

# The Farmer's Advocate and Home Magazine

PERSEVERE  
AND  
SUCCEED

ESTABLISHED  
1866

REGISTERED IN ACCORDANCE WITH THE COPYRIGHT ACT OF 1875

VOL. XLVIII.

LONDON, ONTARIO, JANUARY 2, 1913.

No. 1058

## EDITORIAL.

Not plenty so much as progress is our wish for the new year.

Low-priced articles often prove dear. Value more than price determines the economy of a purchase.

Let parliament not adjourn without removing the duty from ditching machines. Do your part by writing your member.

Threshing grain after Christmas is the unusual experience of not a few farmers in Western Ontario this year. Truly, it was a most trying and backward season.

A dollar and a half invested in good agricultural reading will bring far better results than the same sum expended for any other purpose, even for fertilizer or feed. Those who have tried will unhesitatingly say yes.

"It may interest you to know," writes a well satisfied Christmas number advertiser, "that we have had an unprecedented number of enquiries from our page advertisement in the Christmas number." An issue that pleases subscribers is certain to bring results to advertisers.

An index to over eleven hundred pages of good solid reading matter and illustrations, with, of course, a fair proportion of valuable advertising intermingled, was included in the last number of 1912—an increase of sixty or more over the corresponding volume of 1911. Every year shows steady growth.

Because a provincial or national exhibition becomes of necessity a fixture at some large center is no reason why smaller places can have nothing of the kind. On the contrary, it is well to develop a number of small local centers. Fat stock shows, for instance, are successfully held at a number of villages and towns over Ontario, and there is nothing to hinder the better-situated of these expanding into larger spheres of interest and usefulness. Some might draw from a county, others from half a dozen counties or more.

The Winter Fair at Guelph has admittedly outgrown its premises, and has just as certainly outgrown the hotel and billeting accommodation of the city where it is held. Progress being a first-law of nature, it seems inevitable that the major features of the show be moved to Toronto, constituting there the nucleus of a great provincial, National, or International Live-stock Exposition. This need not involve discontinuance of the present excellent institution, though it would tend to localize it somewhat. The poultry and seed departments might remain as at present and, with an exhibit of cattle, sheep, swine, and possibly horses from Wellington and neighboring counties, would still serve an excellent and useful purpose, synchronizing with such events as the Ontario Experimental Union meeting, which might be held as formerly in December, and with such other agricultural conventions and affairs as would not likely prove a success if held in connection with a larger exhibition at Toronto.

## The Bank Act.

Overshadowed, though not eclipsed by the navy issue in the present session of the Federal Parliament, is the very important matter of the revision of the Bank Act, already two years overdue. The ex-Minister of Finance, Hon. W. S. Fielding, was about to bring down the decennially revised Act renewing the charters of our banks when his attention was arrested by certain searching criticisms of the status quo of our Canadian banking system, so that he withdrew the bill for further consideration and maturity. Before he had a chance to introduce another bill, a change of government occurred and the responsibility of this very important piece of financial legislation devolved upon his successor, the Hon. W. T. White. In the meantime the situation has been more or less freely discussed by publications and individuals, prominent among whom is our alert correspondent, Peter McArthur, whose four main contentions have been thus summarized:

1. Government inspection of all banks so as to protect shareholders, depositors, and the public from reckless or incompetent bank management.
2. A currency whose redemption will be secured without the use of the depositors' money for that purpose.
3. Some form of security for the depositors.
4. Some means of preventing the centralization of the country's capital in a few hands.

Latterly there has been also demanded, especially from the West, an amendment which would make it legal for banks to loan money to farmers upon the security of their grain.

The financial men of the country have shown a desire to appease public opinion by granting the lesser of these demands rather than the greater, and the bill recently presented in Parliament by Mr. White's resolution seems to accord pretty well with this desire. It is, however, a step in the right direction, and the Minister is to be commended therefor.

For instance, upon the matter of government inspection or independent audit, probably most important of all the new points, the provision made appears to partake more of the nature of form than of substance. It is proposed to require every bank at its annual meeting of shareholders to elect an auditor or auditors who shall examine into and report upon the affairs and condition of the bank to the stockholders, and who shall also, when directed by the Finance Minister, make any such investigation as he may order and report the same to him. The first point to note is that such an auditor would be the virtual nominee of the directors, whose very position denotes that they must be influential in the councils of the shareholders. It is true that once appointed he would be free to act in the interest of the shareholders without fear of dismissal by the directors, but let the directors of a questionably managed institution choose their auditor in a mere perfunctory compliance with the law, and they will not, as a rule, greatly fear his report. Inspection by an auditor employed nominally by the shareholders, but really by the directors, is hardly the kind to beget confidence. It looks as though this form of auditing would be open to the gravest criticism urged against government inspection, viz., that it would lull the public into a sense of false security, making people rely upon such inspection to a greater extent than the facts warranted.

An efficient and independent audit being the

object, it should be enacted that no one shall be eligible for appointment as auditor unless he shall have been for at least five years in business in Canada on his own account as an auditor, nor until he shall have been, for at least three years, a member of the Dominion Association of Chartered Accountants, which now embraces the membership of the Provincial Institutes of accountants.

This would give an opportunity to Government, to stockholders, and to the public to know something of the ability and integrity of the proposed auditor from his clients and his fellow auditors, and prevent the possibility of a nominee of directors being hastily qualified as a chartered accountant, solely for the purpose of filling a perfunctory position as auditor.

There are many chartered accountants in Canada, qualified for such an appointment, who have been in business as auditors for from five to twenty-five years and longer, while a host of younger C. A.'s, are rapidly nearing the five-year term of business, if that be the term accepted as a qualification.

The English Courts have laid down that an auditor shall not give an opinion nor seek to provoke enquiry, but shall confine himself to giving all the facts relating to the matter, that may have come to his knowledge. Our bank auditors should be expected to exercise the full prerogative of their legal privilege.

Passing for the moment the second and third points enumerated above, we have space to note merely the fourth one. Recent developments have given ground for the fear that our Canadian banking business would soon, through the merging of existing institutions, be concentrated into the control of a half dozen or so of financial magnates, and it is safe to say that the public would like to see some effective check upon this process. The new bill proposes to make it obligatory to obtain the consent of the Minister of Finance or some such governmental authority to an agreement for amalgamation before the matter is submitted to vote of the shareholders. A question was raised in the House of Commons why the consent of Parliament should not be required; but the Minister objected that this might not always be feasible, as the House is not continuously in session. Sometimes it happens that a weak bank, faced with the necessity of some step that would precipitate a panicky run, quietly amalgamates with a stronger institution, whereas delay and parliamentary discussion would invite disaster. There are other cases, however, where a little less haste in expediting mergers would work out in the public interest. Cannot the Minister derive a clause that will meet both kinds of cases?

The new bill very properly includes provision for loaning money to farmers and ranchers upon security of their grain and cattle, and upon this point the Minister is to be congratulated.

Of the bill, as a whole, we regret to observe that while it may pretty well suit the officers of the Bankers' Association, it will need to be strengthened materially in order to meet the demands of the public. In this connection it is pleasing to observe that quite a number of bankers agree that there should be a thorough-going, unimpeachable system of independent audit or government inspection. Ineffectual or perfunctory inspection and audit is liable to be more dangerous than none. Bank inspection and audit must come. The country is united on that. It must be thorough. Failures have been happening too