

A QUESTION ABOUT SMALL BANKS.

A correspondent is desirous of our opinion as to whether a bank on a small scale is not all the stronger for its shares being held by a few stockholders, who make up the majority of the Board of Directors. He favors the theory that such a concentration of a bank's stock in the hands of those who are giving personal attention to its affairs is an element of unusual strength to such bank. He considers a bank in that position as very much like a private bank, an institution which he evidently regards as essentially stronger than a joint stock one. We are unable to agree with such views. Although the fact that Directors holding a large amount of stock in the bank they represent will naturally make them all the more careful in its management, it by no means follows that such persons are thereby especially qualified for their duties. The financial skill and judgment possessed by a Director whose holding of stock is small may exceed in value the combined ability and sagacity of all his colleagues. It is, too, not an uncommon thing for the Directors in one of our large banks to own stock therein exceeding the paid up Capital of such small banks as our correspondent mentions. A large bank is also able to command the services of financial experts of a much higher class than a small institution can afford to retain as manager. A private bank neither in England, where so many of them are eminently strong, nor here, is strong because it is a private enterprise, but because its proprietor or proprietors has or have been gifted with the qualities of a good banker. Many private banks of very high repute have failed, far more proportionately than joint stock ones in England and in Canada. The small banks of the United States, which are perpetually collapsing even in good times, and which tumble like apples in a gale of wind when momentary troubles arise, are organized very generally on the lines our correspondent looks on as assurances of strength, as in many cases their shares are in a few hands, and, save in name and in form, they are private institutions. There is a liability of this very serious feature developing in a small bank. Its shares may become concentrated in the hands of a few persons whose whole or whose chief possessions are those shares. When this is so, the double liability of shareholders, which ought to be a protection to depositors, is of little value, as, if the bank fails, and there comes a need for a call upon the stockholders, they are unable to respond, as their fortunes have already sunk with the submerged vessel. It is consequently a decided weakness to a bank for its stock to be mainly held by a few persons who would be ruined were the bank to fail. A small bank too can hardly ever secure as desirable a class of customers as a larger one. It runs, as it were, in very shallow waters where the shoals and rocks are highly dangerous. A small bank gets depositors by offering higher rates, and secures a discount trade by giving larger accommodation on easier terms than a large bank has need to offer for money and for loans. For these and other practical reasons we do not consider small banks as in an especially favorable position for making good profits or acquiring strength.

LI HUNG CHANG.

The late General Gordon, when in China, wrote that Li Hung Chang was one of the three supreme ruling forces in China, and described him as "a noble fellow, and worth giving one's life for." Considering that Gordon's life was one of the noblest ever led, there must be something of extraordinary value in a life he regarded as more valuable than his own. The great Chinese minister, who is now on his way home, seems to be one of those very rare persons who rise above the average of their countrymen, above even the highest in political wisdom, as a mountain peak rises above the undulations of the surrounding country. In China a great man is especially distinguished, for China is the land of mediocrity. Although it has been partially civilized for many centuries, one looks along them in vain for the record of any one man of eminence in any sphere of life, the prospect is as dreary as an interminable desert. Li Hung Chang's distinction is all the greater, and is liable to be exaggerated from his having no notable predecessors nor living compeers as a statesman. His mind doubtless is one of unusual powers, but they would have remained latent had he not been brought into such close contact with General Gordon and other eminent Europeans. The shock, however, which thoroughly awoke him was the terrible humiliation inflicted on China by the Japanese, whom their enemies despised as an inferior race, and too weak to be worthy of regard as rivals. China, like Turkey, is cursed by a religious system which is utterly and fatally obstructive to the moral and intellectual development of the people. Whatever progress China can make will be the effect of reforms imposed upon her from without, just as her enlarged foreign commerce was the result, not of native enterprise, but of facilities and opportunities for trade being forced upon her at the point of British bayonets. The extension of railways, in which lays the main hope of any higher civilization in China, is even yet antagonized by the official classes, and is contrary to the wishes of the people. Railway engineers from Europe and the States, when surveying for a new road, have been molested by the populace who were incited to violence by local rulers. Whatever capital is employed in such projected lines will have to come from foreign sources, the skilled workmen will be foreigners, the working staff also, so that, until the internal Government of China is revolutionized so as to give security to the builders and operators of the railways, these enterprises will make no progress. The new army and navy which are each a vital necessity to China will have to be organized and officered by Europeans. One of the objects of Li Hung Chang's mission is known to be the making of arrangements for engaging such a staff of military and naval organizers. Even for any effective reforms in the civil administration of the Empire, it will be necessary to employ foreigners. Indeed, unless the Chinese display the same marvellous capacity for rapid development along the lines of modern civilization which made Japan the most wonderful phenomenon in history, the prospects of China are indeed gloomy, as her continued lethargy will most probably end in such aggressions by Russia,