

and the stock was at a heavy premium. As far back as June, 1873, there was a deficit of £973,000. The fact was covered up by false entries. At a later date, £4,250,000 of known losses were put on the balance sheet as good assets. As late as June 1878, the directors beguiled the public with the pretence that the whole capital of £1,000,000 was intact, and that the reserve amounted to £450,000. The dividend was put up from eleven to twelve per cent. Some of the directors were distinguished for an ostentatious display of superior sanctity. "What," said the Rev. Mr. Robinson, at a shareholders' meeting, "deepens the discredit is that they trod the streets of the city arrayed in the garments of righteousness, making long prayers while desolating widows' houses, erecting churches while wrecking homes." One of them is said to have professed such a respect for the sanctity of the Sabbath that he would not read a Monday's paper, because part of the work on it had necessarily been done on a Sunday; so he cheated the devil by picking up the news second hand in conversation. Unfortunately the hypocrite's mask served the purpose intended.

No stronger proof could be offered that appearances cannot always be trusted than that which these discreditable disclosures present. It remains to be seen whether this catastrophe will lead to a change of system that will afford some more absolute security. The only security the creditors of the bank have lies in unlimited recourse against the shareholders. Thus we see that, in Scotland, unlimited liability can be made a reality, though it might be difficult to enforce it elsewhere. The double liability of the Bank of Upper Canada went for nothing. The case can however hardly be considered a test one. The government was the principal loser; if the same amount of liability had existed towards private individuals, no doubt an attempt would have been made to enforce it; and in that case, the deficiency would have had to be made up by a few.

SECURITIES IN BANKING.

After an experience of several years, the conviction must now force itself on the most unwilling minds that the American system of banking, from being the worst in the world, has become the one which affords the largest measure of absolute security. But there are no signs to indicate its possible adoption on the other side of the Atlantic. Vested interests would fight hard against such a change. The security of the Bank of England is unexceptionable and could not well

be improved; but security which consists largely of recourse against shareholders, though it may be good, is not the best.

An efficient inspection would have prevented the frauds so long perpetrated with impunity by the Glasgow broken bank; but there is little reason to hope that this calamity will lead to the establishing of an efficient government inspection of banks, in the United Kingdom. The London *Economist* calls attention to the column, "liabilities of directors," in the monthly statement of Canadian banks, and recommends the making of such an exhibit compulsory, in Britain.

The directors of the city of Glasgow Bank held but small amounts of stock, and such as are worth anything will be compelled to contribute very little towards making up the losses of which they were the cause. Though different views prevail as to the desirability of bank directors holding considerable amounts of stock, the experience of this failure does not favor that the idea that it is best that they hold only small quantities. That is the view which the Bank of England acts upon. These Glasgow directors did not need to own large amounts of stock to enable them and their friends to borrow far more than the whole of the bank's capital.

The frauds which from time to time are perpetrated by managers of joint stock companies would destroy all confidence in these organizations, if, as a rule, they were not honestly conducted. The presence of fraud is only the exception that marks the rule. People are not going to lose confidence in banks, as a rule, because one highly discreditable failure has taken place. At present, there is growing up, in the United States, a very bitter feeling against banks and bankers, a feeling that is utterly devoid of reason. It probably has its source in the communistic ideas that are floating about. It is difficult to believe that anything so causeless can long continue to exist.

A NEW PRINCIPLE OF ASSESSMENT

The proposal to charge all street improvements in Toronto, to a frontage tax, involves the adoption of a new principle of assessment; and it is, therefore, desirable to see what it has to recommend it, what objections lie against it, and how it would be likely to work. As the streets are public highways, in which there can be no individual property, it would be difficult to show why they should be improved by means of a frontage tax. The one thing in favor of such a tax is that owners of property would the more willingly pay

taxes, when they are directly benefitted by the expenditure. While these improvements are made at the general cost, more eagerness will be shown by property owners to get them. As a mode of assessment, it would hardly be possible to make the local rate operate equitably. Let us consider the effect of such a rate on two kinds of property. There is property in Toronto not worth over ten dollars a foot frontage, and there is property that would bring a thousand dollars. On the cheapest land, the local assessment, for all purposes, might reach two dollars and a half a foot frontage, or twenty-five per cent. of the value; but on the dearest land it could not bear any such proportion. As an equal tax, therefore, the local rate can hardly be recommended.

Still, if it be practically impossible to get on without such a tax, necessity must rule. But if, under the circumstances, the fact that this tax would bear unequally on different kinds of property, should not be pressed too far against its adoption, it may fairly be urged as a reason why an attempt should be made to prevent the introduction of the principle being made an occasion of aggravating the inequality. Hitherto the greater part of this class of improvements has been done at the general charge of the city. The fact that such improvements are in existence already in some parts of the city, is no reason why the property benefitted by them should not be charged with their cost; because if the principle is good for one street it is good for another for the present as well as the future. If there be any reason why the whole of the cost should not be so charged, let a part of it be. The amount need not all be collected in one year; it might be extended over two, or three, or even five. If the local assessment, in these cases, were made not to exceed half the cost, the fund so raised might be used to level up in streets yet to be improved; one-half of these new improvements being paid out of this source, and the other half being assessed against the property. As there must be about a thousand acres in the north-west part of the city—say west of St. George Street—which is still in the condition of farm land, several years must elapse before all this land can be built upon; and for that reason five years would not be too long to spread the assessment for past improvements over. The money would come in quite as fast as it would be wanted. And this source of revenue would serve in lieu of the half million that Alderman Turner once proposed to raise by loan for future local improvements. Besides, half a million is an arbitrary figure, and