cepted. This, of itself, should not have led to any want of confidence in the administration of the board. But it is well known that want of confidence sometimes takes its rise in a manner that no one can account for, and when such a state of feeling develops, it is apt to spread with rapidity. In this case it did spread so rapidly as to cause such immense withdrawals of money that even assistance to the extent of over $1,200,000 was insufficient to keep the bank from closing its doors. Suspend therefore it did.

But now that suspension has taken place, sufficient facts have come to light to show that many causes have been for some time at work, naturally tending to this result, which were entirely unsuspected by the stockholders or the public.

The fact is that the style of management of the bank, which for nearly fifty years was eminently conservative, has been entirely reversed during the last five or six years. An aggressive, pushing, and (what is called) enterprising style of management has been the rule of recent years, with the result that the business of the bank immensely augmented in volume; and with augmentation in business came so large an increase of profits that a "Rest" of half the capital has been built up, much to the gratification of the stockholders and friends of the bank. But there is a French proverb that tells us, "tout ce qui brille n'est pas d'or," which, as we have it in English, runs, "All's not gold that glitters." This proverb is proving to be, unfortunately, only too applicable to the present case.

The immense increase in business was largely owing to the extreme ease with which money could be obtained from the bank on indifferent security, or no security at all, and to the persistent offering of higher interest on deposits than the larger banks of the country were willing to pay.

By the latter course the deposits of the bank were increased to more than double what they were seven years ago; while the natural result of the latter, combined with the pressure to employ these largely augmented resources, was to fill up the books of the bank with a large amount of undesirable business.

What the ultimate outcome may be for depositors and stockholders cannot be ascertained until the two inspectors who have been appointed to look into the affairs of the bank have made their report.

As to the circulating notes, they are, of course, perfectly safe. All the banks are taking them in the ordinary course of business, and as they bear six per cent. interest, it will suit the purpose of all parties to hold them for the present.

The bank, under its peculiar charter, has only sixty days within which its notes may be redeemed without Government intervention. It is quite likely that out of the large assets at the disposal of the directors enough may be collected within this time to redeem the notes without the Redemption Fund being called upon.

But even if this fund is required to furnish a certain amount, the advance will certainly be only temporary. The collection of the assets of the bank will speedily repay it and make the fund intact.

With regard to depositors, it is the general opinion that they may be ultimately paid in full, and there are some who think that a certain amount, more or less, may be recovered for the stockholders.

Of course, these are mere guesses and opinions at present, and we only here record them as such. We hazard no estimate of our own whatever; the only wise course is to wait quietly until the investigation is over. This is expected to occupy about five weeks.

This suspension has given rise to a certain amount of criticism in the press of the United States (some of it wise and some otherwise), upon the merits of the Banking System of Canada.

The failure of La Banque du Peuple is supposed to be a blot or reflection upon our banking system itself. But there really is no foundation for such criticism as this. The warmest eulogist of our banking system never pretended that it would infallibly ensure good management to all who came under its provisions. Still less, that it would prevent the results of bad management from being more or less disastrous to stockholders, and possibly even to depositors. What has been claimed for it, and with good reason, is this, that it has secured to the country a system of circulation which is both safe and elastic, and perfectly suited to the wants of a country where there is naturally a large outflow of money at one time, and a large contraction at another. The other merit of the system is in the economy both of money and labor, and the ensuring that charges for discount shall not be much more at small and distant points than they are at the great monetary centres. These results are accomplished by our system of branches.

But no system in the world can prevent a Board of Directors from choosing as their principal and subordinate officers men who prove incompetent. And no system can prevent a manager, who is fairly competent, being carried away by ambition and desire to excel, into courses that ultimately lead to disaster.

All the Acts of Parliament in existence, and all the systems that the wit of man ever devised, will fail to ensure constant wisdom in administration; and the lesson of this suspension is, that a wise administration, carrying out the well established principles of banking that are the result of a century of experience, is needed to be applied to the business of every bank, every day as the year goes round.

Now in the case of this unfortunate institution, two very plain and established banking principles were persistently violated. In the first place, money in large round amounts, and considerable numbers of them, all repayable on demand, were received to an amount far beyond what prudence would have dictated. Such a style of banking is peculiarly dangerous for a small institution, for it requires such immense reserves to be kept as to destroy all prospect of profit. And if such reserves are *not* kept, and the chapter of accidents is trusted to, the bank will be liable to exactly the casualty that has happened in this case, viz., that without any run or appearance of excitement, an immense drain of deposits may set in by transfer to other banks, which drain it will be found entirely impossible to meet, suspension being therefore inevitable.

The other departure from sound banking rules was in the carrying of immense advances to manufacturing concerns in amounts utterly disproportioned to the means and resources of the bank. Some of the accounts in this bank of twelve hundred thousand dollars capital were such as could only be carried safely by banks of five or ten times the capital of La Banque du Peuple.

Even supposing they are sound and safe (respecting which we offer no opinion) such enormous advances are rash and dangerous.

What may be the ultimate outcome is, as we have said, quite uncertain. The bank has a charter of a kind that we believe is unique on this continent, its directors being liable personally for the whole of the debts of the bank. As some of them are wealthy men this will be an important matter for the depositors. For the stockholders there is no further liability. This exemption was granted in view of the unreserved liability of the directors.

It is fortunate that the matter has taken place with so little excitement and disturbance—in fact, disturb-