

## APPENDIX No. 3

scattered and varied population it works to the disadvantage of the principle. Of course, you must remember that it is their own business, it is not an outsider undertaking to do something that the public would be glad to take advantage of. Where there is this personal interest do you not think this system could adjust itself in respect of the people in communities where it is suitable? Where it was not suitable it would not likely be originated?—A. I have said so, assuming adequate conditions and detailed regulations.

*By Mr. Sinclair:*

Q. You have said that you thought a great deal depended on the supervision and inspection of the department. In section 16 of the Bill it is provided:

'The Minister may, if he thinks fit, on the application of ten members of a society, each of whom has been a member of the society for not less than twelve months immediately preceding the date of the application, appoint a person to inspect the books of the society and to report thereon; provided that:

'(a) The applicants shall deposit with the Minister such sum as security for the costs of the proposed inspection as the Minister requires;

'(b) All expenses of such inspection shall be defrayed by the applicants or out of the funds of the society, or by the members or officers, or former members or officers, of the society in such proportions as the Minister directs.

'2. A person appointed under this section shall have power to examine and make copies of all books of the society, and have free access to the said books at all reasonable hours.'

Do you consider that a sufficiently stringent regulation to meet your views?—A. Not quite, for this reason, that the Bill generally, I take it, requires the close supervision of the department, and the fact that the department must pass on the by-laws introduced would require it to take a more immediate interest in seeing that things did not go wrong.

Q. Whether they apply or not?—A. Whether they apply or not. In other words, you are apt, under those conditions, after the thing has been running for some years and public interest and care may be blunted by the success of the first experiments—you are apt to find application for inspection being made when it is too late, and the government simply coming in under this inspection to confirm the fact that losses had been made or that some unfortunate state of affairs had resulted which might be partly laid to their door for the reason of their not being careful enough in supervising the by-laws.

Q. I have no doubt myself that is true. My own observation is that in any financial institution I have known anything about where they have been very successful the shareholders lose interest in the meetings. The Bank of Nova Scotia, for instance, is one of the most successful institutions in Canada, and the annual meetings are very sparsely attended. They get 12 per cent dividend and they expect to get it always. They allow the directors to manage everything, and the meetings are very small indeed?—A. That is the history of most institutions that have gone bad. In looking back over their history they have had an unusually good start, they have been very successful for a time, and have dulled both public interest and the control of their own members until the thing had gone too far.

*By Mr. Monk:*

Q. The section, Professor, pointed out by Mr. Sinclair, section 16, certainly affords some guarantees, and when you add to that that the company cannot exist until the Minister has approved of its by-laws and that the department has a right to make regulations to insure the existence in the by-laws of proper restrictions, would you not be prepared to say that gives great additional assurance?—A. Undoubtedly, everything again depending on the accuracy and knowledge with which the department supervises those by-laws, passes upon them, and so on.