

# The Commercial

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## THE BANK CHARTERS.

As we near the first day of July, 1891, the date to which all charters of Canadian Banks extend, the question of our future system of banking forces itself more prominently before the business public, and becomes more freely discussed by the press throughout the Dominion.

As might be expected in the discussion of such a question as this some radical changes and some wild theories are advocated, and as a rule the less responsible the authority for the theory, the wilder it is, and the more radical the changes demanded. Some financial cranks advocate one change and some another, and the majority of such demand a complete wiping out of the present banking act, and the substitution of some crazy scheme of their own to fill its place.

The great majority of cool headed business men throughout the Dominion are satisfied that when the time comes around, there will be a renewal of all our bank charters, although there may be a number of important amendments made to the law now in force. Such men know, that the banking influence is too strong, to admit of the possibility of the privileges now guaranteed to banks being entirely or even in a great measure swept away. Besides while the act itself has a number of defects, which require remedy, many of its leading provisions have worked so well, that it is entitled to more consideration than its opponents are prepared to concede to it. The sensible way, therefore, to test the question is to accept for granted the extension of bank charters when the time calls for it, and endeavor to rake up to the surface the weak points in the act, which require amending.

An argument often used against banking systems is, that they do not furnish sufficient of a circulating medium, to make money plentiful, an argument which cannot be used against the chartered banks of Canada, for it is now a question in the minds of many shrewd business men, whether or not the banking capital and resources of the Dominion are in excess of the business demands thereof. The vast amount of the resources of our banks, which has to seek investment in the United States, is a proof, that these re-

sources are too great for our home business demands, and the much talked of long credits given in mercantile business are undoubtedly due in a great measure to the fact, that banks have abundant funds under ordinary circumstances to carry such long winded transactions, and a general shortening of mercantile credits would surely leave the banks with a plethora of unemployed funds. These and other proof show clearly, that shortage of capital and resources cannot be made a cause of complaint against Canadian banks, and it is doubtless due to this fact, that so little is heard of the fiat money craze in this Dominion.

Another point on which the present banking act is sound is the security furnished the depositor. Section 70 of the act provides that in cases of insolvency of banks, where assets are insufficient to pay debts and liabilities, shareholders will be held liable to the extent of twice the amount of their shares at par value, thus furnishing a guarantee capital equal to that subscribed. Outside of the old Scotch system of unlimited liability of shareholders, the Canadian system offers the depositor better security than any other modern system.

On the question of security to the bill holder it must be admitted, that the Canadian banking system is defective. The currency of the bank has practically no guarantee on it beyond the responsibility of the bank from which it is issued. Of course it is argued, that only in the case of one bank failure, namely the Maritime bank, have the bill holders been losers. Such an argument merely implies, that the Maritime Bank was a little rottener than any other insolvent bank, and that very exception calls for some legislative safeguard. Undoubtedly the United States system of a Government guaranteed currency has many advantages over the unguaranteed one of Canada. Besides being a perfect safeguard to the bill holder, it makes the bill itself a legal tender in any part of the country, whereas, one of the worst anomalies in connection with our Canadian bank bills is, that the banks of one province frequently refuse the bills of another bank not doing business there, or subject them to a shave. Yet by the Banking Act these same bills are declared money, and still are not a legal tender. Looking at the matter in this light, it cannot be denied, but a Government guarantee to bank bills would be a valuable amendment to our present banking

act, and it is to be hoped, that one will be added before July 1st, 1891.

Besides looking after the safety of the bill holder and the depositor, it is necessary to give some attention to the safety of the shareholder also, and in this respect the Canadian Banking Act displays its weakest point. Section 24 certainly provides for a full and detailed statement of the affairs of every bank being laid before each annual meeting of its shareholders by the directorate; and section 66 provides that monthly returns, signed by the President and chief accountant of each chartered bank, shall be sent in regularly to the Receiver-General, who has some powers for the protection of interests outside of the directorate at his disposal. Yet it is a lamentable fact, that in nearly every case of bank insolvency, and especially in the worst cases, these annual statements to shareholders, and monthly statements to the Receiver-General, have been cooked, twisted and falsified to a shameless extent, until the poor shareholders were made victims by such deceit. Some system of Government supervision of the affairs of banks is the most necessary of all amendments to the Banking Act. We require men for Government examiners possessed of the ability, and vested with the authority to make the most searching investigation in to the affairs of any bank, and thus furnish a guarantee to shareholders, the lack of which has been seriously felt in the past. With a Government guarantee of bank bills, there would be a still greater fitness in a Government supervision of the affairs of banks, and it is to be hoped that in 1891, we will have the two combined in our banking laws.

There are other amendments, no doubt, to the present Banking Act, that might with advantage be introduced, but they are minor ones, compared with those that would provide a Government currency guarantee to protect the bill holder, and a system of bank examination to protect the shareholder, while the old double liability of the shareholder could be still retained as a protection to the depositor and other creditors.

## RAILWAY POOLING.

It is evident that there will be a strong effort made at this session of the United States Congress to secure some very important amendments to the Interstate Commerce Law now in force south of the boundary line; and it is just possible that