REDUCTION IN RATE OF DISCOUNT.

Mr. E. H. King, general manager of the Bank of Montreal, has caused to be issued the following *pronunciamento:*

NOTICE.—The Bank of Montreal in Ontario will, from the 25th inst., and until further notice, reduce its rate of discount to 5 per cent. per annum, for produce drafts, as follows:—Upon drafts drawn at not over thirty days, secured by railway receipts or bills of lading for grain or flour with satisfactory margins. No commission will be charged upon such drafts payable at any other office of the Bank in Quebec or Ontario. One half per cent. exchange will be charged on drafts payable at St. John, N.B. Three and a half per cent. exchange will be charged on drafts payable at Halifax. On drafts payable in the United States no commission will be charged beyond the actual cost of collection and remittance of funds to New York.

August 20th, 1869.

For purposes of examination, this document may be considered a tripod resting on a political leg, a business leg and a personal leg. Let us first dissect the political leg.

When our great staples are ready for market, the bank circulation expands; for instance, in 1865, the fall expansion exceeded by $5,189,366 the minimum of that year's contraction. So that the question of facilities in moving forward what we have to sell is one of vital importance to Ontario, as the great producing province. When Mr. Rose's banking scheme was before the country, the greatest opposition it met with came from the province of Ontario. It was urged, by way of objection to its adoption, that Ontario depended entirely upon its banks for getting the produce to market, and that the banking scheme would diminish greatly the amount of capital available for such a purpose, thereby, of course, injuring, by so much, the Province at large. The western bankers said, if you lock up our capital in securities and place a severe check upon circulation, of course we shall not be able to furnish the usual facilities in the fall. The people said, if you injure the banks we shall be the chief sufferers. The unanimity of sentiment, which this view of the case secured, defeated the scheme for a time. It was withdrawn, as all know, under protest and, rightly or wrongly, Mr. King received the ill-will of Ontario for the appearance of the scheme at all.

This fall, Ontario will have more to sell than it ever had before, for, by all accounts, we are justified in expecting the most bountiful harvest that ever delighted the eyes of the people of Canada. Visions of bursting barns and choked channels of trade already flit before us—not in dreams, but in our most wakeful moments. Mr. King fancies, we suppose, that the good will of Ontario is to be gained most readily by his assisting, or pretending to assist, the movement of the crops and propitiating the produce men. If indirect attack upon the agricultural interest was productive of a check to his ambitious scheme, it is not unnatural for him to argue that a conciliatory policy towards such a sensitive interest would result in mollifying asperities heretofore begotten. Ontario could not be expected to submit to the dominancy of an institution it disliked.

Then, again, the banking scheme may be brought forward once more; if not, the Dominion Note Act, as the source of much profit, is to be retained on the statute book. The banking scheme was resisted, as we have shewn, by the influence of an argument based on the danger to western interests, of locking up capital which had hitherto moved the crops. It would be a specious reply to such an argument, if used hereafter in Parliament, that the Bank of Montreal was prepared to do the produce business of the country at five per cent., without commission. The above advertisement would be flaunted in the faces of the opponents of the scheme with considerable zest. The Bank of Montreal has been charged again and again with using its funds outside the country, giving foreigners the benefit of its resources, to the natural injury of those who, standing so much in need of capital, are thus wantonly deprived of it. This counter-blast is well-timed and creditable to Mr. King's ingenuity. It will be readily seen, therefore, that the General Manager's latest manœuvre is not devoid of policy.

Let us try the business leg. The Bank of Montreal promises, until further notice—1. To discount drafts drawn at not over thirty days, secured by railway receipts or bills of lading for grain or flour with satisfactory margins for 5 per. cent interest, without commission for collection if payable within Quebec or Ontario. 2. To discount such drafts when payable in St. John, N.B., for five per cent. interest and ½ per cent. for exchange; when payable in Halifax, for 5 per cent. interest and 3½ per cent for exchange; when payable in the United States, for 5 per cent. interest and "the actual cost of collection and remittance of funds to New York."

At first sight, it would appear that these propositions contain much likely to benefit the produce dealer. Say ten thousand bushels of wheat are purchased and a draft drawn at thirty days. The cost would be—33 days @ 5 $45.20. If the other banks continued their present practice the result in this case would be—33 days @ 7 $63.28; exchange, ¼ p. c., $25.00; total $88.28, or a difference, in favor of the grain dealer with the Bank of Montreal, of $43.08. Taking the more usual case of a produce draft at 15 days, although 8 or 10 days drafts on Montreal are not uncommon, we have on a shipment to Montreal of 500 barrels of flour, at $5 a barrel, a saving of 43 cents, on a shipment to Oswego 45 cents, to Halifax and St. John on a 30 days draft, just 90 cents.

But to whom are these magnificent offers made? of course, to shippers of grain who have the stuff in hand, who are ready to put up railway receipts or bills of lading. As the produce business, from its only employing capital actively during, say three months of the year, would not warrant the retention of large sums of money, the banks are expected to furnish the needed accommodation when the grain is to be bought and forwarded to market. The dealers who operate exclusively on their own means are few. So that the offers now made by the Bank of Montreal are to those, who are in the habit of receiving accommodation. When the season sets in the shippers establish credits and collect the grain through buyers who deal directly with the farmers. As we understand it, the Bank of Montreal does not propose to assume the responsibility of doing the produce business of the country. A few years ago, the heaviest losses made by the bank were the result of dabbling in it and Mr. King has time and again denounced it as very dangerous. What Mr. King is willing to do is to assist in moving the grain from port to port. He is prepared to assist those who have already received all the assistance they require from other banks. After the bank that furnished the shipper with the accommodation through which he was enabled to buy the grain, has run all the risk, the Bank of Montreal is ready to step in, cut the other bank out of the profits attendant upon the completion of the transaction and appropriate the honor of having moved the crop to market. The Montreal Bank's anxiety to take a hand in the business, commences only when the operator is in possession of the railway receipt or bill of lading. The generosity here exhibited is worthy of note. Any dealer who left his bank in the lurch after the fashion suggested would soon find his account closed and his accommodation cut short. Is the Bank of Montreal prepared to take these produce accounts to any extent? Is the dealer certain of being received with open hand by the Bank of Montreal when his own bank tells him to apply elsewhere? Mr. King announces the continuance of his offer only "until further notice." There is such a thing as falling between two stools. We know that produce accounts are little favored by Mr. King; that he is severe on "renewals;" that his manifold schemes call, at times, for a general shutting down on customers, and that indi-