We regret if we have quoted Mr. J. B. Forgan in a manner calculated to give a wrong impression of his views. We see from his letter to Mr. McLeod that he believes external supervision allied with good internal inspection would be good for Canada; but we note that he says it should be "Compulsory external periodical inspections of the head offices by competent persons accustomed to such work." One might ask whether accountants or auditors would be competent for this work. Many of our own bankers, Mr. Fyshe being prominent amongst them, think they would not be competent.

The quotation we gave two weeks ago is from an address on the limitations of bank examinations, and in his address the able Chicago banker points out that people may place too much reliance on examinations, and may expect too much from them. He says also, "There is a growing tendency "on the part of the public to blame Government "or other authorities charged with the supervision "of banks by examinations, for failures when they "occur. This tendency of public opinion I regard "as unfortunate, untenable and unjust." All the same it is there, and has to be met. It is the same thing which we have been arguing as to Canada. The people will hold the associated banks responsible for failures if the general managers or the Bankers' Association appoint the examiners; and if some outside body, such as the High Court of Justice or the Government appoints them, they are less likely to be fitted for their work. There would be more likelihood that the examining officials would strain at a gnat and swallow camels.

Though we concede that Mr. Forgan supports Mr. McLeod in his present campaign we should like to draw attention to the following lucid paragraph in the first named gentleman's description of how the examination of the Clearing House officials in Chicago works. He says "It is no easy problem to decide when summary action should be taken in connection with a badly managed bank's condition, which depends on the condition of its customers while both they and it are interdependent on each other. Conditions must become very bad and expostulation be exhausted before any supervision authority, however constituted, will assume the responsibility of action that will lead to a closing of a bank's doors. If it were otherwise and such action were taken simply because something in the bank was unsatisfactory, such authority would be accused of shutting up a solvent institution, not only by its stockholders, but by its depositors themselves in whose behalf the action would be taken."

We would ask the reader to mark the fact that it is the Committee of the Chicago Clearing House—expert, hard-headed bankers—that experience this difficulty in deciding to take summary action when a bank in their constituency is in unsatisfactory condition. If the work in Canada were in the hands of any supervising authority other than the Bankers' Association it is almost a foregone conclusion that the authority would be disinclined to act when it should. It would probably hold its hand, and when the inevitable crash came, and the rottenness proved to be far greater than even the supervisors had suspected, people would say, What is the good of a scheme of that kind?

Finally with regard to the monthly bank statements in Canada, and Mr. McLeod's contention that the law regarding false statements in them is almost a dead letter, we would point out that invariably in recent years the Government department at Ottawa and the Bankers' Association have instituted criminal prosecutions against the parties making false statements, and judging from the record of cases, we think it almost a certainty that any executive officer wilfully making a statement to the Government that was materially false, would be convicted and imprisoned on proof being forthcoming unless he early fled the country, and while that is the case the law cannot be described as a dead letter.

THE CHRONICLE sees no good reason for departing from its frequently expressed opinion that external examination of a bank is a question to be decided upon by its shareholders, not by the Dominion's legislators.

EXTERNAL EXAMINATION OF BANKS.

A Further Communication from Mr. H. C. McLeod.

Toronto, January 17, 1910.

To the Editor of THE CHRONICLE:

In your issue of 14th instant, "for the sake of argument" you place the Sovereign Bank in the list of failures. Why do you make this admission with so much reluctance? Where a bank ceases business on account of hopeless insolvency, failure is the applicable term, whether the wreck be in charge of the Curator of the Canadian Bankers' Association, or under the care of the gentleman who has usually undertaken these duties, in the case of the Sovereign, with the title of Trustee. Let us use the words that convey a full and true meaning, liquidation is not the appropriate word.

You refer to the passing of four banks, reasoning that this type is not suited to Canadian conditions. The passing of small banks, including those having only one office, is largely due to the high premiums paid for their good-will and the assets of some. Others, like many of their larger competitors, have disappeared in circumstances of dishonour. The fittest of any type may survive. Whosoever contends that isolated banks are unsuited to Canadian conditions would better consider the record of the Bank of New Brunswick, which, since 1825, has successfully, consistently and conservatively carried on its functions, as few others have done. Its traditions are perhaps the finest in Canada. Its record for success and for profits is unequalled, whether we consider the whole term of its existence or go back only to the time of Confederation. Only a short time ago, when that bank had no branches, offers were made for its stock at figures to which the price of no other Canadian bank stock has ever attained. Recently branches have been added, not for any lack of earning power, but in order that it may continue to be the most important banking factor within its home Province, a country owing much that is inspiring in its laws and history to the bank that bears its name.

In considering the statistics of failures since Confederation, account must be taken of the rela-