

COMMERCE UNDER CONFEDERATION.

IT is either a singular coincidence or a special Providence, that the two impending events of most interest to us—the alteration of our political condition, and the change in our commercial relations with the United States—should occur at the same time. The suspension of the Reciprocity Treaty could not have been foreseen when the Conference of Colonial delegates was sitting at Quebec; for it was not brought about by the pressure of commercial interests, but was resolved upon in a moment of irritation in consequence of Judge Coursol's decision in the case of the St. Alban's raiders. Nevertheless, it happened that at the very time our Parliament was in session, considering and adopting the plan of Confederation, the notification of the suspension of the Treaty was being penned and sent across the ocean. The two subjects, Confederation and Reciprocity, have, however, a closer connection than this. The suspension of the Reciprocity Treaty was undoubtedly a measure of hostility on the part of the United States Government. It was known that its immediate effect must be injurious to us. Even Mr. Potter, whose views of Canadian matters are so full of benevolence towards us as to contemplate our admission into the American Union, fully intended that we should pass into that state of beatitude through a baptism of commercial stagnation and suffering. The abolition of the bonding system might follow any day; and it is doubtful whether, without access to the sea-board during winter, without facilities for exporting produce and manufactures to market or importing goods for our consumption, we could resist, even were it in such case wise to resist, the temptation to get rid of these inconveniences by Union with the States. Confederation will, however, materially change our position. Confederation means an Intercolonial railroad, which, without Confederation, we have several times in vain attempted to secure. An Intercolonial railroad ensures the continuance of the bonding system, by enabling us to be independent of it. It secures the opportunity of exporting to and importing from Europe at all times of the year, without our being obliged to say "by your leave" to our American cousins. It relieves us from the fear of one of the kinds of pressure that could be brought to bear against us by the Government of the United States. Confederation, too, will ensure to us the exclusive possession of a new and valuable market for our produce should Reciprocity still be withheld. With the fiscal arrangements of the Colonies under their present divided management, we could not be certain that the Lower Provinces would act in accordance with us, in the new policy we might wish to adopt. With the Customs arrangements of the whole managed by one head, we could be sure that, when the United States imposed duties on Canadian wheat and flour, some of these would be admitted free into the Lower Provinces. And it requires but little foresight to see how great a trade, how constant and lucrative a stream of commerce, would be maintained between the inland and the maritime regions of the new Confederation, if it were to flow directly from one end of the country, through its own channels, to the other; instead of as now going out at Buffalo, Suspension Bridge, or Coaticook, and coming in again at St. John, N. B., St. Johns, Nfld., or Halifax. The Hon. Mr. Howland was the first statesman to consider this. In his well known report on Intercolonial Trade, in 1862, he shewed the delegates assembled in Quebec in September of that year, that the Lower Provinces had imported from the States in 1861, wheat flour valued at \$3,006,812; while Canada had exported to the United States flour valued at \$3,038,362. The Hon. Mr. Ryan pursued a similar line of investigation, when he showed in Parliament, at its last session, that in 1861, we exported to the United States 3,850,000 bushels of wheat, (and flour reduced to wheat), while the Lower Provinces imported from the United States in the same year 3,615,232 bushels. We do not mean to say we should find in the trade of the Lower Provinces, which we could secure to ourselves under Confederation, an equivalent for the trade of the United States, which we should lose without Reciprocity; but it would afford us a very valuable outlet for our produce indeed, and give employment to thousands of people all along the route of transportation. Nor would the imposition of a ten per cent. duty on American flour be at all an unjust thing to the Lower Provinces. For their fisheries would again have to be protected against encroachment more thoroughly than ever before. Six or eight steam sloops would have to be built, armed and manned, and the expense of this,

which would to a great extent fall upon Canada, would be an equivalent to the maritime regions for any charge in their trade relations, which the imposition of a duty on American breadstuffs might create.

But even though Reciprocity should be renewed, Confederation may not unreasonably be expected to cause a change for the better in our produce trade. As we before said, Confederation means an Intercolonial Railroad. That means a reduction of the freight in a barrel of flour from Montreal to St. John, N. B., to 65 cents, at all seasons of the year, without injury or delay from transhipment. Surely that must mean a greatly increased business. It is, moreover, certain that we shall find many of our Montreal houses establishing agencies, or even branches, in Halifax, Shediac, and St. John as soon as they cease to be foreign cities, and taking advantage of the rapid communication that will be established between them all.

We may also safely assume that a great deal of the fish from the Lower Provinces, which will be shut out of the American market when Reciprocity ceases, will find its way up hither. Among the hundreds of thousands of Roman Catholic inhabitants of this Province, there is an immense demand. And among other classes the consumption of fish is at present limited by the supply.

A lively trade in manufactures is also probable under Confederation. Mr. Howland's report—already quoted—said, that "a large proportion of the goods, which the maritime Provinces now buy in the States, could be supplied by Canada. They consist mainly of agricultural produce, in raising which we excel, and of articles, the manufacture of which is rapidly increasing here." The report proceeded to show that the Lower Colonies imported from the States articles from which we make the following selection:

	Nova Scotia.	N. Bruns- wick.	P. E. I.	Newfound.
Burning fluid.....	\$23,168	\$8,169	\$.....	\$.....
Cabinet wares.....	26,365	16,100	.....	9,694
Cordage and Canvas.....	45,428	28,424	.....	.....
Hats and Caps.....	24,219	21,049	.....	.....
Leather and leather man- ufactures.....	135,698	145,432	20,763	35,918
Wood ware and agricul- tural implements.....	36,244	27,661	7,557	9,192
Sugar, refined.....	.....	28,001	1,714	.....

