

THE
MONTERRAT CO.
(LIMITED.)
LIME-FRUIT JUICE
AND
PREPARATIONS.

H. SUGDEN EVANS & CO.

Sole Agents for Canada and United States.

Prices and descriptive Catalogue on application.

WILLIAM DARLING & CO.,

IMPORTERS OF

Metals, Hardware, Glass, Mirror Plates

Hair Seating, Carriage

Makers' Trimmings and Curled Hair.

Agents for Messrs. Chas. Ebbinghaus & Sons, Manufacturers of Window Cornices.

No. 30 St. Sulpice, & No. 379 St. Paul Streets
MONTREAL.

T. JAMES CLAXTON & CO.

IMPORTERS

OF

BRITISH AND FOREIGN

DRY GOODS

ST. JOSEPH STREET,

MONTREAL.

The Journal of Commerce

FINANCE AND INSURANCE REVIEW.

MONTREAL, JULY 18, 1879.

THE CONSOLIDATED BANK.

A generally unnoticed feature of the present period of depression, an outgrowth probably of its gradual character as distinct from the panics of previous eras, consists in the philosophic calmness, the apathy we may almost say, with which holders of bank stocks have witnessed the steady depreciation of their property thus invested. This has had its parallel in the confidence maintained through all this depreciation by the public who were interested as depositors in those institutions, and may perhaps be accounted for by the general advance in knowledge. In former times the lowering of a bank's stock to half its par value or thereabouts would have precipitated a scramble to sell out, or a run upon its deposits. It is a sceptical age, and people have ceased to be frightened at shadows. It is, however, a reading and critical age, and persons occupying positions of trust are not allowed very long to forget their responsibility to the public; thus it is that hitherto none of our banking or similar institutions in Canada have exhibited such a state of utter mis-

management as we have become somewhat familiar with of late in Europe and the United States. It speaks well for the stability of our Canadian financial institutions that nearly all of them have not only preserved intact the property of their stockholders, but have continued to pay handsome dividends all through these troublous times.

That it has not been plain sailing throughout is not to be wondered at; business men driven into straitened positions have not hesitated here and there to use extraordinary means to extricate themselves, and it is not surprising that bank managers should, in an unguarded moment, forget the responsibility of their position—that they are merely custodians of other people's property—and deal it out as though lending their own surplus to a plausible friend, with the additional inducement of the high rate of interest usually inseparable from somewhat questionable security.

Among the larger financial institutions with which the hard times have dealt most severely in Canada, foremost stands the Consolidated Bank, with head quarters in this city. Although, as we shall show further on, the market quotation of any bank stock is not a faithful index of its real value, it may not be uninteresting to refer to the quotations of the stock of this bank during the period after consolidation. The City Bank began the year of 1876 at 98½ and appreciated to 10¼ on the 13th of May just prior to the amalgamation; the Royal Canadian Bank began the year at 93½ and advanced to 98½ on May 13th. The Consolidated began its career at 99½, and reached its highest point, 102¾, the 18th November of the same year. It opened 1877 at 95½ and gradually declined during the year to 77, at which it was quoted on the 7th December. The stock opened 1878 at 76¾, reached 81, the highest for the year, on the 22nd January, thence gradually depreciated, till, on the 20th December, it fell to 57, closing the year at 58. The present year was opened at 57; it fell during the week ending January 23d to 47, whence it rallied to 50 and approached 52 under the influence of a syndicate formed by a few leading merchants and capitalists to buy large quantities of the stock; but it seemed as though some fate were pursuing it, and after-keeping steady at about 47 to 48 until May, it fell to 45, 43 and 44, till on May 15th it reached 42, whence it fluctuated between 43 and 44 till it reached 40 to 41½ during the week ending June 20th. Under the new arrangement, shares being reduced from \$100 to \$60 each, the stock was quoted from 50

to 57 at the beginning of the present month; it fell to 44½ on the 10th; dropped to 40, 35 and 30 during the last two days of the week, and reached 29 on Monday, equal to \$17.40 per share, whence it began to rally under a slight restoration of confidence under the new management.

It would be interesting to take a view behind the scenes, and test the accuracy of that financial public barometer, the Stock Exchange, during the foregoing career of the Consolidated Bank, from the 18th November, 1876, when each share was good for \$102.75 in the market, till July 14th, 1879, when they could be had at about \$18. There is a great deal of truth in the "street" quotations, and it is fortunate that such an index exists, although managers not unfrequently err in paying too much attention to them instead of busying themselves with what more immediately concerns the internal welfare of the institution over which they are placed. On the other hand, to show how little dependence can be placed upon the Monthly Statements furnished to the Government as a guide to the interior and actual position of a bank, and how important it is that some reliable and capable form of bank inspection should be introduced, we shall cite a few of the principal items in the reports of the Consolidated Bank during the period under notice:

For year ending May 10th,

	1876	1877	1878	1889
	\$	\$	\$	\$
Profits after deducting expenses of management, losses, &c.	384,684	269,534	285,059	257,316
Dividends	119,395	225,233	225,335	104,145
Ret.	232,000	232,000	232,000
Circulation	1,131,800	1,087,000	1,232,078	777,316
Deposits	3,610,000	3,737,000	4,683,681	3,562,112
Specie and Dominion Notes	780,000	555,678	659,592	458,500
Discounts	7,075,000	7,354,198	7,814,698	5,500,000
Notes overdue	150,872	125,137	157,059	224,397

In the statement for 1879 the first item reads, "Profits, after deducting expenses of management and interest paid." The above table, although showing a considerable depreciation, bears little evidence of the true state of affairs, and falls as much behind the real facts probably as the Stock Exchange quotation exceeds them.

The paid-up capital, \$3,472,000, was lately reduced 40 p. c., as per recent Act, leaving a capital of \$2,100,000 and a surplus of \$943,000. It has been discovered meantime, however, that other heavy losses, over and above those of \$575,000 referred to in the report, had been incurred, and, it is claimed, concealed from the knowledge of the Board. Here lies the whole trouble. Certain customers whose accounts should have been closed at the time of amalgamation continued to receive advances from the bank, in many