

## Communications.

ETNA INSURANCE COM'Y OF DUBLIN, (LIMITED.)  
Editor Canadian Monetary Times:

SIR,—I have just read in your issue of 2nd inst., the Annual Report of the "Etna of Dublin." The "Dublin Freeman's Journal" of 4th March, published the Annual Report, which differs somewhat from that which appears in your paper. In the former I read,—"Your directors are pleased to be able to report to you that, your capital of £5,309 4s. is intact." Your version omits the figures. In the former also, allusion is made to the retirement of three Directors—one because of removal to England; a second on account of failing health, and the third "through resignation." "The Directors" have not thought it necessary to recommend "any of these vacancies to be filled up, as it is found that the present Board of five members is quite sufficient, and equal to the duties required." I do not find this in your paper. You give the Chairman's remarks. These are not in the paper I alluded to. He stated that the paid up capital to be £26,000, and subscribed capital £175,000. This is inconsistent with the figures I have given above. Possibly you may have erred in putting "£" in place of "s."

I think the Director's Report would have been more full if they had stated that the increased revenue was owing to the risks obtained from the "European."

I do not desire to say one word which would injure the "Etna," but they ought to give correct particulars.

Yours, &c.,

Hamilton, 4th April, 1868.

## Financial.

THE LATE FINANCIAL CRISIS.—The following is the substance of the evidence given before the Senate Committee appointed to enquire into the late Financial Crisis in Ontario:—

By Mr. Fisher, Cashier of the Ontario Bank.—The prospects of the country in October last were good for a safe, sound, and prosperous trade; and although the crops in Ontario were by no means so large as anticipated, still the effects of good harvests for the two or three preceding years, together with the high prices which prevailed, made money plentiful. The country merchants were prompt in remitting, and the demand for the fall's business was satisfactory. I believe that the effect of the crisis has been prejudicial to the interests of the trade of the country, by exciting in the public mind a feeling of distrust and a want of confidence. The suspension of the Commercial Bank following so soon that of the Bank of Upper Canada, was, no doubt, the primary cause of the crisis. Those at all acquainted with the affairs of the Commercial for the last few years, could not have been surprised at the final result. The want of confidence in its ability to meet engagements culminated when it became known that it was obliged to give special security to some of its largest depositors, and having had to part with a large portion of its most available assets for money borrowed from another institution. In further referring to the cause of the crisis, it is needless to assert that its effects were greatly aggravated by the injudicious instructions issued by the Bank of Montreal to its Managers and Agents throughout the country. The effects of the crisis upon the policy or business of the western banks has compelled them, in a great measure, to withhold accommodation and narrow their operations to a very large extent. The effect of the crisis, with the general feeling of distrust occasioned thereby, has had a serious effect upon the circulation of the western banks—in forcing it back for redemption, much faster than usual; the deposits of some of them have not been effected to the same extent. The bank with which I am connected, namely, the "Ontario," has suffered very little in this respect; in fact, at all its western offices, they have increased. The only point that shows any diminution is at Montreal, which has been caused by an unwillingness on our part to pay as high a rate of

interest as some of the other banks. I think it would be imprudent to admit that confidence is fully restored, as is evidenced from the unsettled state of feeling that prevails in the country, arising, I am satisfied, from the power which the Bank of Montreal has over the other banks and monied institutions of the country. Ten per cent. of the paid up capital of the Banks is required by their charters to be held in Provincial Debentures; but I am not aware if it is necessary to keep a dollar of Provincial Notes on hand. I can scarcely imagine that Government requires such a sacrifice, as it would be so much dead weight for which no return can be made. After the passing of the Act of last session, when Government handed over to the Bank of Montreal legal tenders in payment of their indebtedness, it was for the interest of the latter to get as much of the issue into circulation as possible. One mode adopted was by coercing all the banks to keep a large amount of these notes as a reserve in Toronto and Montreal, for the privilege of having their exchanges made at these points. Our Bank has been compelled to hold intact \$200,000, or ten per cent. of its capital in these notes, for which it receives no interest or consideration whatever, other than the trifling privilege of exchanges referred to. The facts which no doubt will be elicited from the evidence on this subject, will prove that from the passing of the unjust Legal Tender Act, the power of coercion has been, and still continues to be exercised in direct opposition to the welfare of the country, so far as the banking interests are concerned. Exchanges between the banks are made at two points, viz., Toronto and Montreal. At Toronto the balances are settled by cheque on Montreal; gold or legal tender notes, usually at the option of the debtor bank. At Montreal the balances are settled daily by gold or legal tenders. As to the effect of the Provincial Note Act, any inconvenience occasioned by it hitherto, seems to have arisen from its privileges having been confined to one large institution, giving it a power of dictation and control as regards other institutions, capable of being very injuriously exercised. Had it been generally accepted by the banks, it would have been open to the very serious objection of making no provisions for the periodical expansion of the currency. The banks could not afford to keep a large amount of capital lying idle for a considerable part of the year, in order to meet the wants of the country at other seasons, and it would be very inexpedient to render the Western Banks dependent at such seasons, upon the eastern for the needful supply of currency, besides, even if that course were adopted, there would be no certainty that the supply would equal the demand. It is well known that any material Legislative interference with the currency of a country undertaken unnecessarily must produce a feeling of uncertainty in the minds of those in charge of Banking Institutions, and lead them to adopt a more than usually cautious policy. It must also impair the confidence of the public in the currency it proposes to supersede. In both these respects, the mere fact of legislation on the subject last session was, in my opinion, very injurious—especially in Ontario, where by far the larger part of the Bank Notes were circulated in moving the crops to market and getting out timber from the forest. It is my own impression, and doubtless shared with many, that a Government Bank of Issue seems to be opened to the insuperable objection of its being liable to become a political and dominant machine in the hands of the ruling party of the day. To compel all the banks to use legal tenders on the principal of the recent act would subject the country to the grave difficulty referred to, namely, the lock-up of a large amount of capital. I would suggest that, as there is no reason to suppose that the public are dissatisfied with the present banking system, and believing, as I do, that it meets the present requirements of the country in furnishing it with an elastic currency better than any other system that can be devised, the banks still continue to issue their own notes, and a concession be made of circulation, being the first charge in case of suspension against their assets. I would also suggest that the character of the bank statements be improved, and provision made for suitable Government action in case of weak-

