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R. WILSON-SMITH, *Proprietor.*

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RECOGNIZING THE INADEQUACY OF GOVERNMENT INSPECTION.

Those critics of Canadian banking methods who urge Government supervision, independent of the Bankers' Association rather than in conjunction with it, may well consider the present trend of United States opinion towards supplementing government inspection by associated supervision by the banks themselves. The State Superintendent of banking for New York State, Mr. Clark Williams, evidently recognizes the weakness that there is in the "scattered" banking system—whether national or state. He urges the state banks and trust companies over which he has supervision to co-operate more closely, not merely for the convenience of clearing house exchanges, but for purposes of greater security, and of safeguarding against illegitimate or fraudulent banking practices.

This recommendation is in line with a somewhat general disposition throughout the United States, to enlarge the scope of associational activity on the part of banks. Leaders in the movement to extend the functions of the Clearing House in Chicago, urge that such an organization only needs further development to take the place of all "police power" so far as the world of credits is concerned. As they point out, in the hour of panic in 1907 it was clearing house organization far more than the government that checked the tide of disaster.

One prominent bank officer is reported as saying:

"The bank examinations of the government being insufficient, the clearing houses are now beginning to institute examinations of their own. They are creating a system of regulation far more effective than that which the government has instituted. They are providing a guarantee of solvency and payment far more powerful than any system of government guarantee which Congress can devise. But there are larger possibilities of development in the clearing house system than even these achievements disclose. This country needs such a concentration and flexibility of reserves as would promote its financial stability, and what the government has been unable to do it is within the power of the Clearing Houses to accomplish whenever they are conscious of their influence and ready to exercise it."

The spreading of views such as these among United States banks, and the growing recognition that government inspection has failed of its desired effects, are matters of more than far away interest. There are those who, in Canada, proclaim the gospel of government paternalism as the panacea for the ills, mistakes and shortcomings to which banking—like all else earthly—is subject. Such might read with profit the reports of past and existing shortcomings in United States bank examination methods, that have been issued by the present Comptroller of the Currency since entering upon his duties a few months since. True, he hopes that more detailed examination and regulation will remedy the evils of which he complains—but that remains to be seen.

Again and again there appear in the columns of staid financial journals allegations of favouritism shown towards national banks by government examiners. Against such, it is difficult to guard. Inherent in the system is the danger of the public being "lulled into false security" by dependence upon the results of examinations that may be unreliable through carelessness or wilful breach of faith.

The New York Journal of Commerce and other conservative financial journals have lately been urging the formation of some kind of federation of national banks—a legalized association and supervision in convenient districts—which shall give the banks within each district a mutual responsibility and a corresponding authority and bring official control closer to them. "The whole system needs to be reorganized in banking districts," say such careful critics, "if it is to continue to be one of numerous local branches rather than one of large central banks with branches."

POSSIBLE EFFECTS OF FRANCO-CANADIAN TREATY.

The United States press is exercised considerably over those features of French tariff revision which increase the margin between maximum and minimum rates; especially as Canada by its trade treaty may likely enjoy considerable advantage over its neighbour in many lines of goods. It is predicted by the grumblers that the effect will be to cause not a few American manufacturers who cater for the French market to open branch factories in Canada.

If this be so—and if, as our London correspondent has stated recently, France is definitely adopting the plan of favouring in an investment way those countries which favour it commercially—Canada may have good reason to be satisfied with its commercial treaty, even if every desired clause is not embodied when the measure finally emerges from the French Senate.