

as the loss of the whole capital of the Bank of England would be for Great Britain, and the series of events that have brought about such a catastrophe must be pregnant with lessons for the future.

It is not the first time that Canada has suffered a misfortune of this kind. The fall of the Bank of Upper Canada was a catastrophe even more serious in its extent; for the capital involved was actually greater, and relatively to the whole capital of the country at the two periods more than three times as much. The lessons of that disaster made an impression upon other banks, and the country, which produced most salutary effects for many years thereafter. The same train of events, however, which brought down the Bank of Upper Canada had not spent its force when that institution collapsed. The Commercial Bank, which was also a large institution, with a capital of \$4,000,000, a few years later, after a short struggle with accumulating difficulties, was also forced to suspend. Both of these institutions fell during a time of long continued depression in Western Canada, which depression affected every interest and description of property. This event also was fruitful in lessons, which formed the theme of many discussions in the pages of this journal, and others devoted to financial questions. The lessons were largely these:—The Bank of Upper Canada failed because its funds had been absorbed to an immense extent by advances to land speculators, politicians, adventurers, and men of business of that gentlemanly type who, though in business, scorn to soil their fingers with its details. The Commercial Bank was ruined by one large account. Advances to the Great Western Railway for the purpose of building an extension westward to Milwaukee, from small beginnings gradually crept up to such enormous sums, that they finally absorbed all the available funds of the bank, and brought about the stoppage.

The causes which have brought about the present disaster are only partially known as yet. Revelations of an extraordinary character have been made already. Huge advances to small firms, and the bolstering up of insolvent customers, have come to light, but it is probable that much yet remains behind. Meantime in casting a retrospect over the history of the institution, we may see one or two causes of a potent character working surely, if slowly, through many years of varied experience, but which are certain to produce their effect in the end.

The Consolidated Bank was the result of an amalgamation. The City Bank of Montreal, and the Royal Canadian Bank

of Toronto, joined their resources to form the new corporation. Both of these had had an unfortunate history. The City Bank once or twice before had sustained losses, which brought it to the verge of ruin; and a management, which though good in many of its details, failed to grasp the true conditions of successful banking, laid the foundation for continuous and severe losses, especially at the outposts, both in the east and the west. It is generally believed that a want of firm and vigorous control from the centre always pervaded its operations. Though the bank was doing a large business at points away from Montreal, the responsible executive rarely, if ever, visited these points. This course was certain to produce the consequences that developed themselves, in continuous and severe losses. The history of the Royal Canadian Bank goes back only to a period of about fourteen years. It had a very chequered history. Its cashier and leading spirit for some years after its organization was a discarded officer of another institution. This was a weak point to begin with, as it always is and must be; for men, we may depend upon it, are never discarded for their merits, but for their demerits; and although such men may have influence enough to get stock books filled up for another concern which shall be under their own management, the final result in nine cases out of ten will be unfortunate.

The concern thus suspiciously started pursued a very enterprising course, establishing a number of branches and agencies, and doing what may be called a slashing business for several years. Misfortune then overtook it. Bitter dissensions broke out in the Board. Directors came out in print, accusing other directors of malversation and incompetence. A feeling of distrust was engendered, a drain set in upon its resources, and about the year 1869 it was compelled to close its doors. The suspension, however, did not last long. An investigation was made by an officer of another bank, and on the report he presented a reduction of the capital took place, and the concern got upon its feet again with the same manager at the head of it. A period of apparent prosperity followed. The tide of advancement that rose to such a height a few years ago was carrying all before it, especially in Ontario. So far as this bank, however, was concerned, the appearance of prosperity was fictitious. It had a large mass of bad business about it, kept alive from time to time by constant renewals, but bad nevertheless. The resignation of the old manager, who had always been said to be the *bête noir* of the institution, did not produce much change in the

general course of affairs. In the midst of a large and active business, aggressively pursued, constant losses developed themselves, the heaviest of which were from directors of the bank. Every annual meeting brought out remonstrances from stockholders, and at length the dissatisfaction reached such a height that a scheme was inaugurated, and quietly carried out, by which the control of affairs was transferred to Montreal. Certain parties controlled large amounts of stock both in the City Bank of Montreal and in the Royal Canadian. They devised a plan of amalgamation, carried it through in spite of opposition, and the two concerns became one under the name of the Consolidated Bank of Canada.

A fatal error, however, was committed at the very inception. A double-headed system of management was provided for. The Board of the old Royal Canadian Bank was still kept alive in Toronto, and a sort of independent jurisdiction over the Toronto office, and the western branches, was exercised by it. The responsible Board, the President, the General Manager, and the head office were in Montreal; but over the greater part of the business of the new institution they exercised little or no control. This evil in theory might have been remedied in practice, if the Board and the central executive had insisted upon exercising the control which was the object of amalgamation. But it has not so been. The story of a weak central administration, exercising a nominal control over distant dependencies, has again been repeated. Some of these dependencies were in the hands of careful men, and they have prospered. With others, however, the reverse was the case. But, strange to say, the heaviest disasters that have befallen the bank have been at the point where there is direct supervision by the Board. There is this remarkable feature about the case, which may form subject for comment by-and-by, that not only was the Board composed of respectable and wealthy men, but the President was a gentleman who had proved himself in affairs of State to possess distinguished ability. He had grappled with some of the most difficult financial problems in Parliament; and it was surely expected that he could manage in the much narrower arena of the Board room. The result, however, has proved these expectations to have been unfounded, and that it is not simply general financial ability, but special technical skill that is required to administer the affairs of a bank.

Some of the disasters that have befallen it have been not only inexcusable but inex-