

The Monetary Times

AND TRADE REVIEW,

With which has been incorporated the "Intercolonial Journal of Commerce" of Montreal, the "Trade Review" of the same city (in 1870), and "The Toronto Journal of Commerce."

ISSUED EVERY FRIDAY MORNING.

SUBSCRIPTION—POSTAGE PREPAID.

Canadian Subscribers.....\$2 a year.
British ".....10s. sterling a year.
American ".....\$2.50 U.S. Currency

BOOK AND JOB PRINTING A SPECIALITY

Office—Nos. 64 & 66 Church St., Toronto, Ont.

EDWD. TROUT, MANAGER.

TORONTO, CAN. FRIDAY, JUNE 24 1881

BANK MEETINGS.

It appears from the latest report of the Merchants' Bank that its affairs are being still conducted in accordance with the cautious line of policy laid down three years ago. Much progress has been made, but it is recognized that perfection has not been reached and the operations of pruning and of laying by reserve have been steadily carried on. It was natural for some shareholders to have insisted that when about eleven per cent. on the capital had been earned during the year, something beyond six per cent. should be divided. But on this point the view of the directors is the true one: that it is better to increase the Rest to a better proportion than it now bears to capital, before venturing to increase the dividend. It is observable that considerable sums have been written off bank premises and furniture account in the last two years. Inasmuch as that account stands at a much lower figure now than in either 1880 or 1879, in spite of the improvement in value of real estate, especially in Montreal, it is evident that too high a value had been placed upon these assets in former years. The productive real estate in the hands of the bank is now reduced to \$157,386 and yields a return of 5½ per cent. The unproductive lands are this year \$284,000 where last year they were \$404,000. The general manager makes the statement that deposits are obtainable nowadays at reasonably profitable rates. And of course, if discounts were to be reduced, it was essential that interest on deposits should be reduced too; but the public were with great difficulty induced to see this. Another point referred to at the meeting deserves emphasis here. It is that high rates of discount, exacted by banks are by no means reliable sources of permanent revenue. A bank really makes its interest only when the note it discounts is paid. If a banker discounts a note of \$1,000 at ten per cent. for six months, he presumably makes \$50. But if the maker of the note fails and pays ninety cents in the

dollar, the banker loses the \$50 made and \$100 besides. And, as the times when interest is highest are the most risky for bankers, they must look forward to a lot of failures and compromises which will inevitably eat into their large profits, as Mr. Hague puts it, "the supposed profits of bankers, in numbers of instances, turn into the masses of bad debts that have troubled us all for so many years back." The discounts of the year are \$2,000,000 greater and the circulation \$700,000 more than the previous year, while the net profits foot up to \$651,600, as compared with \$544,719 in 1880, and \$512,406 in 1879.

The Ontario Bank's earnings have been less than those of last year, which in turn, were slightly less than the year previous. The bank is still weighted with unproductive assets, and although overdue debts, unsecured, are not so great this year as last, those past due for which it holds security, are not lessened. Since the panic in the stock a year ago, the efforts of the management seem to have been concentrated upon increasing the proportion of available assets. It was impossible to do this and to use these resources in outside earnings too, thus the earning power suffered. The discounts compared with last year, are about \$700,000 greater, and circulation has gone up \$200,000. Deposits, which a year ago were \$2,900,000 in amount, now exceed \$4,000,000, and half of these bear no interest. Having for three years written off little for bad debts, and finding the earnings declining, as we have stated, the management has at last decided to take some radical steps towards valuing the assets. It has been resolved, we understand, that Mr. Holland, the manager at Montreal shall make a thorough inspection of the branches, preparatory to assuming the general charge of the affairs of the Bank. It is premature to state what action will be taken to place the timber limits and other unproductive properties loaned upon in former years in more available shape. But it is not too much to say that such assets will require to be valued at a price which will at least extinguish the present Rest and Contingent Funds. The current business of the institution in this city, at Winnipeg, and at some other points, is in good shape and we believe very profitable. So much cannot be said of some of the agencies. The inadequacy of present earnings, good though they may be in proportion to the actual funds employed, to pay dividends upon its large capital, only emphasizes the serious lock-ups with which the bank is burdened, and calls for some decided action in the direction which the directors contemplate.

The active and extending business of the Federal Bank has reached the point at which

it has been deemed well to make a new issue of stock. Accordingly, a resolution giving power to the directors to increase the stock by half a million dollars, was passed *nem. con.* at the annual meeting, on Tuesday last. The earnings of the year were \$30,000 greater than in the preceding twelve months, a million more of discounts having been granted, and the Rest has been increased to \$300,000. Such results, in seven years' business, show how great an advantage is possessed by institutions with relatively small capital and large deposits. The Board of Directors calls attention, not before it is needed, to the want of legal provision to compel an equitable division of the assets of insolvent debtors and prevent fraudulent preferences, and they consider that it should receive the attention of the Dominion Parliament. Not a few plundered wholesale merchants will wish that the purblind vision of the collective wisdom of our Ottawa legislators may be so clarified that they can see what aggravation and confusion are wrought by the present state of the law on this point.

The Bank of Hamilton, out of earnings somewhat larger than the year before, has added \$20,000 to Rest and reduced the rate of dividend to seven per cent. This prudent policy was adopted in view of the extending operations of the bank, it being considered that a greater margin should be retained than in former years. After a long connection with the bank as president, Mr. Donald McInnes has resigned that post, owing to a pressure of engagements outside the city. He continues upon the board of direction, however, at the solicitation of his colleagues. Mr. John Stuart was chosen president and Mr. James Turner, vice-president.

HARVEST PROSPECTS.

It is time to look for indications as to the character of the coming harvest. Forecasts made in the month of May are too early to afford any reliable index, but towards the close of June it ought to be possible to make a fair estimate. It would appear that the breadth sown to fall wheat is fully up to the average, in some places over it. The weather early in the Spring, being wet and cold for a long while, was unfavorable to this crop. Winter killing is reported from the northern parts of Bruce and Grey, from North Simcoe, from Brant and from low-lying lands here and there in other counties. Frost is reported as late as Sunday last fifty miles north of us. To the southward of a line drawn, say, from Peterboro to Mount Forest, the wheat in the central part of the province seems to have suffered less than the lands north of that imaginary line. One gentleman who had