world that a

*See a related article by the same writer in The Public of August 26, 1910, at page 798.

reserve so low is dangerous, not only to the banks but to the business public. It is nonsense to suppose that a deposit in any New York bank can be any part of a deposit in any bank outside of New York.

The adding-of such deposits to the cash on hand in a bank and calling the sum "legal reserve," is the method by which the public has been constantly misled as to the condition of the national banks. If when you pick up one of the statements issued by a bank to its customers you find as one item in its resources "cash and with banks," you may be sure that such bank prefers that its depositors shall not know how little actual cash it has on hand. No banker who sends to New York any part of his reserves or other resources, except such deposits as may be necessary for exchange, has any right to complain about the control of Wall street.

The fact is sometimes mentioned that in 1907 the western banks took refuge in clearing-house checks, but the reason for it is seldom given. They were forced to do so because the New York banks held at the same time about \$200,000,000 of the so-called reserves of other banks, which they could not return when it was needed at home.

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Let there be no misunderstanding about the matter. The provisions of the bank law, together with the cupidity of a large number—fortunately not all—of the bankers outside of New York, has kept a current of money flowing there. This money, as soon as received, has been loaned until the aggregate cash surplus is almost nothing; a state of things that makes the banks of New York city the weakest and most exposed part of our national bank system. It is the point of greatest financial danger, and outside bankers will be wise if they avoid it.

FLAVIUS J. VAN VORHIS.

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THE SINGLE TAX WITHOUT WAITING.

Toronto, Ont.

A novel suggestion comes from New Liskeard as to how the present foolish system of penalizing improvements by taxing them may be avoided. The Ontario Assessment Act makes it compulsory to assess land and improvements. Though this is not only unjust, but very bad policy for any municipality wanting new buildings, new industries or improvements to old ones, no law-abiding community has found means of escape up to the present time.

The proposal is "to bonus" the owners of improvements to the extent of the tax upon them, and raise the money by increasing the rate.

This would have the same effect as taxing land values only. For example, in a municipality having an assessment on land of \$100,000 and on improvements of \$200,000, and with a rate of, say 10 mills on the dollar, it would be necessary to raise the rate to 30 mills. This would provide an income of \$90,000; but the tax on improvements, \$60,000, would come out of the revenue, leaving the \$30,000 derived from the land as the net income of the municipality. This would be the same as a tax of 10 mills on the whole \$300,000.

Or, the principle may be adopted in a modified form. If it is deemed wise, for instance, to exempt improvements only one-half of their value, then a bonus of one-half the tax is all that would be required.

Many other conditions may be attached to the bonus in order to make it the more easy to adopt. Thus, the bonus may be limited to the improvements made after the passing of the by-law; or may be made to apply only to buildings used as dwellings, if there is a feeling that rents are so high that special encouragement for the building of dwellings is necessary.

Of course any modification as above suggested will weaken the effectiveness of the plan, but it is often advisable to accept a partial measure when it can be got at once, rather than wait indefinitely for the whole. The acceptance of a partial measure need not silence the advocates of perfection, and its success will enable them to procure its extension.

This proposal would have enabled the city of Toronto to have given every houseowner in Toronto a bonus equal to the taxes on \$700, when the \$700 exemption was voted on by the people,* and the same results would have followed as though it was an actual exemption.

In Provinces and States where such a bonus is legal, we have here a most effective way of introducing the single tax without any change in Provincial or State laws, and we commend it to single taxers generally.

ALAN C. THOMPSON.

NEWS NARRATIVE

To use the reference figures of this Department for obtaining continuous news narratives:

Observe the reference figures in any article; turn back to the page they indicate and find there the next preceding article, on the same subject; observe the reference figures in that article, and turn back as before, continue until you come to the earliest article on the subject; then retrace your course through the indicated pages, reading each article in chronological order, and you will have a continuous news narrative of the subject from its historical beginnings to date.

Week ending Tuesday, September 27, 1910.

The Political "Line-up" in Illinois.

At the Illinois (p. 897) convention of the Democratic party at East St. Louis on the 23rd, Congressman Henry T. Rainey, a progressive Democrat, was chairman; and although the convention is reported to have been dominated by Roger Sullivan, it adopted a platform declaring for "the election of United States Senators by a direct vote of the people;" demanding prosecution of and further legislation against unlawful trusts; deploring the election of Senator Lorimer; favoring a merit system of civil service; opposing "the cumulative system of voting for members of the legislature," because "plumping makes for evil rather than good, for the crooks know their own and they hang together;" favoring "the abolition of the use of money in campaigns except

*See The Public, vol. x, page 80; vol. xii, page 470.