

THE BANK RETURNS—AN IRREGULARITY.

It is probable that the official statements of the banks, published every month, are subjected to intelligent examination by very few even of those who are the heaviest holders of bank stocks. However this may be, the fact that the directors of one bank, whose head quarters are in Ontario, had in their private capacity, in August last, borrowed, from themselves as directors, more than the whole capital of the institution whose affairs they administer, has entirely escaped public notice. The capital is \$1,500,000, and the amount for which the directors were liable was \$1,596,000. In September, the amount of paper on which there were directors' names had been reduced some \$200,000; making the whole amount of their indebtedness to the bank a little less than the whole capital.

If such a stretch of authority by the directors in favor of themselves were legal, it would be highly improper. But it is clearly illegal. By the charter of the bank, the directors are not permitted to have their names on more than one-tenth of the paper discounted. To bring this borrowing within the charter, the discounts ought to be \$15,000,000, while they are only about half that amount. It may be said that the charter does not attach any special penalty to this excessive borrowing by directors. This is true; but there is a penalty nevertheless. In similar cases, the comptroller of the currency, at Washington, assumes that the penalty is forfeiture of the charter, and in the investigation of the case of alleged infringement of a bank's charter, in the Province of Quebec, not long ago, this was assumed, on both sides, to be the penalty. We are far from urging a forfeiture of the bank's charter; but it is desirable that the parties who have put themselves in the wrong should understand the nature of the risks they run. At the very time when this excessive borrowing by directors was at its highest, the stock of the banks sold the highest of any on the Canadian list.

There are other banks in which the directors' liabilities are at least unreasonably large. One Quebec bank, with a capital of \$2,000,000, has \$613,507, under the head of directors' liabilities, and another bank in the same province under the same heading with a capital of \$2,500,000 has \$1,100,233. These sums are all too large to look well; and they are suggestive of undue influence at the Boards, of borrowing directors.

Now that we are on an unpleasant subject, it may be as well to remind those interested, if any there be, that lending by banks on the security of bank stocks is illegal. And what cannot be done directly cannot be done indirectly. This reminder may cause less of a shock than a treasury circular, and perhaps it may be equally efficacious. One thing we may rely upon, and that is that, sooner or later, the law will be enforced.

A grocery firm in a small way, Maguire Bros. at Kingston, dissolved in August last. The business was continued by John Maguire who is now in trouble. A statement is being prepared for creditors.

AUCTION ROOMS.

That auction rooms have their legitimate place in the business of the country under all circumstances, favorable and unfavorable, there can be no doubt. Trade is not so healthy but that it requires this sort of safety valve to rid itself of unsalable accumulations, and to facilitate the winding up of suspended concerns. If the trade of this country were in the healthy condition it ought to be, however, there would scarcely be remunerative occupation in the business for the numbers who are now engaged in it. Almost invariably connected with the modern auction room is a kindred business which auctioneers express by styling themselves "commission merchants." The nature and extent of the business carried on under this head is worthy of more than a passing notice. A correct appreciation of its extent and of the manner in which it is carried on is, we are persuaded, calculated to afford some insight into practices for a long time and still prevalent, which are most injurious in their effects upon legitimate trade.

This commission business, in one of its phases at least, practically means that traders pressed to meet present engagements may by recourse to these commission merchants, tide over present difficulties. All that is necessary is to hand a quantity of goods to the auctioneer and get an advance upon them. Or considering the process a step further it means that the trader can get the commission merchant's endorsement on his paper and thereby get money in consideration of a commission for such endorsement and of pledging goods to secure it. The existence of this means of raising the wind is well understood in trade. It is quite the thing, when a merchant's own bank refuses further discounts, to get the money needed for his requirements from his auctioneer's bank in the way referred to.

Naturally enough, an effect of this course of dealing is that those who resort to it go from bad to worse. It means paying ruinous interest and locking up the stock necessary for the continuance of the business. It means almost invariably a waste of the estate and a loss to the creditors of the concern. It means putting off the evil day by a ruinously expensive expedient. It means that the debtor, in an embarrassed position and no longer able to command the confidence of his own banker, endeavors to evade the inevitable by resorting to an irregular course of business instead of squarely meeting the issue and placing himself in his creditor's hands. This course of dealing is becoming remarkably common. It is not confined to retail houses. Wholesale houses, quite as much as retail, avail themselves of it, usually with the same disastrous result.

We would not be understood here as denying that occasions may properly arise which justify the disposal of goods by auction, on the part of both wholesale and retail men. Frequently by this means, goods otherwise unsalable, may be realized upon. In this direction lies one of the legitimate uses to the trade of the auctioneering business; indeed the auction room is of value to the very best houses in the trade in this particular, and could not well be dispensed with. This legitimate class of business constitutes, how-

ever, but a small proportion of the auction business now carried on in this and other cities.

The abuse above pointed out is not the only one to which the auction business is subject. In many other ways it is made the medium of irregular and unsound transactions. At present we propose to refer to only one other abuse, which however, is a glaring one. It is also one which of late has been of too frequent occurrence. We refer to the facility which this class of business affords to dishonest traders. Goods have too often been bought in the regular course of business on credit, and been disposed of at a sacrifice through auction rooms, thereby enabling the evil disposed to elude and defraud their creditors, carrying off the proceeds that are for all practical purposes stolen. Comment on this phase of the peculiar "commission business" to which we have referred, is scarcely necessary. Unfortunately our business men have not seldom realized, to their own serious detriment, the ease with which this sort of scheme is frequently carried out.

It is not so easy to point out the remedy for these evils, as to indicate the evils themselves. One principle should, however, be strictly adhered to, and eventually would have a rectifying effect. We refer to the necessity of creditors firmly refusing any settlement to debtors who have either attempted to swindle their creditors or recklessly continued their business by means of a sacrifice of stock after they should have suspended. The good results sure to follow ultimately from pursuing such a course, are too obvious to require enumeration. All admit the soundness of this view; but unfortunately there is a large tendency in each case that arises to be guided by the consideration of the means whereby the largest result can be secured out of the insolvent estate. Firmness on this point has always been sadly needed and never was more needed than now.

THE DISTRIBUTION OF FOREST TREES.

The paper of Mr. Bell, of the Geological Survey, on "The northern limit of the principal forest trees of Canada, east of the Rocky Mountains, is embodied in the seventh report of the Montreal Horticultural Society. The law by which this distribution takes place has not been clearly traced or ascertained. "The range of any species," Mr. Bell says, "is not governed entirely by the mean annual temperature. The extremes of heat and cold in the west, as compared with the milder winters and cooler summers of the east, with about the same mean temperature for the year, appear to be the chief cause of the marked difference in the character of the woods in the two regions, since there is not a sufficient disparity in the amount of the annual precipitation to account for it. A great difference in the moisture of the air in the two regions, otherwise resembling each other in climatic conditions, has a powerful effect on the growth of forests; and the dryness of the air in the western prairie and arid regions is, no doubt, the chief cause of the absence of timber." Mr. Bell adds