

under charge of highly-paid officials. If it does, all we can say is, the plan will be a pretty expensive one to work, and it would be far more economical to fund the Dominion notes at once. If not, then the Government must make use of a bank, or banks, and deposit money there, requiring it to be held in the shape of gold. But the money, once placed in deposit, will be the property of the bank, and all that the Government will really hold will be a *claim* against that bank. That is the essence of the whole business; so it really comes to this, that a considerable part of the cash reserves of the banks of the Dominion, held to meet their deposits and circulation, will be held in Dominion notes, which Dominion notes will rest on bank deposits again. The world, according to Eastern geographers, rests on an elephant's back, and the elephant on a tortoise, but what the tortoise rests on they were unable to say. This is uncommonly like the Dominion note system as it rests before Parliament at present, and we earnestly hope there may be sufficient practical wisdom to see its essential unsoundness, and sufficient firmness on the part of members on both sides of the House of Commons to reject it entirely. It can be done without materially affecting the Banking Bill, which would only require to be altered in one clause in the event of that contingency.

One other remark and we have done:—Under the present system of provincial note issues, the public have a guarantee for gold being held, in the fact that a monthly examination by independent commissioners. Sir F. Hincks proposes to abolish this, and to substitute simply a monthly return in the Gazette. We need not remark on the difference between the two, nor which is the more secure for the public, considering that a certain Mr. Reiffenstein once occupied a rather prominent position in the Finance Department.

AGRICULTURAL MUTUAL INSURANCE ASSOCIATION.

So far as we have observed the year 1869 has not been a fortunate one for the Mutual Companies. Several of them report losses proportionately large. This Association disbursed the sum of \$42,317 during the year, to claimants. It is very remarkable, as noted in the report, that no less than nine lightning losses occurred in one night. The farmers of Ontario are a fortunate class, since they may be insured against the thunderbolts of Jupiter—the torch of the incendiary—the smokers—and the never-ending category of mishaps for the small annual pittance demanded by the Company. Notwithstanding low rates and heavy losses, the Agricultural has more than maintained its

financial strength. They have now the sum of \$25,000 invested in Dominion securities, and we believe it is their intention shortly to add another \$5,000. The Directors call attention to the necessity for a “Fire Inquisitor”; this is a matter to which we shall have to make future reference. A number of suggestions are thrown out relating to other subjects, which, being based on an experience of ten years, and extending over the whole Province, render them of much interest and value and make the report well worthy of perusal.

BANK LAKES, OR PONDS?

(Communicated.)

Whether does it most conduce to the general welfare of the country, to have a few banks with large capitals, established at the chief centres of trade, and branches of these in the smaller towns; or banks with more restricted capital, proportionate to local requirements, confining their operations to less populous places?

This question is one of high interest and importance, and upon its wise solution by Parliament depends interests so vast and so general, that it is most desirable the matter should be thoroughly debated, both by the Legislature and those whose well-being is at stake.

While deprecating unreasonable Legislative interference, we must lay it down as mere common sense (and that is usually the highest wisdom), that it is desirable for the action of Parliament to be in harmony with the tendencies of the times; to be in advance of them, rather than inspired by the spirit of the past; to guide the tide where its waters will irrigate the soil, not form an obstruction for them to chafe and waste their forces against. Now, it is a matter of only too general notoriety, that the course of trade in every branch is towards the absorption of small institutions by the larger ones, of the individual by the *association*. Whether that is desirable is another question; we have not to consider what we think *ought to be*, but what *is and will be*. The facilities of locomotion and rapid intercourse are so largely developed, that the localization of any trade is becoming more and more difficult to maintain; and however much special, national, or provincial legislation may seek to set up barriers to keep up their pet monopolies, the spirit of enterprise will press on, and bring with it that spirit of keen competition which is being felt wherever commerce extends. These conditions give the large capitalist striking advantages over those of less means. He buys heavily so cheaply, he can watch his market, and stock or sell to seize every advantage, and can conduct an enormous business with expenses reduced to a minimum, as every warehouse, store, machine, dead or living, he employs is worked to its utmost capacity. Now, the business of Banking is subject to the same influences, but in contradistinction to all others, we hold that it is decidedly advantageous to the community to have the business concentrated, rather than broken up into petty local institutions. England, not long ago, was

overspread with banks of small capital, strictly localized, conducted by men born and bred where they did business, known by and known to every person in their district. It is urged against branch banks, that the agents are not thus familiar with the circumstances and needs of the local traders, and that injustice is consequently done, and injury to local interests. But we reply—look at the history of these English small town banks; they present the most melancholy instances, in a vast majority of cases, of incompetent mismanagement, and have inflicted the direst mischief on the localities they should have helped to enrich. Take such an instance as Attwood, Spooner & Co., of Birmingham. The Attwoods were a very old local family, and were highly respected; a noble marble statue of theirs is that city's chief ornament; yet they failed miserably, and it was found that they had known themselves to be insolvent for ten years!

The truth is that local knowledge and sympathy, said to be essential in working the banks of country towns is the source of their chief danger. Men however high in character, or independent in position, are prone to use their powers for selfish ends, and they become so entangled in family connections, and if at all ambitious of public distinctions, so anxious to avoid making enemies, that the interests of the institution they control are very apt to be made subsidiary to private aims. What with the temptation to favoritism and nepotism on the one hand, the difficulty of rising above cliqueism, personal and party prejudices and quarrels on the other, it is almost impossible for those bearing the management of merely local banks to administer their trust with that equity and care which is essential to their prosperity, which, however, may be fully secured by the oversight of non-resident officials, and an independent directorate. Then the district provided with a bank of its own, exclusively local, is subject to serious drawbacks. It has either too much or too little capital, and cannot adapt its finances to the growth of the locality, if deficient without becoming a borrower, and so damaging its credit, and cannot reject deposits or lower the interest on them without manifestly failing to discharge one of its chief functions; or worse, it is tempted into doing an insecure business, if overdone with means, or compelled to deny legitimate claims, if poor. It is not possible for such localized banks to have the elasticity of one which is able to supply the drain of one branch by the overflow of another, and so adapt itself to the special necessities of all.

In point of economic working, the large concern has considerable advantages. However small a bank may be, it must have its board of directors, with their usual expenses, and its manager and staff must be paid much higher salaries than usually remunerate the officials of a branch. It may be said not to require, certainly it will fail to obtain, such skill, experience and judgment as are purchasable by banks of higher organization and position.

In how many places, too, where a bank may do a profitable trade, it would be well nigh impossible