

cept at the head office. Assuming that the loss reaches the unexpectedly high figure of \$1,500,000, the magnitude of the deficiency was not beyond the strength of a combination of Toronto interests, which could easily have been made. But the Ontario Bank directors confided their trouble to Montreal and concealed it from Toronto. The answer of the President is that he must make the best bargain he could. But his sizing up of the situation fails to hold, immediately you reflect that only the Toronto banks' guarantee to the Montreal prevented a formal suspension, and the inevitable concomitants so desirable to be avoided.

Estimates vary as to how much better a bargain might have been made if Toronto bankers had been taken into the confidence of the distraught directors of the Ontario Bank; and the wretched expedient of marking Ontario stock down ten points on the Exchange on Friday afternoon had been avoided. Probably cool-headedness would easily have been worth \$500,000. There could have been a complete transference without anybody outside being the wiser; and when the prosecution came the whole truth could have been disclosed. As it is, panic has been avoided by the ordinary operation of the Canadian banking system. But there is the galling display of weakness which might be interpreted abroad as characteristic of the financial community in which it occurred, instead of being, as we are sure it is, sporadic and exceptional in its character.

The plentitude of garrulity and the paucity of gumption that have distinguished the Ontario Bank deliveries of the week have led sundry writers to denounce the association of venerable gentlemen with directorates. The calendar is no infallible guide to capacity. Most of the fools are not old. But the day is waning when a man's name is accepted as guaranteeing the final stability of a business to which he lends it, but with which he cannot be closely acquainted. Inattention is incompetence; even if the inattentive is the most competent when he is at work. Crown Attorney Corley has uttered the dictum, "Directors must direct, or get out." And, in truth, it is a proper observation.

The imbroglio will suggest some revision of the Bank Act designed to protect shareholders against their own tendency to elect directors who do not direct. President Cockburn says, "You must trust somebody," and points out that no chief executive officer can answer for the accuracy of the returns from say a hundred and twenty branches. Mr. Cockburn seems to confuse the confidence which is essential to any decently conducted business with blindness. If facts already elicited are any basis for judgment, there must have been pretty persistent eyeshutting in the Ontario Bank. The inspection of branches has been duly attended to and reported on; but there seems to have been no examination of the head office. The President, when the disaster came, was not sure whether the general manager was guaranteed. That Mr. McGill was a heavy speculator was no secret to those who are curious about such things. Where, then, is the excuse? Where is the safeguard against directors who do not direct? No respectable excuse has been offered. A safeguard is being prepared for. If shareholders would take less for granted they would feel less need for the policeman in times like this. As the details are revealed there will be opportunity to discuss ways of making the Ontario Bank failure the last thing of its kind in Canada.

#### ARE SUBSIDIES ESSENTIAL?

"As we were in 1902" was the demand of the premiers in Inter-provincial Conference. "As you were 1887" was the answer of The premier. There is the latest bargain between the chief governors of this broad Dominion. It is a settlement and a problem rolled into

one. It is the beginning rather than the ending of a political epoch; for it has been decided to make the conference of provincial premiers an annual event—a step, the potential significance of which seems to have been overlooked by most of the publicists who have dealt with the general questions debated at Ottawa last week.

The nine premiers who deliberated so effectively were doing their best to make what seemed like a passive benevolence on the part of the Dominion Government into an active liberality. Admitting the fundamental soundness of the subsidy principle, there is not much fault to find with the methods or the results of the Conference. Though it did not produce for the nine premiers the satisfaction they demanded from the one premier, they have all had sufficient experience in politics to be satisfied with a goodly percentage of the things they hope for. They repeated the demands which were so apparently fruitless in 1902. They got the concessions asked for in 1887—an increase in income, of over two and a quarter million dollars, from a treasury, which, as provincial statesmen, they do not have to fill.

Any discussion of the subsidies question is like a foray into a country full of pitfalls and snags for the unwary. Involved in it are principles vitally affecting the federal constitution which was the sum of wisdom forty years ago. You strike interests and prejudices which do not so much take count of constitutional precedent as they do of the protracted habit of receiving money from the exchequer. And you lay yourself open to the imputation of countenancing in one form and another the injudicious appropriation of public money.

Fortunately, no serious objection to the Conference has been raised on the ground that it was an affair of party politics. One eminent journal professes to discover in the attitude of Sir Wilfrid Laurier an ungovernable desire to trample on provincial rights; but, speaking generally, the propositions of the premiers and the reception accorded them, have been discussed in the press in a spirit worthy of the importance of the subject from an all-Canadian, rather than from a sectional or partisan point of view.

The case for more subsidies is founded on the understanding arrived at preliminary to Confederation that the provinces were entitled to certain portions of the revenue which, having heretofore been levied by themselves, would henceforth be collected by the central authority. In making these fiscal arrangements the fathers of Confederation avoided the ridiculous blunder which was committed by the federationists of Australia, who, in ambiguous language left the assumption of the several state debts by the Commonwealth to be determined after the consummation of the act of fusion, and thereby loaded Australia with a heritage of confusion, which is more confounded seven years after the setting up of the Commonwealth than it was on the day that the Governor-General of Australia was created.

The pro-subsidy argument predicates the right of the provinces to receive from the Dominion treasury sums of money as consonant with the enormously enlarged revenues of the Dominion, as were the amounts they received a generation ago, which were then far larger in proportion to the revenue of the whole Dominion than they are now. It is said that if the provincial governments do not receive more of the abounding income of the land, the money will be squandered anyway by the Ottawa Government upon its favorites, its parasites, upon public works that are of little ornament and less utility. But that is an argument, not so much for the increase of subsidies as for the limitation of the revenue to the actual needs of the country, estimated with due regard to economy such as the citizen is compelled to practise daily in his personal affairs. If the Dominion Treasury is over-

loaded with cash the obvious less demands upon the tax-payer the most virtuous of provincial and dip in his hand as far as the revenue is leaping up, there coming; when certain loans will have to be raised to buy railway, which should cause the purse-strings to be very careful the demands of "workers" from never so insistent and never so the necessities of the next crop

It is not sacrilegious to think Confederation could enjoy a rest they would regard their work as to twentieth century conditions. recognize the country they serving accustomed to the changed would naturally expect—the sagacity to be distinguished by preciation of political tendencies is conceivable that some of the the subsidising custom relegated the household where the swaddling most fittingly repose. They from the preamble of the premier in the forefront of their repetition demands, that the increase of subsidies of the people of Canada" and "essential of the provinces."

It is really as important to the of public affairs that there should without direct responsibility for as that there should be no taxation. The evil of insufficient responsibilities of directorship, with financial corporations, is just a politicians and even statesmen, account by their constituents taxes which they may so lightly minion Minister of Finance with fairy godmother to be able to obtained from Nowhere, the ten of dispensing largesse to provinces would be against the public interest. But where the Dominion money same people who are in danger of they obtain from it, is a gift Benevolence, the position becomes is thoroughly unsuited to the ha entities which have passed from virility of manhood.

Here is the Province of Ontario of the Dominion, declaring its development, that it should Ottawa—the money which it first is hardly essential to the developmentario to pass around the hat in the suppliant, who does not realize the ing Peter to pay Paul. Of course federation claim continues dominously important question of provinces will do their best, periodic treasury"—to use the phrase of far-seeing "News" of Toronto.

Appetite grows with what it provinces are leagued together subsidies from the Dominion, there develop a disposition to clamor for steer an independent and self-re to preserve for genuine commerce cash which can be so easily frittered ment machinery and in those which are as unnecessary as the The premiers are to come together may become possessed of the spirit