"GO INTO POLITICS OR LAND BOOMING."

That is the Advice of W. R. Lawson to the Bad Banker —Well-known Writer Discusses Canadian and American Banking Reforms.

The Americans are still pursuing with unabated and apparently unquenchable enthusiasm their favorite will-o'-the-wisp panic-proof banking. In quite a different way and a different spirit the Canadians are engaged on the decennial revision of their banking law. Two operations so utterly unlike each other as these can hardly be imagined, proceeding together side by side. A contrast almost comical in its violence is presented by the schemes of banking reform now being discussed at Ottawa and Washington. So writes Mr. W. R. Lawson, in the Bankers' Magazine, of London. Mr. Lawson is a well-known financial writer, and was once drawn into the wordy arena respecting Ontario's Hydro-Electric legislation. He and Sir James Whitney had a rare tilt of arms. "Senator Aldrich's latest project," says Mr. Lawson, "which was suddenly sprung on Congress after the Christmas holidays, is more than usually dramatic, even for him. It signalizes quite a new departure of the arch-reformer. He throws over his original idea of a central bank to rival the Bank of England and substitutes for it a nondescript body called a Reserve Association. But, judging from the telegraphic description given of it the change is rather in the name than the thing."

There is One Fatal Difficulty.

He then discusses this Reserve Association, which would attempt, he adds, "not only all that the Bank of England does, but some other things which it has always fought shy of. It is long since Threadneedle Street imagined that it could move the foreign exchanges to suit itself and its customers, and not many men in New York have the moral courage to risk life and fortune in such a venture. The crucial difficulty in the working out of such a stupendous scheme is to find reliable directors and managers. It is not skill or capacity or judgment that would be lacking. These, though not universal even among the Americans, are in ample supply for the occasion. The fatal difficulty would be to prevent the Reserve Association, in other words, the Central Bank, from being utilized for private ends.

Calm in Canadian Banking Circles.

"The reader will feel it a great relief to turn from the barren and interminable controversies in which American bankers seem to be always involved to the comparative calm which pervades banking circles in Canada. Accidents happen, of course, in Canada as elsewhere, bad banking comes to light now and then, and occasionally it is so bad as to bring the offender to grief. But above and beyond all these passing troubles there is, among Canadians, a strong feeling of confidence in their banking system. They have faith in the system itself, in the principles on which it is based, and in the men who direct it.

"So far, their faith has been amply justified by results and by actual experience. These have been so remarkable as to attract attention, and even to excite envy in other countries. While Canada was still a poor country its banking system was universally recognized as a valuable asset. Sceptical critics suggested that its limited resources and the small volume of its business might be the real causes of its success. Wait, they said, until it can be tested on a large scale and see what happens then. In the past ten years it has undergone that larger test and come through it so far satisfactorily. When the call came for capital and credit to finance the westward rush of settlers it was provided promptly and liberally. The only danger was that it might become too generous. And as the eastward movement of produce expanded it, too, was financed with seldom a hitch.

Would Find Weak Spots.

"The boom of 1905 to 1909 in the North-West would soon have found out the weak joints in an unsound banking system. If Saskatchewan and Alberta had been suddenly covered with American National banks as they were with branches of old-fashioned Canadian banks, it is awful to think what the end might have been. But the Canadian banks were equal to the occasion. They exhibited a reserve power and a capacity of expansion which added not a little to their previous reputation. At the outset they excited admiration by the energy and rapidiy wih which they responded to the new demands suddenly sprung on them. At the finish they were no less admirable for the self-restraint they showed and the firmness with which they checked a great wave of speculation that might soon have passed out of control.

"Of all the Canadian ideals lately developed, none has come so near realizing itself as the banking system. None is, therefore, better worth studying at the present moment. The future of the Dominion depends more on it than on almost any other Canadian institution. Parliaments may do a great deal of harm, but they can do comparatively little good. Tariffs may come and go, they may swing from one extreme of free trade to the opposite extreme of protection. But the banks must steer a straight course and sail as near as possible on an even keel. A blind outcry for banking reform, such as they are always having in the United States, is presumptive proof, not only that banking reform is needed, but that the whole banking system must be on wrong lines. In Canada there is never any such blind outcry. Most of the reforms demanded are only in matters of detail.

Praise for Banking System.

"Canada has, indeed, been fortunate in its banking legislation. This has been eminently practical, also eminently reasonable, and always adapted to the special circumstances of the country. Theorists and faddists have had very little to do with it. Except, perhaps, in the old provincial days, there have never been rival banking schools in Canada. All parties have had a common desire to get what seemed best for the immediate purpose. Canadian bankers have had a greater voice in making banking laws than those of any other country. They have been frankly consulted as to every change, and their practical suggestions have always been welcomed, both by the Government and the Legislature. They, on their side, have kept a sharp lookout for operating defects, and have generally got them remedied before they could do much harm.

"A good understanding between the Legislature and the banks has invariably prevailed. It has, as a rule, been reasonable in its demands, and they have always done their best to comply with them. Trade interests, too, have been at all times honestly considered. Banking facilities have been provided for every possible branch of trade, new or old, and for all classes of service, private and commercial. Per contra, there are few redundancies and no out-of-date machinery in the system. Few banking laws are so frequently and carefully revised as those of the Dominion, and the revision is invariably done with a single eye to efficiency.

Scotland Gave Us Bankers but Not Banking.

"Scotland, which gets the credit for nearly all the good features in modern banking, is supposed to have supplied the model for the Canadian banks, but there is little warrant for that legend. It would be more correct to say that Scotland had supplied Canada with the best of its pioneer bankers. These gentlemen took out with them, no doubt, large amounts of Scottish experience and practical wisdom which were usefully applied to Canadian conditions. But very little was copied either from the Scottish or any other banking system. In the earliest experiments a good deal of attention was paid to English theories and methods, but when it was found that they did not suit Canadian circumstances they were gradually dropped. The banking system as it exists to-day is to a large extent home-grown—very few banking systems more so. Through nearly a centry of development it has been shaped and moulded and modified to suit the needs of its creators. That circumstance renders its history peculiarly interesting and instructive both to bankers and to currency experts."

Checks on Bad Management.

Mr. Lawson discusses at length the proposed amendments to the Canadian Bank Act. Dealing with the matter of false returns and responsibility therefor, he says: "The director or official has, in the first place, to exercise due inquiry, which may mean anything or nothing. Next, he has to obtain "information reasonably adequate and sufficient" to establish the accuracy of the document signed. What is reasonably adequate and sufficient will depend on the man himself An expert accountant may find out in half an hour enough to warrant him in risking his signature, while a director of ordinary business experience might have to spend days on the job. Nevertheless, the plain business man might be a much more valuable director than the expert accountant. The truth is that no law can establish beforehand any general test of an honest signature to a banking document. In the long run, that has to be left to the courts, and each case has to be decided on is own special merits and circumstances.

"It is the shareholders and customers of the banks who should be the real checks on bad management. They should not give their trust lightly, but, having given it, they should not nibble it away by imposing such annual checks and safeguards. A man is either a good banker or he is not. If he is the right sort he is none the better for being shackled. If he is the wrong sort, he should be kept out of the banking business altogether. Let him go into politics or land booming."

Mr. W. H. Aldridge has resigned the managership of the Canadian Consolidated Mining & Smelting Company, the Canadian Pacific Railway metallurgical enterprise in British Columbia, to assume important duties in San Francisco. Mr. Aldridge is considered one of the most able men in America in his line of business.