Canadian Banking and Insurance

The extravagant and reckless expenditure of the present administration, which, in twelve years, has increased the annual cost per head of population from $8.14, as it was in 1895, to $18 in 1907, is pretty generally known. But only those who have given the economic condition careful study will be able to understand how most of the setbacks and losses which the business of this country has suffered during the last few years are due to the unwise legislation and lax administration of the present Finance Minister.

In a recent issue of the Montreal "Shareholder" there appeared a letter over the signature of no less an authority than Mr. H. C. McLeod, General Manager of the Bank of Nova Scotia, in which he says:

Bank Failures

"In 1880 there were in existence in Canada forty-one banks; since then seven have been incorporated and have commenced business, making a total of forty-eight banks. Of this total twelve have failed and some others have saved themselves by amalgamation. The failures are, therefore, twenty-five per cent. within a period of twenty-six years, the last ten of which were years of exampled prosperity." Since Mr. McLeod wrote this letter two more of our banks have failed and one has disappeared through amalgamation, thus raising the percentage of the failures to almost thirty, about half of which have occurred within the last nine years of the Fielding administration.

Concerning these failures Mr. McLeod says: "Most, if not all, of the above mentioned failures were fraudulent, and it is now plainly evident that a few hours' examination by a skilled banker would have disclosed an insolvent condition in any one of the banks years before it collapsed."

Mr. McLeod further states that during the same period the failures of National Banks in the United States was only five per cent., while the failures of all others in the United States in the last forty-three years were only 17½ per cent.

Unprotected Note Issue

I am sure it will be a surprise to many to learn that behind Canadian bank notes, of which, according to the last monthly bank statement, there are outstanding $66,697,255, there is not one dollar of reserve either in gold or anything else. There is a small Government deposit known as the "Bank Note Redemption Fund," which at present amounts to $4,586,243. But even this sum, which is but a small fraction of the note circulation, cannot be regarded as a note reserve, because a bank has no recourse to it until it has closed its doors and gone into liquidation. It is true that the note issue of any bank is a first lien on its assets, but this again is of value only after the bank has gone into liquidation, and does not assist it to keep its doors open during hard times when the country needs every bank and when the failure of one often means disaster. Canadian bank notes are little better than a first mortgage on the assets of the bank that issued them, endorsed by the double liability of its shareholders.

Double Liability Inadequate

Thus bank-note holders have no guarantee that the paper which they hold will be redeemed when presented beyond what the assets of the bank that issued it can offer. Much of these assets are held in such shape that it is impossible to realize on them in times of need and, as has been seen, the banks are compelled to close their doors before they have paid five per cent. of their deposits and notes. Too often the assets are of such kind that they are worthless. On the other hand, what guar-