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### CANADA'S BANKING SYSTEM.

The monograph of Professor Johnson, of New York, on the Canadian banking system is regarded by the majority of our bankers as the most reasonable exposition of the subject yet written by an American. It was prepared for the use of the National Monetary Commission, which in the course of its labors is publishing a valuable banking and financial library. The Commission seek knowledge as to the world's banking systems with a view to improving that of the United States. In 1896 the Journal of Commerce of New York did similar work, and issued in four large volumes a history of banking in twenty different countries. Nothing resulted so far as any alteration of the United States banking system is concerned. The opinion of well-informed Canadian financiers is that no practical action will be taken as the result of the labors of the National Monetary Commission. And one may infer that this is probably a correct conclusion.

Of Professor Johnson's examination of our banking system, the opinion of Canadian bankers, broadly speaking, is that in theory the writer is largely, if not entirely, correct. But theory does not always agree with practice. Thus it is thought that had Professor Johnson the combined qualifications and knowledge of the professor and the practical banker, his paper would have been still more valuable.

With few exceptions, the points made in the monograph are favorable to the Canadian banking system. It is stated by him that Canada's financial position is of the strongest; that this country's immunity from financial distress is mainly due to the character of its banking system; that there is no likelihood that the Dominion will cease to draw capital from abroad; that the system was not created by lawyers or statesmen to meet a fiscal need of the government as was, for instance, that of the United States; that elasticity of the note circulation and the unity of the system are two features giving great

strength under the threat of panic; that the goodness of bank notes is unquestioned among the Canadian people, and so on.

The Canadian system, as Professor Johnson says, is a product of evolution. Our bankers and the public, we think, trust that it will always be so. In years past, it was thought that the present decennial revision of the Bank Act would one day cease, the idea apparently being that the system would have been pruned and improved sufficiently to make further revision unnecessary. It is very doubtful whether this opinion is now held by either the government, the banks, or the public. The decennial revision gives an opportunity to cope with the new developments which must necessarily occur in a young country. It also affords an opportunity to check abuses if they exist. It seems likely, therefore, that for a considerable time the Canadian Bank Act will undergo revision every ten years. This system of evolution should from time to time ensure to Canada a good Bank Act.

The main criticisms made by Professor Johnson may be examined here. "The keynote of the organization of a Canadian bank," he says, "is the centralization of responsibility. One man, the general manager, is supreme. Above him in authority, under the law, are the directors representing the stockholders. Below him is an army of employees, of whom all but two or three owe their positions entirely to his favor." It is possible that objection to this broad statement will be taken by Canadian bankers. Undoubtedly, there is centralization of responsibility, in which the general manager is largely interested, but it is very questionable whether he can be termed supreme. Important recommendations and opinions of general managers have doubtless often been amended, discarded or changed by the directorate. Professor Johnson admits that the general managers of our banks are, without exception, men who have been in the banking business since boyhood, and who have worked their way up through all the grades of employ-