

tario bank has been mentioned. It is unfortunate that most all these banks that have succumbed are in Toronto, or in Ontario, and I must confess that the hon. member for Stormont (Mr. Pringle) has a more practical acquaintance with the conduct of banks in that vicinity than I have, because I know very little about them. All he has said about the conduct of the banks of that province, about extorting usurious interest from the farmers, is no doubt due to the fact that from the circumstances they were compelled to adopt these methods. I believe that the Ontario Bank was wrecked by the manager speculating with the funds of the bank in New York. There was not a sufficient or a proper oversight on the part of the president and the directors. I believe that the case is in court. It is disputed whether the president and directors were cognizant of what the manager was doing. But the bank was not wrecked by money loaned to the directors; it was not wrecked by loans which legitimately are made by the management, but it was wrecked because the manager took the funds to New York and speculated with them. That has not always been condemned in Canada. Some years ago a gentleman who is regarded as a great financier took a considerable portion of the funds of the Bank of Montreal, went to New York during a period of financial stringency when money was at a high rate of interest, he succeeded, the bank received a large accession to its reserve by his manipulation and I do not know whether he was knighted soon after or not. In one case the benighted manager of the Ontario Bank was condemned and put in prison and on the other hand I believe the knighted manager of the Bank of Montreal occupies a castle in Scotland or somewhere. Circumstances alter cases.

A great duty also rests on the shareholders and it should be exercised by them. The shareholders go into a meeting of a bank or public institution like a flock of sheep. If the manager or president of a bank frowns on them they hardly dare to open their mouths. A statement is read out or printed and put before them: Take it or leave it—and if any one opens his mouth he feels like *Oliver Twist* when he asked for more. They tell him that it is not in the interest of the bank that any such disclosures should be made, that they know what is necessary to be published and that the dividend will be paid when the proper time comes. The shareholders should look to their own interest and to the interest of their fellow shareholders and should inquire into everything that seems to need explanation or to be suspicious. If the shareholders of banks did their duty at the annual meeting, there would be fewer failures. It may be popular and fashionable to blame managers and directors and presidents or other officials but the blame in the first

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place lies in the incapacity of the shareholders, and sometimes their cowardice in not backing up those who know where there is some circumstance in which the bank is at fault and assisting them to elicit full information. They allow him to be bull-dozed and put out of court because they do not support him in their inquiries. When I was much younger than I am now, I attended a bank meeting. There were some things that did not please me, and I asked a question. The gentlemen who sat around me began to look at me through their glasses; the manager replied in an off-hand and cavalier way and there was a little controversy. I was a little rash in doing it and probably had I been as old as I am now, I would not have done it. Still it was a misuse of the power of the shareholders and a similar misuse has led the managers of banks into any excesses they may have committed and has put banking on a different foundation from what it was in the good old days.

Another point on which my friend spoke, and spoke very well, was that circulation might be kept within proper legal limitations. He did not say how he would limit that, or what proportion the circulation should bear to the capital. Further on he gave some details on that point but did not decide that proportion. Our bankers wish to know what is the due proportion between circulation and the amount of capital. We know there is a remedy after the over-circulation has been in excess but what would that remedy be? The present system is to fine a bank which is over-circulated. The bank may become over-circulated through inadvertence. When the returns are received from a number of branches it may be found that the total circulation is over the limit. If that is correctly reported to the government the amount is known and the bank is fined in proportion to the amount of excess circulation. I know that managers are most anxious to keep their circulation within the prescribed and legal limit. There is no subject which gives more anxiety to bankers than that, to observe the law and prevent the government imposing any fines. They are anxious not to pass that indication of security and safety, for if a bank does so the fact is promptly pounced on by other banks and held up to show that such and such a bank is outrunning its reserves, that it may be crippled, and before long the bank gets into *Queer Street*. The hon. member for Stormont (Mr. Pringle) gave some instances of the banking system in England and other general matters. I shall not go on to argue upon his theory of the government issuing currency. In the United States that system was declared to be disastrous and mischievous; it was declared that banks should not be a department of the government. The exercise of the power of is-