

# The Monetary Times

Absorbed the INTERCOLONIAL JOURNAL OF COMMERCE, 1869;  
the TRADE REVIEW, Montreal, 1870; and the JOURNAL OF  
COMMERCE, Toronto.

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## The Monetary Times

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[The Monetary Times will be specially represented at Ottawa during the Parliamentary session. Matters important to financial, commercial and insurance interests, which come up for Parliamentary consideration, will be fully dealt with in these columns.]

### BANKING IN CANADA.

At a time when many in Canada are feeling the effect of a lessening in production and a consequent stringency in matters of finance and commerce, it is natural for business people to turn with interest to the expressed views of leaders in our financial world. Especially is this the case when certain politicians have been talking, and not a few newspapers have been writing half-truths concerning the situation—some of them giving vent to misleading trash. The annual meeting of the Bank of Montreal afforded an opportunity for people who know the real conditions to illuminate the situation. Mr. Clouston, the general manager of the Bank of Montreal, has made a valuable exposition of the present circumstances.

The stringency which Canadians now feel is largely the result of universal prosperity. "The whole world has been spending more and saving less." The result was to be foreseen by prudent and instructed persons. Unhappily, the majority of people are neither prudent nor instructed. Hence the feeling of hardship and apprehension that has seized upon many. Hence, also, the temporary perplexity or distress felt by manufacturers and merchants. We are forced back to first principles—and business men are the better, sometimes, for being thrown back on first principles. These show that

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we cannot continue over-producing or over-trading without experiencing a set-back.

Mr. Clouston's explanation of the present conditions is admirably concise. But he does not set them forth without illuminating and encouraging considerations. The present state of affairs, he says, will cure itself by retrenchment. When a stringency comes suddenly, as it did this year, it brings hardship to many. But, he tells us, we shall reach a much better and sounder basis, though the process may be in the meantime somewhat unpleasant. It is agreeable to be reminded that, having been exceptionally prosperous in Canada for several years, we can stand a temporary reverse without serious consequences.

It is reassuring, also, to be told by so important an authority that: "I do not look for a reaction on anything like the scale which we experienced in previous similar epochs."

It will richly repay any reader to peruse with deliberation Mr. Clouston's remarks on the custom of Canadian banks keeping a part of their reserves in Britain or the United States. Writers understanding the why and wherefore of bankers' procedure in this respect have made a grievance therefrom. They did not understand, apparently, that as much as \$55,000,000 of deposits in Canadian banks were made by residents of foreign countries. How, therefore, should it be available for Canadian needs exclusively in preference to those of its depositors? As to the call loans made in New York by Canadian banks: "Being a portion of our reserves, the choice given the bank is between retaining this money unproductive in its vaults or lending it at call upon interest in foreign financial centres." The latter alternative is chosen.

Canadians usually peruse with satisfaction Sir George Drummond's addresses at the Bank of Montreal meeting. This is because the president of the bank is known to be a man not of the closet only, or the banking-room, but a man in touch with the world outside, as merchant, manufacturer, man of affairs, politician even.