

THE BANKING INTERESTS OF CANADA.

MR. GEORGE HAGUE, General Manager of the Merchants' Bank of Canada, has just delivered a most interesting and timely lecture on "The Banking Interests of Canada." It has since been re-published at length, so that the public has now easy access to it without curtailment. It is a matter of regret that the space at our disposal precludes our re-publication of it in full, and the most laborious and conscientious attempt at its condensation could not but fail in rendering full justice to this lecture as a whole. We have therefore reluctantly to confine ourselves to recommending every one interested in financial matters to secure a copy or him self and give it that close and careful perusal which it so eminently merits. We can promise all such beforehand that, notwithstanding its title, it will be found to be most pleasing and instructive reading not only to those whose interests are specially identified with financial matters but to the public at large.

The rise and early progress of banking in Canada, as delineated by Mr. HAGUE, will be read to-day, by all but the few who have made the subject a professional study, with absolute astonishment. The primitive method with which the so-called banking of those early days—not so far off, after all—was conducted, and the microscopic amount of capital on which the business was worked, must be all but inconceivable to the minds of the present generation. All this was bad enough in Montreal and Quebec, where in Canada banking as a profession first took its rise. In Ontario (then Upper Canada), however, the pioneers of banking had even a much harder road to travel. In Toronto a bank charter was reluctantly obtained from the Local Legislature, but it included the deterring proviso that business should not be commenced until £10,000 of the money of those days, or \$40,000, was actually paid in as capital. The whole Province was canvassed from end to end, yet it was found utterly impossible to raise this sum of \$40,000! There was not as much money in the whole Province at that time, and in despair, and rather than let the enterprise drop, the military authorities were appealed to and the use of a portion of their funds was secured so as to make up the required sum! Thus, after a lapse of more than twelve months, the doors of the bank were opened, and thus the Bank of Upper Canada began a career of great prosperity, though it unfortunately terminated in a tremendous financial crash, as most of our readers are old enough to remember.

The lecturer proceeded to show how, as settlement increased and trade extended, other banks from time to time arose, and to depict their varying fortunes, and, in cases of failure, to trace the causes of disaster. In those happy days, says Mr. HAGUE, "nobody dreamed of gambling in their stocks. No board of brokers then existed to spread

"alarming rumors and disquiet timid people. The banks had confidence and 'deserved confidence in one another'; and he goes on to add, speaking of a period when the principal bank of the day was sorely pressed, "Had the present facilities 'for gambling in bank stocks then existed 'the career of the Bank of Montreal would 'then, in all probability, have been finally 'closed. Such things, however, were then 'undreamed of." Mr. HAGUE is not of those who are prepared to concede the claim of pre-eminence as financiers which the American bankers assert for themselves. On the contrary, he says, "I do not disparage for a moment the remarkable 'enterprise and enormous powers of development possessed by our American 'neighbors. But I do say this, that in the 'sphere of banking we have considerably 'outstripped them," but he admits that in Australia and New Zealand banking has attained even a far more remarkable development than it has with us.

But perhaps that portion of the lecture to which most general interest will attach—certainly, at all events, that which will draw down the fullest share of criticism—is where the General Manager discusses the vexed question of sole Government issue of notes. This will not bear abridgement, and therefore we reproduce it exactly:—

About eighteen years ago, under the auspices of an able Finance Minister, an attempt was made to substitute the notes of the Government of Canada for those of the banks. The matter was thoroughly discussed at the time by the press and in Parliament. The views of bankers and merchants were freely expressed upon it. Bankers, with one exception, were opposed to the Government taking this function upon it, and pointed out the dangers and difficulties that might arise. Amongst other things they stated: 1st. That it was impossible to put an efficient check upon over-issues by the Government, for, with the Government, the law of necessity would override every consideration, and, in a time of pressure, issues would be emitted beyond any requirement of law. 2nd. That such issue, if continued, would inevitably depreciate the value of the bills. At the very time when this theory was propounded, the notes issued by the Government of the United States were far below par. It was pointed out that repeated experience had shown that there was really no limit to this depreciation; that every government currency then circulating in the world was at a discount; that such currencies in former days, though issued by governments which had proved perfectly stable in other respects, had fallen to such a discount as to be absolutely worthless; that the laws of finance were invariable, and that that which had happened before would inevitably, when like circumstances arose, happen again. 3rd. That if the Government desired to borrow, it should do so in the open markets of the world, and on bonds, or debentures, maturing at fixed periods, the date of which was known, and provision for which could be made without disturbance to the monetary condition of the country. Finally, the broad ground was taken that, though it was the undoubted function of Government to stamp coin and to give authority to issue, the function of redemption could never be performed successfully except by bankers. Let it not be forgotten that a government as a borrower of money is in many respects like a private individual. There is no charm about the organisation called a government to make it abundantly safe under all circumstances. The only thing that makes a government loan safe, and I say this emphatically, is the care, prudence and foresight with which its finances are managed, and the unflinching determination of the people to pay their debts under all circumstances. This has always distinguished Canada,

and is the foundation of the splendid credit she enjoys. Where these are absent a government may fail (exactly as an individual may fail) to meet its obligations. A government may compound with its creditors, and may actually compound on the composition.

And Mr. HAGUE enforces these views by illustrations afforded by numerous powerful modern Governments. Such views, however, will infallibly develop an avalanche of criticisms from the nurses of that rickety abortion "the rag baby."

If we construe Mr. HAGUE correctly he holds the opinion that there are certain defined principles of banking the observance of which will always prevent disaster while a departure from them is certain sooner or later to precipitate it. He does not of course go so far as to assert that, in trying times, profits will surely be yielded under his system or any other, yet he does believe that a position of safety may thus always be attained and held. But he clearly has no faith in the existence of heaven-born financiers, as he took occasion more than once to make known. Nevertheless he has his views as to what goes to constitute a real banker:—"A banker ought to know 'the theory of his profession. He should 'be firm and able to say no. A good-natured and yielding banker is an enemy 'to his stockholders, and no friend to his 'customers. Many a customer has been 'ruined by having a good-natured bank or 'banker to deal with. A man of greater 'firmness would have refused him the 'money which he has spent to his destruction." His ideas, too, of a good bank-officer are well defined and set forth, and can be read by that class to whom they are specially addressed only with profit and advantage.

But, as we started by saying, comment and extract, however extended, equally fail to do justice to this admirable paper. It must be read and studied in its entirety, and will then be conceded to have added another laurel to the high reputation which Mr. HAGUE has acquired in that career of which he is at once so distinguished and so successful a follower.

INSURANCE ASSESSMENT.—In Toronto, on Monday, the application of the Royal Insurance Co., of England, for a prohibition to restrain the Court of Revision, Kingston, from confirming the assessment of premiums collected by the Company's agent, was dismissed, the Judge suggesting that if the Company wished the important point of the liability of the premiums to assessment as a taxable income decided, they should pay taxes under protest and bring action to recover the money so paid.

FREE CANALS.—An epitome of the result of the abolition of tolls on the Erie Canal is given elsewhere. It is issued preparatory to an official statement in detail, but enough has already been shown to prove the experiment to have been an entire success. We reserve further comment, however, until the full statistics are published.