

was not covered by a cash balance? Of course, English bankers are away behind the times in the judgment of American critics, but they manage to keep on paying dividends of from 10 to 20 per cent., with not more failures in half a century than those in America every month. Yet these bankers pay cheques every hour of the day that are not provided for by "an amount of money equal to the amount specified in such cheques." What is a recognized practice, which is based upon a formal agreement between bankers and their customers in England, is a crime in the United States, that is, punishable as severely as burglary, or highway robbery, or manslaughter!

What is meant by "a fictitious obligation, direct or collateral?" Would what is known as an "accommodation note" come under that designation, or, a cheque given in exchange for one of the same amount to help one drawer to turn a sharp corner? Strictly speaking, both accommodation notes and exchanged cheques severally represent "a fictitious obligation," but, irregular, dangerous, and opposed to sound banking as these notes and cheques are, surely any banker worth his salt has brains enough to avoid any serious loss by these "Kites," and does not need protecting against them by an Act that declares the using of such temporary expedients to be so serious a crime as to deserve five years' imprisonment. The punishment does not "fit the crime," but is so excessive as to prevent its ever being enforced, just as when, a century ago, stealing a loaf or a few coppers was a gallows crime, juries would not convict however plain was the proof of guilt. Fancy a jury of American storekeepers asked to send a banker to jail for 5 years because he honoured a cheque before it was covered by a cash deposit!

According to the precise meaning of the words of this Act, a large proportion of bank accounts in the States are in such a condition as to subject every banker to the penitentiary. The Act reads, that before a cheque is certified it must be covered by "an equal amount of money." Now *money* is one thing and *credit* is another, a distinction which this Act ignores by requiring all cheques before being certified to be covered by a deposit of money. As our valued contemporary the New York "Commercial Bulletin" remarks:

"There are certain terms that need defining. What is it to have "an amount of money" on deposit in a bank? It obviously cannot mean that the depositor must have placed the amount in the bank in actual cash. If he borrows a certain sum of the bank, and, instead of paying it over to him, the bank credits him with it and allows him to draw upon it, he has, in effect, that amount of money on deposit. The loan may be made upon any security satisfactory to the officers of the bank and authorized by its directors. They may take the customer's

personal undorsed note, or "single name paper," if they consider it safe to do so and credit him with the proceeds, and can then lawfully certify his cheques drawn to the amount. The acceptance of such a note as the basis of a deposit upon which a cheque may be certified is a question of sound and safe banking, and whether lawful or not would depend upon other circumstances than the mere taking of the note and entering the credit."

Another aspect of this question is the practice in regard to brokers' accounts by bankers who certify beyond the limit of the customer's actual deposit, provided the account is scrupulously made good the same day, or as agreed. A strict interpretation of the law, as above quoted, renders the banker liable to a ruinous penalty, but, so far as safe banking is concerned, it all depends upon the character and purpose of the transactions involved and the credit and responsibility of the customer dealt with.

The sooner American legislators study the Bank Act of Canada and establish a system based upon it in the United States, and the sooner, by such a system, bank officers are trained to expertness in valuing all manner of negotiable instruments, and weighing "moral risks," as insurance men say, the sooner will the banking record of the United States be freed from the scandal of almost daily failures and such astounding incidents as those revealed in the Chadwick case.

BUILDING CONSTRUCTION IN RELATION TO FIRE INSURANCE.

The construction of buildings and fire insurance are most intimately associated, the nature of the former gives a measure of the results of the latter. It was said, in effect, by Ruskin, that wars would cease were all women determined to have peace maintained. It might be said that, were all the insurance companies so resolved and if they took the steps requisite the construction of buildings would be so improved as to reduce the risks of fire.

This very important question was treated in an able paper read by Mr. Edmund Burke before the Insurance Institute of Toronto on 24th ultimo.

Mr. Burke is President of the Ontario Association of Architects, so he spoke of things of which he has practical knowledge. He thought the Toronto conflagration, in the long run, would prove a blessing in disguise as it would put a stop to the erection of flimsy and faulty structures. This, however, was in the hands of the underwriters, "who, if they relax, will cause the character of buildings to decline." He had listened to comments from underwriters upon the ignorance or conservation of architects in regard to fire risks, and it was his turn to dish up some advice for the underwriters.

Mr. Burke justly said, business men are not pre-