

Correspondence.

THE CASH SYSTEM.

Editor MONETARY TIMES :

SIR,—We started on the cash system in our business on Dec. 1st, and find it working to our entire satisfaction.

We believe it to be the proper way of doing business, and the sooner merchants adopt the system the sooner the list of insolvents will be shortened. You can't speak too highly of it through your journal.

Yours truly,

H. REHDER,
General Merchant.

Paris Station, Jan. 9, 1895.

SOME POPULAR FALLACIES CONCERNING BANKS.

It may be taken for granted that, in the minds of the majority of those not engaged in any one business or profession, there are misconceptions as to its exact nature, purpose or function. Among others, the science, profession or business of banking seems to be peculiarly subject to misconceptions, both as to the principles which should govern it and the practice which should be deduced from those principles.

This special readiness to misconceive banking arises from the first fallacy to be noticed, viz.: That, while most businesses require long education and clever management in order to furnish a due proportion of profit, no very special training is required to manage a bank, and that any so-called common-sense business man could undertake to run a bank successfully. There is no doubt that any man could undertake without difficulty that part of a bank's business which consists of lending out its surplus funds, but it would likely require the best efforts of the most thoroughly trained of professional bankers to get most of it back again.

We have had in Canada some examples of the results of banking in the hands of insufficiently trained men, and the failures of so many banks in the United States last year, more especially in the smaller places, arose not so much from faults of the banking system of the country, as it is theoretically expressed, as from the amateur nature of the banking as practically carried out.

Allied to this is another fallacy which is frequently met with in country places, viz.: The idea which many people have that they know what is for the interests of the bank, probably better than the local manager, and certainly better than the executive at the head office. The estimates of the value of a banking account and of the profit to be made out of it are frequently ludicrously exaggerated. These over-estimates assume many forms in the concrete, and many such will no doubt have been brought before the notice of all of you. There is the account of the firm which draws out money for wages once a fortnight, the notes being at once expended in the town itself and probably nearly all coming back to the bank for redemption within three or four days—this account is supposed to yield large profits to the bank from circulation. Then there is the business man who pays in considerable mixed cash every day or so, his payments being counter-balanced by daily withdrawals by cheque or domiciled acceptances, so that the daily balance is small or varied by spasmodic overdrafts—this account is supposed, by some unexplained process, to be a valuable one, and more curiously still, the more bank stationery such a man uses, and the more cheques he draws, the more profitable he is apt to think his account must be.

Another popular misconception of the function of a bank is that it is clearly its duty to make loans to every one in business regardless of circumstances. It is frequently the case that a man having a small factory of any sort, which is mortgaged up to the hilt, and with some fixed machinery and plant, bought on long time, and either subject to the mortgage or to a lien in favor of the vendor, expects a bank to furnish him permanently with all the working capital for a business far more extensive than his means could possibly warrant. Or there is a jobber or retailer who thinks he is justified in putting a large portion of his small capital into mortgaged real estate, relying altogether on his banker to furnish all the means for carrying on all his business operations. In other words, many people expect a bank to become their

special partner in business, furnishing all the working capital, but taking a very limited proportion of the profits.

We are unfortunately but too familiar with the remarkable difference between the statements furnished by such men when they are asking for an advance, and those they exhibit sooner or later to a meeting of their creditors.

But not only do people consider it to be the duty of a bank to make loans to them, but they are frequently apt to think they are doing a bank a favor by borrowing from it, and to assume a lordly air of distributing largesse when their request for a loan is made, followed by expressions of contempt and pity for the bank manager who can be guilty of the folly of letting such a chance go by. In this class are the people with little or no means who make experimental shipments or consignments of goods abroad, and are very much hurt because their drafts for full value are not purchased with the avidity which they expect.

Another man whom we all know is the one who signs a guarantee or endorses a note for a friend and then dismisses all idea of liability from his mind, saying, when called on, that it is the business of the friend, who will "attend to it." Akin to this is the belief that a note signed for accommodation is of the same class and just as good as if the names were given for a plain transfer of goods. Indeed, there have been instances in this country where a whole business community endorsed one another's notes, and where not only they, but even the banks concerned, deceived themselves into the belief that the ultimate result would be better than if the notes were single-name. The universal liquidation which followed in due course was a sufficient demonstration of the fallacy of such a belief.

