

is one of the most fertile sources of mischief to which financial institutions are exposed. No one would be thought competent to take the management of a bank without a previous training for his duties; but it would seem to be supposed that any one who is a tolerable book-keeper may undertake the conduct of a building society. No greater mistake could be made.

The case, then, plainly put is this, that these new societies must lend at as low rates as the large societies, (if at higher rates a proportionate increase of risk is involved,) and as, at the best, they have relatively but about half the sources of profit enjoyed by the established and wealthier societies, they must therefore pay a proportionately lower dividends.

At the rates of interest now current it would have been impossible for the best of our societies to have built up their large reserves, even with all the other advantages they possess; and it is the existence of these reserves that accounts largely for the high rates quoted for their shares. The net rates received on loans are lower than the dividends paid by nearly all the established societies, so that in the absence of other important sources of profit they would be compelled to reduce their dividends at once. One society that we know of, which has been in operation for a year or over, has not yet paid any dividend. Another, still younger, has, but the amount of that dividend was admittedly realized from premiums received on sales of the company's stock—a questionable and very unreliable source of dividend.

A result of the anxiety of these new societies to get business is the publication of deceptive announcements as to rates. Proposals have been issued to lend money at 5, 5½ and 6 per cent. This is simply delusive. These societies do not lend a dollar which realizes less than 8 per cent., and seldom less than 9 per cent.

We would much prefer seeing capital flow in other channels, where it would bring more profit to the lender, and confer a public benefit; and to this great end we are satisfied that the multiplication of small building societies does not in any way tend.

CULPABLE CARELESSNESS.

An adjourned meeting of the creditors of Mr. Robert Simpson, of Newmarket, was held in Toronto last Tuesday, at which were represented his local creditors, and some of the leading wholesale houses in Montreal and Toronto. The insolvent had been, up to the end of October, doing a large general business, was in excellent credit, and was believed to have been worth from \$20,000

to \$25,000 over all liabilities. At that time he was burnt out, only a few hundred dollars' worth of his stock having been rescued. There was an insurance of only \$8,000 to cover an estimated loss of over \$40,000, and Mr. Simpson became insolvent. The statements presented at the meeting showed assets valued at \$23,760, to meet claims of \$54,000, or 44c. in the dollar. After some discussion of the matter, developing facts to which we will presently refer, Mr. Simpson, on being called upon to make some proposal for a composition, finally offered to pay 37½c. on the dollar, with security, in three, six, nine, and twelve months, the \$8,000 of insurance money and some \$600 in bank to be paid over at once to the creditors. This offer was accepted by a large majority, and the meeting shortly after adjourned.

The examination into the books and affairs of the insolvent, after his failure, reveals a most culpable carelessness in the conduct of his business, which, when viewed in the light of its consequences, borders on criminality. In the first place, the cash was improperly kept. Many and large sums, received on deposit and as loans, were used by Mr. Simpson in his business, and were never entered, even in a sort of memorandum-cash-book which he had, nor did they appear in the general cash-book at all. There was nothing to show that a balance of cash had ever been struck since March, 1868. The other books were kept in an equally careless way, and were utterly useless to show the state of his affairs. To such an extent was this the case that, at the last stock-taking, he was led to believe himself worth over \$20,000, whereas as nearly as could be discovered, he was not, at the time of the fire, worth, on the most favorable calculation, over \$10,000, and that without making allowance for bad debts. At the same time that this negligence as to his books existed, Mr. Simpson bore the very highest character, not only as a man of the strictest honesty and integrity—and in which respect he has not lost, in the estimation of those who know him best, by reason of his failure—but also as one of the very best business men in the country; and, moreover, it was stated at the meeting, by a gentleman friendly to Mr. Simpson, that his books were in no worse condition than those of any other retail trader throughout that section of the country.

If this be true, it indicates a most lamentable state of affairs. Here is a man who stood high in public estimation, whose credit was never questioned, and yet whose affairs were so recorded in his books as to utterly deceive him as to his real position. If he is as business-like as the best of his neighbors, in what a muddled condition must

be the books of those who fall below his standard! It is worth knowing this, that carelessness is as bad as fraud when the interests of creditors are sacrificed thereby: not intentional fraud perhaps, but in its results equally disastrous to those for whom the trader is morally a trustee.

As long as wholesale merchants are so eager to sell their goods to any and every one who starts in business, so long will the retail trade be, to a great extent, in the hands of men unfitted for the management of their business and who must sooner or later go to the wall. It is high time for the trade to make a change in this respect. It is their duty to find out, not only that the men to whom they trust goods, bear a good reputation, but that they have some knowledge of the business, and how it ought to be conducted, and especially that they have their books properly kept. Good book-keepers are not a very expensive luxury. At least once a year—twice a year would be better—a balance sheet should be struck, to be shewn to every creditor who might require to see it. No precautions should be omitted, on the part of the wholesale merchant, which would tend to compel a business like management of his affairs on the part of the retailer.

Another point was brought out in Mr. Simpson's case. To do a business of \$60,000 a year, he appears to have carried a stock of \$40,000 or upwards, thus immensely and unnecessarily overweighting himself, to say nothing of the heavy loss of interest which resulted. There is no need to enlarge on this point. A moment's consideration must convince anyone that the smaller the stock a merchant carries, in proportion to the extent of his business, the more profitably, and easily does he do his business, and the more readily can he at any time close it up, should he so desire.

Another lesson of Mr. Simpson's case, is in connection with his insurance. Had his stock been sufficiently insured, he would have not only been able to pay his creditors in full, but would have had some surplus beside. In that event he could have gone on with his business with little interruption. As it is his creditors lost 62½ per cent. of their claims, and his own character as a safe business man suffers seriously—all on account of an ill-judged, though, perhaps well-intended economy in the matter of insurance premiums. Mr. Simpson stated that he considered the building, in which he was, nearly fire-proof—a "fire-proof" building we have come to regard as pretty nearly a misnomer—and that was the reason why he did not insure more largely. How "nearly" fire-proof this building was events have shewn. By a parity of reasoning it would have been unnecessary to