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The Journal of Commerce

FINANCE AND INSURANCE REVIEW.

MONTREAL, APRIL 7, 1876.

DOMINION NOTES.

Senator Wilnot from New Brunswick has delivered an interesting speech upon currency, introductory to a rather extraordinary motion asking for a statement showing the amount of Dominion notes that have been redeemed in gold from the 1st Sep., 1874, to the 31st December 1875, showing the names of the banks or individuals making the demand or to whom the money has been paid. It is difficult to understand the object of this motion, unless it were to give the mover an opportunity of delivering his views on the subject of the currency, and these, we regret to think, are far from being sound. Senator Wilnot quoted largely from the speeches of English statesmen such as Mr. Gladstone, Sir Stafford Northcote and Mr. Cape, who are all in favor of a paper currency issued either directly by the Government or by an Institution like the Bank of England under limitations imposed by Parliament. We do not propose to discuss at present the question raised by Senator Wilnot as to the superiority of such a currency over the issues of banks of discount and deposit, but we wish to point out that all the English authorities cited by Senator Wilnot advocated a paper currency convertible into gold on demand, which is the only sound system

that can be established, whereas it may be inferred from passages in Senator Wilnot's speech that he is in favor of an unconvertible currency. He remarked in one part of his speech: "For years Nova Scotia had provincial notes, which instead of 'being injurious were a great benefit to the country.'" Now these Nova Scotia issues were not redeemable in gold, and would have been the cause of great evil but for the very limited amounts which were put in circulation. Again Senator Wilnot quoted approvingly from the writings of Mr. Peter Cooper, a zealous advocate of an unconvertible currency. Senator Wilnot may be assured that he is doing an immense injury to the cause which he has espoused by tampering with the principle which all sound economists maintain on this subject, viz., the absolute necessity of maintaining the convertibility of the bank note. The adherence to this principle of our Parliament is of immense importance as is felt by those who have watched the effect produced in the neighboring republic by the adoption of an unconvertible currency. Senator Wilnot has fallen into a serious error in comparing the amount of gold held by the banks in the years 1866 and 1876 with the amount of their liabilities at those periods. The banks in 1876 held legal tender notes to a large amount, but these notes were redeemable in gold on demand, and the Government has always been adequately protected with reserves of gold. No doubt there has been considerable saving in the gold held in reserve, but with his views on the subject, Senator Wilnot is the last person who should complain of economy in the use of gold.

ASPECTS OF THE HARDWARE TRADE.

The recent failure of five firms engaged in the hardware trade—a business that for the last twenty years in Montreal has been considered specially profitable—has induced more inquiry regarding this important branch of business and the causes which led to these failures. On account of the value of the stock that has to be maintained at all seasons of the year it is a branch of trade that requires a large capital, and the opinions of respectable houses engaged in it are that it has been overdone through the number of firms in the business, and the consequent reduction of profits. The weaker concerns sold their goods at too low and unremunerative prices; as their necessities compelled them, and as much of the business was done by travellers, many of whom have little commercial knowledge, and who neither know nor care about the effect of

the reduction in price they cause by competing with one another for business—the business to those who had little or no capital became a continual loss of their creditors' money, and to those who had ample means in their business, the return of profit was quite insufficient for the capital and the labor necessary to carry it on.

The amount of bills under discount by these insolvent firms was far in excess of what was necessary when the annual amount of their sales is considered. These bills it appears were accommodation, or forged, or they were bills for supply accounts which were not paid at maturity but renewed, so that the bills for previous years transactions continued to be renewed, and the bills for the transactions of the year 1875 formed only part of the bills under discount. We have no doubt the banks who had these accounts will not require any recommendation from us to pay a little more attention to the circumstances of the promisers on the bills they discount, as well as to the solvency of the endorsers, for the loss of money they have sustained is more likely to have an effect upon them than any thing we could say; but it certainly is a serious state of matters that so many firms have been in this business who had no means, who have wasted the means of their creditors, and made the hardware trade not only a loss to themselves and their creditors, but rendered it of little value to those who had the means to conduct it. The damage to the whole trade has been continued too long by the facilities given by some banks and the ease with which so much doubtful and bad paper was discounted.

The great advance in the value of iron goods in 1872 was a benefit to holders of stock in that year, if they realised by the sale of them at the advanced price. Since that time, however, the gradual decrease in the value of those goods has caused more or less loss to all holders of stock. There has also been the competition with the United States in iron, cut nails and some other goods which has directed the trade in these lines from Montreal. But the present price of iron in England being low, with the probability of a further decline, will do much to cure this, so that there now seem to be better hopes entertained that with the recent clearing of the commercial atmosphere and the lessons learned by some of the banks, there will be a gradual improvement in this branch of business, and that those engaged in it will again obtain a fair return for their capital and labor.