

and the deposit might cover all the losses made, but as we have shown, there can be no such security obtained in the case of life policies.

The Bill has been modified by Mr. Rose somewhat since it was first made public, but as it now stands \$150,000 is the maximum amount of deposit required in any case from any combined office, so that the conclusions we have drawn are based on conditions less unfavorable to the theory of a deposit than are those of the measure itself. We cannot, therefore, but hope that this Bill, laying down the principle of exacting a deposit from Life Insurance Companies to secure their policy holders, will not pass, and that instead all Companies doing business in Canada be obliged to publish detailed statements, not merely of their Canadian, but of their entire business and financial condition. No sound company can object to placing such a statement before the public, and the confidence to which it will then be entitled will be founded on its real solvency, not on the fact of its having deposited an amount far too small to be of any practical value.

THE FINANCIAL CRISIS OF 1867.

WE have before us the Report of the Select Committee of the Senate on the crisis in Ontario in October last, following the suspension of the Commercial Bank.

The report contains answers to certain questions submitted to them by the Committee, from Messrs. Fisher (Ontario Bank), Hague (Bank of Toronto), Dallas (Bank of Commerce), Woodside (Royal Canadian Bank), Cassels (Quebec Bank), Arnold (Niagara District Bank), Morton (Secretary Trustees, Bank of Upper Canada), Stevenson (Quebec Bank), Vezina (Banque-Nationale), Paton (Bank of B. N. A.), and the questions submitted to Mr. King, Manager of the Bank of Montreal, which, so far, have not been answered by him. They differ somewhat from those sent to the other Bank, being special in their nature, asking for direct information with regard to the course pursued by the Bank of Montreal during the crisis. The following are the as yet unanswered queries sent to Mr. King:—

"1. What was the condition of trade generally, in Ontario, between the 1st September and 15th October last?

"2. What was the condition of same during the remainder of October, and down to the middle of November?

"3. What were the causes which combined to produce the general monetary derangement and great depression in business, which existed during the period referred to in Query No. 2, and were they aggravated or allayed by any, and what, special causes?

"4. Did any of the Agents of the Bank of Montreal, during the period above referred to, refuse to receive, except in collection, the notes of any of the specie-paying Banks in Ontario?

"5. Furnish the Committee with copies of all communications instructing Agents or Officers of the Bank of Montreal, or which were understood by them, or any of them, instructing them to refuse the notes of other specie-paying Banks, except in collection?

"6. How did the condition of affairs during the months of October and November affect the discounts and deposits of the Bank of Montreal in Ontario?

"7. State the amount of each—discounts and deposits—of the Bank of Montreal, in Ontario, on the 15th and 31st October, and 15th November last?

"8. What amount of specie was held by the Bank of Montreal on the first days of January and July in each of the last five years, and what proportion did it bear to the circulation and deposits of the Bank at the same period?

"9. What are the terms and conditions on which the Banks adjust their balances with each other?

"10. What, in your opinion, has been the effect of the Act of last Session, providing for the issue of Provincial notes, upon the banking and general interests of the country?

"11. What legislation, in your opinion, would be best calculated to prevent a recurrence of a similar crisis, and give to the country a sound system of currency and banking adapted to the requirements of its trade and commerce?

We have not space to publish in full the lengthy evidence given by the gentlemen named above, but we shall endeavour to give in as brief a form as possible

the substance of their replies to the questions of most general importance and interest.

Question 1. What was the condition of trade generally, in Ontario, between the first of September and fifteenth October last?

To this question, the answer from all except Mr. Paton, comes with positiveness that the condition of trade at the period named was sound and satisfactory, money plentiful, crops abundant, and being rapidly moved to market, and every appearance of continued prosperity. Mr. Paton states that trade generally was not satisfactory.

Question 2. What was the condition of same during the remainder of October and down to the middle of November.

The answers to this are all to the same effect, that following the suspension of the Commercial Bank no money was to be had to move the produce of the country, which, consequently, fell considerably in price, and that trade for the time was almost paralyzed.

Question 3. What were the causes which combined to produce the general monetary derangement and great depression in business, which existed during the period referred to in Query No. 2, and were they aggravated or allayed by any, and what, special causes?