Most of these articles we could advantageously supply. Now, among the "woollens," "dry goods," "haberdashery," "hardware," and "unenumerated articles" of the Tariff, how many goods are there not which we should furnish to the Lower Provinces, if once the tariff barrier were broken down, which has hitherto made the Colonies essentially foreign countries to each other? With an enlarged market, too, manufactures would spring up more readily in all parts of the Confederacy, and whether inland or on the seaboard, they must develop trade.

We cannot estimate what effect Confederation will have on the shipping interest of the Colonies; but it should have a good one. It was stated at Detroit that American vessels could coast from Boston to St. John, from St. John to Halifax, from Halifax to Charlotte-town, and thence to any Canadian Gulf port, because none of the places were in the same colony. If this be so, then under Confederation this will cease, and colonial vessels will enjoy all the Colonial coasting trade, unless the States should at any time throw open their coasting trade to us, when we should, of course, be happy to reciprocate the favour. It is probable, too, that as soon as the canals are deepened—and this, too, will be hastened by Confederation—some Nova Scotia vessels will engage in our summer business, with advantage to us and to them; while Canadian craft will go into the West Indian or European trade in winter, along with the Nova Scotians.

We could proceed to illustrate further the effect that the forthcoming political change will have on commercial matters; but we think we have said enough for once. We have indicated our belief that Confederation, even without Reciprocity, is the one thing necessary to give us a stable future—the key to the position of affairs. And we have shown several ways in which it will exert a beneficial influence on commercial affairs.

Insurance.

We learn from the *Post and Insurance Monitor* that "the Western Life Assurance Society, represented in Montreal, have announced that they are about to join the Albert Life Assurance Company, Mr. Scratchley, of the Western, becoming actuary to the Albert."

BANKING IN CANADA.

IT must strike the most casual observer of the stock quotations of our Canada Banks as a singular feature that they should vary so much in market price, even when the dividends approach, or are equal.

Those who have read the Reports as they have appeared this year, will find that the managers, in their annual exhibits of the affairs of the institutions entrusted to their management, speak with great certainty of full provision being made for losses.

The Bank of Montreal, by its Annual Report, has \$720,208 of undivided profits as a contingent fund. Its annual dividend for many years has been steadily 8 per cent., and its stock is now saleable at 112½. These surplus profits are equal to 12 per cent. on its paid up capital.

The Ontario Bank pays an equal dividend, and has a surplus fund of \$177,229 to meet unforeseen contingencies, or 10 per cent. upon the paid up capital. The stock stands at only a broker's commission over par—or a less market value as compared with the Bank of Montreal of 11 to 12 per cent. We have heard that in banking circles it has been partly attributed to the absence of any very explicit statement in the Reports of the corporation that full and ample provision had been made for bad debts before declaring a dividend. This may be partly, but it cannot be all, the cause. The Ontario Bank can hardly be said to be an old and tried Bank yet, and the obscure location of its head quarters, and the depression of the Western Province for so many years, combine to render its stock for the present less attractive; but it is working into a steady and profitable business, and its prospects for the future are good.

With the same dividend of 8 per cent., the Bank of Toronto stock is still lower, notwithstanding a guarantee fund against losses, of 18 per cent. on the paid up capital, and very strong assurances on the part of its Board at their annual meeting that the necessary provision had been made for bad and doubtful debts. Fortunately for this institution, its paid up capital is small in comparison with its banking facilities, and when times improve, by taking advantage of these facilities, the stock should become a profitable investment to the owners.

The Merchants Bank Report promises well for its shareholders. We doubt the propriety or prudence of opening at once with an 8 per cent. dividend, part of which must be derived from discount or unrealized profit, which its surplus fund of \$30,502 will hardly excuse, the first annual meeting having taken place only last month. There is a new feature in this Report, namely, the admission of the amount lost in conducting the business during its first year—the gross amount of profit made, and the amount of charges. This is a step in the right direction, and we hope the Board will continue in future years to be equally candid. The rate of profit, 1½ on the average capital employed, shows that the other Banks were either unable to grant facilities, or have let an ambitious and rising institution cut cleverly into their business. There is one sentence in the Merchants Bank Report with which some are disposed to take exception. The Directors say "They have not found that any inconvenience has arisen from the course they have adopted of allowing interest on current accounts." We have not space at present to discuss this question fully—but the best authorities on banking condemn the system. It compels the cashier to make loans, when, if he were free, he would look more narrowly at the quality of the loans offered. Manifestly, if he pays one-half the legal interest for money on call, he cannot pay that and keep his reserve full. True he may have an arrangement with a powerful neighbour to assist him in need, and that need may never come, in Montreal; but the history of banking in New York alone is such as to render it doubtful if, in the long run, this course will pay. The Merchants Bank, however, has a strong connexion, and so far its future looks bright, and we commend the attempt to found another really Montreal banking institution.

The other Banks paying 8 per cent. per annum are the Molesons, stock quoted at 110; Banque Nationale, 106½; Banque Jacques Cartier, 103. It is manifest that even when particulars are equal, the Lower Canada management gives the stock a preference in this market.

The other Banks of the Province do not encourage reference to their Reports and position at present. Much responsibility rests upon our legislators to liberalize restrictions upon all branches of the commerce of the country; and banking must be set free