ness on the part of any bank. It might also be advisable that periodical inspections be made by proper officers appointed by Government.

By Mr. Woodside, Cashier of the Royal Canadian Bank.—The condition of trade in Ontario, between the first of September and the fifteenth of October last was most satisfactory. Mechanics were fully employed, farmers were disposing freely of their produce and obtaining good prices for the same, and the banks were discounting freely, in order that the produce might be forwarded; and trade generally, I considered, as in a sounder condition than for many years previous. Immediately on the breaking out of the panic the banks began to call in their loans—refusing new discounts. The prices of produce fell, a general stringency in money matters took place, and the business of the country suffered greatly in consequence. The immediate cause of the crisis was the suspension of the Commercial Bank of Canada, which event might have been averted had the Directors of that institution made earlier application to the Banks of Ontario for assistance; but their application was delayed till the day of its suspension, and even then it was made in Montreal, where three only of the western banks were represented, and then there was not time to lay the application for assistance properly before the several Boards of the western banks. Had there been sufficient time given to consider the application and proper security offered, I feel assured that the requisite assistance would have been given. The suspension of the Commercial had the effect, also, of somewhat shaking the confidence of the public in all paper money, and this feeling was increased by the action of the Bank of Montreal in telegraphing to their Agents at various points what they term a "confidential caution." This confidential caution was in effect, if not in words, an order to refuse the bills of certain banks. As an instance of the injurious way in which this operated to increase and intensify the panic, I may state that a Railroad Company in making their usual deposit at one of the Agencies of the Bank of Montreal, had a few bills picked out of the deposit and returned to them. At once the Manager of the Railroad Company telegraphed to all the stations upon his line of road to refuse the bills of this bank, which was accordingly done. This action, with others of a similar kind, aggravated very much the feeling of distrust which was caused by the suspension of the Commercial, as the telegraph wires were freely used to spread the feeling of distrust. This feeling was, however, almost put an end to when Sir John A. Macdonald announced that the Government would receive the bills of all the chartered banks except the Commercial and the Upper Canada. I do not think that, among the great body of the public, confidence was at all shaken as to the stability of the banks, and many of those who brought bills for gold refused to take Provincial notes for them, taking away again the bills they had brought for gold:—others again paid one and two per cent. to get gold for Provincial notes. From one-fourth to one-fifth of the amount of the circulation and deposits was considered ample as a specie reserve to meet ordinary demands. Occasionally it rises above this, and sometimes falls below it. Referring to the bank returns of January, 1857, I find that the banks held \$1,967,175 07 in coin and bullion, against a circulation of \$8,014,425 00  
Deposits not bearing interest ... 6,147,772 76  
Deposits bearing interest ..... 2,210,665 28  
\$16,372,863 04

being a little less than one-eighth in specie against circulation and deposits. In the same statement I find that the bank of Montreal held \$628,902 against \$4,535,385 of circulation and deposits, or a little less than one-seventh. I think a larger portion ought now to be kept, because of the uncertainty that there is with regard to the action of both the Government and the bank of Montreal. There is no assurance that another "pressure" may not be brought to bear upon the banks, and I think they ought to keep very strong in order to be prepared for the worst. The bankers are by law required to hold ten per cent. of their paid-