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Toronto, 1871.

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THE MONETARY TIMES,
AND TRADE REVIEW.

TORONTO. CAN., FRIDAY, OCT. 6, 1871.

BANKING REVIEW.

One of the consequences inevitably attendant upon the stock speculations which this journal, some few months ago, denounced and foretold the mischief of, has been a sort of small panic in certain financial circles of Montreal. Something of the stringency of "Black Friday," in London, 1866, has been felt there amongst operators in stocks. These operations are, happily, on a comparatively small scale at present, and the circle influenced has no great claim to sympathy for any harm this tightness has inflicted. While money was easy at 6 or 7 per cent., suddenly men were found rushing about willing to give 15 and 20 per cent., the Bank of Montreal having chosen, amid the lull and ease caused by good harvest prospects, to excite a commotion by calling in loans made at the period to which we have referred, to carry on systematic stock speculations. Its sudden action is condemned, chiefly, however, by those who found it more convenient to remain in debt than clear up finally their account for share transactions on which losses had been made. Gamblers who have lost always wish to prolong the game.

It is most unfortunate for the country that our leading Bank suffers its reputation

to be sullied by being implicated in this irregular class of business. Ambitious as it is of being to Canada what the Bank of England is to England, it would be well for the Bank of Montreal and the country were its policy moulded on that of the great institution whose status it would fain acquire here. The Bank of England stands as eminent for the strict legitimacy of its business as for its stability and power. The one, indeed, has been the main source of the others. Happily, the ordinary course of trade has been little disturbed by this stock exchange storm. Some merchants have had to pay heavy rates, it is true, but those only who, having no regular discount account open with any Bank, have experienced the inconvenience of keeping free of the ordinary relation between banker and trader. Such persons cannot complain when a "panicky" feeling is abroad that the banks decline to grant accommodation to outsiders on the same terms as their regular customers.

We have lately heard surprise expressed at the rate for gold drafts on New York. The idea seems vaguely entertained that Banks should be able to draw for gold to any extent on New York. The question as to how they are to re-coup their agents for these drafts seems not to have been thought of by some. We may explain that it is not customary to send gold to and fro between here and New York, for very obvious reasons. The gold held by the New York agents of Canadian Banks, on their account, is simply the funds received by them to discharge the indebtedness of American buyers of Canadian produce, chiefly lumber. These funds rise and fall with the general state and activity of the accounts of our shippers with U. S. merchants, and *vice versa*. Lately, the payments on Canadian account have not been so heavy as they were some time back and will soon again be, hence some scarcity of gold to meet drafts on New York, and hence a higher rate for them.

The following is the official return of the Banks of Ontario and Quebec, August 31st 1871:—

Capital authorized.....	\$49,066,666
Paid up.....	34,861,297
Subscribed.....	39,131,496

LIABILITIES.

	31st Aug., 1871.	31st July, 1871.
Circulation.....	\$18,117,500	\$17,538,152
Govt. deposits p'ble on demand.....	4,035,034	3,336,502
Other ditto.....	25,237,745	25,776,906
Govt. deposits p'ble after notice.....	6,254,666	6,254,667
Other ditto.....	10,942,642	19,887,076
Due Bks in Canada.....	871,465	1,042,787
Due do. not do.....	2,976,208	3,424,069
Other liabilities....	59,094	15,313

Total liabilities....	\$77,495,324	\$77,270,172
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ASSETS.

	Aug. 31, 1871.	July 31, 1871.
Specie.....	\$6,045,264	\$7,254,926
Provincial notes.....	6,055,846	5,087,521
Notes and Chqs. of other banks.....	2,521,138	2,971,908
Due from other b'ks in Canada.....	14,272,875	15,057,647
Govt. stock.....	1,413,173	1,520,242
Loans to Govt.....	1,219,891	1,219,891
do. Corporations.....	1,267,915	1,166,089
Notes dis. current... do. over due not secured.....	81,102,016	77,485,232
	1,064,004	1,046,687
Over due debts sec'd	961,834	929,695
Real estate.....	764,810	771,107
Bank premises.....	1,674,208	1,648,140
Other assets.....	2,354,326	2,371,558

Total assets.....	\$122,434,446	120,208,021
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TOTAL CIRCULATION.

	Aug. 31, 1871.	Aug. 31, 1870.
Bank notes.....	18,117,500	15,009,690
Provincial notes...	8,066,596	7,376,000

	\$26,184,096	\$22,385,690
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The chief feature in the last return is the expanse of discounts, the increase being \$3,600,000. In the last year this item has gone up sixteen and-a-half millions!

We can only hope that a bountiful harvest, and good prices for it, will form a sound basis for the expansion which is going on, but a word of warning against the speculative feeling brought about by prosperity, will certainly be in season. It has often been remarked that the time when farmers are the readiest to borrow is when they have the largest returns from their land. They are stimulated by prosperity to undertake larger purchases, and ready enough to pledge their land they already hold to obtain the means of acquiring more. As to importers, it seems to be inevitable, but not the less to be lamented, that the first sniff of a good harvest is the signal for larger ventures. The country is periodically troubled on this account, and the long credit system, which is one of the relics of past times of poverty, is perpetuated.

The harvest is undoubtedly a very good one, and ought to yield a very heavy return to the country. These resources, well husbanded, would form an enduring basis for improvement; but if they are consumed in goods we do not want, or locked up in unproductive lands, all the bounty of a beneficent Providence may be thrown away.

We notice several banks having far too small a reserve of specie and legal tenders against liabilities. This is an evil that requires immediate correction.

PRINCE EDWARD ISLAND RAILWAY.—The contract for this line, which has been a bone of contention in the Island for some time past has now been definitely closed with Mr. C. Schriber, at £4,267 10s. per mile, and work will be commenced with a force of 800 men this month.