A fallacy which obtains chiefly among a class which does not make direct use of banks, is that they are for the rich only, and that the money in them is that of the well-to-do, and therefore fair game for spoliative taxation. To a large extent, so far as deposit receipts are concerned, and to a still larger extent as regards savings' bank deposits, the very converse is the fact, that the money deposited is that of those who have but little to spare. The well-to-do, as a rule, employ their surplus funds in other ways, and the balances are those of people who have not enough to put into bonds, stocks or mortgages.

The subject is one that has its humorous side, and instances more or less amusing occur every now and then.

A correspondent in the June number of the journal of this association gave an instance of a mistaken idea of the purpose of a branch bank which could probably be paralleled by most of us with a few years' country experience, except that in the case related the fallacious belief was presented in a more compact and crystallized form than usual.

You are all aware of the Irish crowd who publicly burned as many of an obnoxious bank's notes as they could accumulate, under the impression that they were doing the bank a serious injury.

There is the travelling man, frequent and aggressive, who comes in to cash a £10 circular note, and considers that this transaction gives him a title to a large amount of the manager's time on that and other days in imparting information on every subject connected with the country.

During my residence in California, at a meeting of labor agitators, one of their leaders, who had announced his intention of scarifying the banks, made out that they were all bankrupt because they had not the full amount of their deposits in actual cash on hand.

An instance, hardly perhaps to be classed as humorous, came under notice recently, where a

man, who had at one time been overpaid a considerable sum by a paying teller, said, when the direction of the overpayment was discovered some time afterwards, and he was asked why he had kept silent about it, that he thought that a bank which could afford to put up such a handsome building could afford to lose the sum of money in question.

I will not, however, weary you by going very closely into the subject, or by multiplying instances. Many of the fallacies concerning banks and banking are harmless, and it is not worth being over sensitive about them or combating them at length.

In the case of some of the errors, it has been my own experience that they have not the same hold in England or the United States as they have in Canada. This leads to the only practical suggestion I venture to make—that it is worth while considering whether or not mistaken ideas on the part of the public as to the relationship between a bank and its customer may not sometimes be the result of excessive zeal for the extension of business on the part of local bank managers. Advertising in various forms is no doubt a good and legitimate thing, but the introduction of bargain day styles into banking can hardly impress the public with an idea of the value of the wares offered.—E. Stanger, in *Canadian Bankers' Journal*.

THE 1894 FIRE LOSS.

The fire loss of the United States and Canada for the month of December, as estimated from our daily files, amounts to \$10,321,000, and the total for the year is therefore \$128,246,400. The following comparative table exhibits the losses by months:—

	1893.	1894.
January	\$17,958,400	\$10,568,400
February	9,919,900	11,297,600
March	16,662,350	9,147,100
April	14,669,900	11,540,000
May	10,427,100	10,777,800
June	16,344,950	8,282,300
July	12,118,700	16,307,000
August	13,222,700	10,432,800
September	10,508,700	10,149,900
October	11,014,700	8,186,700
November	11,493,000	12,135,800
December	12,105,475	10,321,000

Totals

During December there were 189 fires of a greater destructiveness than \$10,000 each. A detailed list of these appear in our insurance columns of this date.

The principal losses of the month just closed are tabulated below:—

Buffalo, N.Y., wall paper factory	\$400,000
Memphis, Tenn., grain elevator	300,000
Cleveland, Ohio, paper box factory ..	200,000
Tonawanda, N.Y., lumber yard	175,000
Buffalo, N.Y., two business blocks	200,000
Albany, N.Y., Delavan House	260,000
Toledo, Ohio, grain elevator	525,000
Louisville, Ky., several business houses	\$42,000

A glance at the first table will show how much less the losses of 1894 are than those of 1893 or even 1892. When the increase in insurable value in the country, and particularly the decided and general advances in fire insur-

Banking Office in Newmarket.

Banking office in Newmarket—the late stand, with previ and fittings complete. of the **Federal Bank**; merly occupied by Consolidated Bank, and formerly by the Royal Canadian Bank. Apply to **MR. ROCHE, Barrister,** Merchants, Bank Chambers, Toronto.

People of Good Common Sense usually appreciate a good article that is honestly made, well finished and up to date. This explains the great success of

GRANBY RUBBERS

THEY WEAR LIKE IRON