

abundance than England. In cotton manufactures the advantage is clearly with this side of the ocean, where the raw material is on the ground and manufacturers are protected by the cost of transporting it to Europe and the return freight, insurance and other expenses. Canadian cottons are monopolizing our home market owing largely to the lower rate of wages prevailing in this country, especially in the Province of Quebec, a fact to which we also owe our command of the market for clothing, boots and shoes and other home manufactures.

The British manufacturer has been for many years in the position of the man who, having seen that everything is going right, that his profits are ample, concerns himself personally very little about his affairs, and leaves the conduct of his business to his manager, giving his own thoughts to other things. The American or Canadian manufacturer is differently situated. He is dissatisfied with his profits, his thoughts are largely turned to discovering new openings for business, to diminishing the cost of production or making a better article. This tends to improve processes in manufacture, stimulates inventions, besides which there is the greater energy incidental to an infusion of young blood in any department of trade.

The lowering of the rate of interest on this side of the Atlantic will also have its effect; a capitalist who can get eight per cent. for his money will hesitate to incur the trouble, risk and anxiety inseparable from a manufacturer's life unless he can make that eight per cent. fifteen. But if he can only make five per cent. as a capitalist he may be induced to become a manufacturer if he sees his way to making that five per cent. ten. And this is the condition of things which is gradually obtaining among us. Profits are reduced to a minimum: there is less extravagance among business men, and lessened incomes offer less temptation to rash investments.

#### THE STOCK MARKET.

A writer in the *Montreal Gazette*, over the signature "Shareholder," has suggested a remedy for the depreciation in bank stocks, which there can be no doubt has caused great anxiety of late to all parties interested. There can hardly be a doubt that "Shareholder" is correct in designating that policy dangerous and suicidal, which he attributes at this time to the banks, viz., changing their policy as to making loans on the collateral security of bank stocks. Apart altogether from the

question whether such loans are expedient or the contrary, it would be most unfortunate to make any sudden change at such a time as the present. "Shareholder," however, ought to establish the fact that the banks have materially reduced their loans on these securities. We apprehend that the cause of the trouble is that some investors have been pressing bank shares upon a market already overloaded. The bank returns for December will very soon be published, and we shall then be better able to judge how far "Shareholder" is correct. There can, however, be no doubt as to the fact that within the last ten years there have been over-issues of stock, and that the subject to which "Shareholder" has called attention is one deserving the most serious attention of the Government. He has, moreover, made a suggestion that the banks should be authorized "to advance on their own stock, which would probably pave the way to a gradual absorption of the stock by a reduction of capital."

The *Montreal Gazette* has likewise treated the subject editorially, and has given fair reasons for the decline which in his opinion is attributable to the ordinary cause for the decline in price of everything marketable, viz., the supply being largely in excess of the demand. Depreciating any legislation hostile to the Stock Exchange or its members, the *Gazette* is of opinion that "the remedy must come from the banks themselves," and if applied at all "it should be in the direction of reductions in their capital." The *Gazette* is therefore of the same opinion as a "Shareholder" as to the proper remedy. The *Gazette* is, we apprehend, in error in supposing that "the quantity of loose stock controlled by brokers and speculators is larger than ever before." On the date of the last return the bank loans on stocks were considerably less than at the corresponding period in 1873. The November returns show a slight decrease from those of August, but nothing that would affect the market.

It is earnestly to be hoped that the Dominion Government will give its serious attention to the subject, which is one of great importance. The suggestions of the *Gazette* and of his correspondent "Shareholder" are very general, and if adopted would require the most careful consideration. It is not probable that it would be deemed advisable to permit banks to lend on their own stocks. If the object be to reduce their capitals it might be effected by permitting them to purchase shares, such shares to be cancelled, and the capital reduced to that extent. Again, it would be absolutely necessary to

place a limit on such reduction of capital. What that limit should be if the principle were adopted would be a matter for the consideration of the Government, but it would probably be advisable to fix on a percentage, say 25 or 20 per cent. Again it might be inexpedient to permit such reduction in the case of banks having small capitals. A strong opinion has prevailed that charters should not be granted with capitals of less than a million of dollars, which is the smallest authorized capital in Ontario and Quebec. There are a few cases in which the authorized capital has not been subscribed, and these cases would have to be specially considered if the principle were adopted. It is well worthy of consideration whether this subject is not one that should engage the consideration of the Dominion Board of Trade at its approaching meeting.

#### THE COMMERCIAL ASPECT OF FIRE INSURANCE.

Much has been written at different times by various pens to prove that insurance is either a science or a profession, and that to put it upon the simple level of commerce is a degradation. While we are willing to concede that all insurance partakes in a certain degree of both a science and a profession, we none the less maintain that it also undoubtedly belongs to the world of commerce, and is governed by the same great laws of supply and demand which rule all mercantile transactions, whether in produce, manufactures or labor.

Fire insurance is unquestionably a branch of trade, and is a commercial article bought and dealt in just the same as dry goods or groceries. No one who looks calmly at the subject can deny that now-a-days competition fixes to a very great extent the price of fire insurance, as it does of any other mercantile commodity; and it is plainly discernible that, as such competition increases or decreases, so the price in both instances alike is either forced below or rises above the actual market value. Any one who shuts his eyes to this unmistakeable fact merely puts himself into the position of the ostrich which buries its head in the sand. Of course there is, as we have stated, an actual market value for Fire Insurance, whether of private dwellings, saw mills, or any other risk; and those companies who sell their policies below that figure in order to secure the business from their neighbors will as assuredly suffer, sooner or later, as a dry goods merchant who, to meet competition, parts with his wares at less than cost price. And here let us remember that in fire insurance, as in other trades, there