

position was being improved surely though slowly. The bank statements that we have submitted speak for themselves, and the reduced dividends indicate not only less profitable business but continued losses. We cannot employ the space at our disposal more profitably than by noticing some of the important facts stated by Mr. Hague, the General Manager of the Merchants Bank, in his "retrospective glance" into the past.

THE BANKS IN 1874.

The year 1874 was, in Mr. Hague's opinion, the culminating point of many previous years of apparent prosperity and of real expansion in business. The discounts had increased from \$86,000,000 in 1871 until they reached the enormous figure of \$130,000,000 in 1874, while the capital of the banks increased from \$38,000,000 to \$61,000,000, the circulation from less than \$19,000,000 to \$30,000,000, and the deposits to \$75,000,000. Mr. Hague naturally confined his remarks to banking operations, but it appears to us well deserving of notice that there was a remarkable coincidence between the expansion in bank discounts and that in the imports into the country. In the year 1871 the imports were \$86,947,482, about the amount stated by Mr. Hague as that of the bank discounts, while in 1874 they had reached \$127,404,169, or nearly the amount stated by Mr. Hague as under discount. In the four years, ending with 1871, the aggregate imports amounted to \$297,572,561, while in the four years ending with 1875 they were \$482,246,536. In the first four years the excess of imports over exports was \$31,782,784, while in the second it was \$142,578,044.

BANKRUPTCIES.

Prior to 1874 Mr. Hague estimates the failures as ranging from five to seven millions, but in 1875 they had risen to twenty-nine millions. Since that time they have ranged nearly as high, while the volume of discounts has been gradually reduced, so that Mr. Hague calculates that in 1874 the failures were 7 millions to 130 millions of discounts, or about 1 in 18, while in 1879 they were 29 millions to 100 millions, or nearly one in three. When it is considered that in five years the insolvencies aggregated 133 millions, and that it is scarcely probable that the estates realized more than, if so much as 1-3rd, the aggregate loss by insolvency in those five years cannot have been less than ninety millions. There are few who could make a better estimate of the proportion of these losses which fell on the chartered banks than Mr. Hague. There are means of ascertaining that portion of the loss

which is represented by reduction of capital, rest and other undivided profits, but the amounts written off semi-annually from the year's profits, and which must be in the aggregate very considerable, do not appear. Under the heads of reduction of capital, rest and undivided profits the Merchants have lost since 1874 about \$4,000,000, the Consolidated, including the City and Royal Canadian, about \$3,000,000, the Jacques Cartier \$1,600,000, the Metropolitan about \$500,000, the Ville Marie and Mechanics \$1,200,000, the Bank of Montreal \$800,000, and all the other banks about \$1,900,000. This would make an aggregate of about \$16,000,000, so that the aggregate losses of the banks may be roughly estimated at about \$16,000,000, or rather less than 18 per cent. on the whole. We submit these figures with great diffidence, and with some hope that they may elicit criticism on the very interesting questions raised by Mr. Hague's speech.

MONTREAL LOSSES.

Mr. Hague called attention to the fact that during the last period of depression the commercial disasters have fallen much more severely on the City of Montreal and Province of Quebec than on Ontario, and he no doubt quite correctly observed that the reaction had been the severest where the inflation had been the highest. To use his own words, "every bank having its head quarters in the city has been visited with a succession of losses continuing year after year. And year after year the same disappointment has been felt where it has transpired that the valuations of former years proved to have been insufficient to meet the actual depth of depression."

THE TRADE OF THE COUNTRY.

We have already adverted to the great increase of the imports during the four years from 1872 to 1875 inclusive, as compared with the four years preceding, and we might have added the four subsequent years ending with 1879. It is worthy of notice that the exports bore a much less proportion to the imports in the years which we may term those of inflation than in those preceding. The aggregate insolvencies in five years were 133 millions, while the excess of imports over exports in four years was 142 millions. The increase of the public debt of the Dominion in twelve years was 61½ millions, but there was, in addition, a considerable amount of provincial and municipal debt and loans to building and loan societies and in mortgage on real estate. It is generally overlooked by those who discuss what is termed the balance of trade, that the amount of all loans is in-

troduced into the borrowing country in the form of goods. The main cause of the depression from which we have suffered so severely was the stimulus given to the British export trade by the large amount of loans made to foreign countries. Many of these loans having been made for the construction of railroads there was an abnormal demand for iron, and, consequently, a very considerable increase in price. This led also to an advance in the price of coal, which is largely used by manufacturers generally. The period of inflation was followed by a reaction and a fall in the price of all kinds of merchandise, stocks and real estate, and as in Canada, the trading classes as a rule have little or no capital, the shrinkage in values necessarily led to the insolvencies which have caused such widespread misery.

REMEDY FOR DEPRESSION.

There can be no greater delusion than to imagine that the Government of the country is responsible for the depression, or that it is possible to afford relief by legislation. The only remedy is the observance of strict economy by the people, and the curtailment of the credit system which has so fearfully aggravated the distress. It is well likewise to bear in mind that, so long as we are borrowers from Great Britain, the amount of our loans will come in the form of goods, no matter what duties we may impose to keep them out.

SOME FEATURES OF THE QUEBEC LOAN.

COMMUNICATED.

The text of the two informal agreements entered into by French capitalists and Mr. Wurtele, M.P.P., as the representative of the Quebec Government, for a loan to the Province of 20,000,000 francs, or £800,000, has been published, and as Parliament has now to decide which loan is the more advantageous, a synopsis of both propositions, designated by letters A and B, and the calculation of the cost to the Province of the money held at its disposal through each of them, cannot fail to be of interest.

According to contract A, the Government is to issue 40,000 bonds of a value of 500 francs, or 20 pounds sterling each, forming a nominal capital of 20,000,000 francs, or £800,000; the said bonds exempt from any tax whatever, having thirty years to run, bear interest from the 1st of July next at the rate of five per cent., payable semi-annually on the 1st of January and the 1st of July, and are to be redeemed at par on the 1st of July, 1910. An annual sum of one million of francs or £40,000 during