To this question Mr. Fisher replies that the principal cause of the crisis was the suspension of the Commercial Bank, but that it was needless to assert that its effects were greatly aggravated by the injudicious instructions issued by the Bank of Montreal to its Managers and Agents throughout the country. Mr. Hague states that the failure of the Commercial was the proximate cause, followed by the run on several of the Banks of Ontario on the 24th, 25th, and 26th of October, and that the apprehensions felt were revived and intensified by the reports of the diverting of the bills of one bank at the counter of the great Agent of the Province, and at several of the Custom Houses and Post Offices, that this uneasiness increased until the announcement was made that the Government would receive the bills of all chartered banks, except the Commercial and Upper Canada when the alarm rapidly subsided. Mr. Woodside's reply is as follows:—

The immediate cause of the crisis was the suspension of the Commercial Bank of Canada, which event might have been averted had the Directors of that institution made earlier application to the Banks of Ontario for assistance, but their application was delayed till the day of its suspension, and even then it was made in Montreal, where only three of the Western banks were represented, and then there was not time to lay the application for assistance properly before the several boards of the Western banks. Had there been sufficient time given to consider the application and proper security offered I feel assured that the requisite assistance would have been given. The suspension of the Commercial had the effect also of somewhat shaking the confidence of the public in all paper money, and this feeling was increased by the action of the Bank of Montreal in telegraphing to their agents at various points, what they term a *confidential caution*. This confidential caution was in effect, if not in words, an order to refuse the bills of certain banks. As an instance of the injurious way in which this operated to increase and intensify the panic, I may state that a Railroad Company, in making their usual deposit at one of the Agencies of the Bank of Montreal, had a few bills picked out of their deposit and returned to them. At once the Manager of the Railroad Company telegraphed to all the stations upon his line of road to refuse the bills of this bank, which was accordingly done. This action, with others of a similar kind, aggravated very much the feeling of distrust which was caused by the suspension of the Commercial, as the telegraph wires were frequently used to spread the feeling of distrust. This feeling was, however, almost put an end to when Sir John A. Macdonald announced that the Government would receive the bills of all the chartered banks except the Commercial and the Upper Canada.

Mr. Cassels differs from the preceding in that he says:—It was asserted at the time that the then existing distrust in the banks was aggravated by the action of the Bank of Montreal, before and after the suspension of the Commercial Bank. This was subsequently refuted, and it must now be admitted that, but for the timely and liberal aid offered by that bank, the distrust would have extended and produced the most serious consequences. Mr. Ar-

nold is non-committal, so far as the course of the Bank of Montreal is concerned, referring to the rumour of the course pursued by that institution as having been an aggravating cause, and "which rumour whether founded on truth or not, obtained credence in Ontario." Mr. Morton gives the causes of the derangement as being "The suspension of the Commercial Bank, the imputations cast upon the Royal Canadian, and a feeling of uncertainty in the public mind as to the policy the Bank of Montreal was likely to pursue. The alarm was very much aggravated by various flying rumours of harsh intentions on the part of the last named institution." Mr. Stevenson's reply was substantially the same. Mr. Paton attributes the monetary derangement to the failure of the Commercial Bank, the temporary exaltation caused by that event, resulting in a run on some of the Banks in Ontario. This excitement was allayed by the Banks meeting the run on them, and also by the action of the Government in publicly announcing that the notes of all Chartered Banks, except the Commercial and Upper Canada, would be received in payment of duties.

Mr. Vezina gives the suspension of the Commercial, as the principal cause of the monetary derangement.

Question 4. What has been the effect produced upon the policy of business of the Banks in Ontario, as evidenced by the amount of their discounts, before and since the crisis?

The replies to this query are generally that the banks pursued a restrictive policy for a time, greatly curtailing their discounts. Mr. Paton considers the effect has been salutary.

The next twelve queries and the information elicited are not of much interest, except as showing that through the power wielded by the Bank of Montreal, that institution has compelled a number of the other banks to hold a certain amount of Legal Tenders, without interest, in lieu of specie, but, which they could not use as the equivalent of specie, in their ordinary business. The power of coercion on the part of the Bank of Montreal, rested in its ability to demand a daily settlement of balances from other banks in gold or legal tenders at its different branches.

Question 5. What in your opinion has been the effect of the Act of last session, providing for the issue of Provincial Notes, upon the Banking and general interests of the country—especially Ontario.

Mr. Fisher considers that any inconvenience occasioned by the Act hitherto may have arisen from its privileges having been confined to one large institution, but that had it been generally accepted by the Banks, it would have been open to the very serious objection of making no provision for the periodical expansions of the currency. Mr. Hague states that the effect of the Act has been little felt owing to the fact apparently that no bank but the Bank of Montreal, which was a large creditor of the Government, came under its provisions. He believes, however, that there is much less specie held by the Banks than before the passing of the Act. Mr. Dallas conceives that the Act, indirectly has been prejudicial to the banking and general interests of the country in enabling the Bank of Montreal to relieve itself of its liability for its circulating notes, and consequently to be able with comparative impunity to disregard the effect of those elements of distrust, which in periods of panics, affect more or less injuriously the circulation of all Banks. He also considers that a further injury has been sustained through the very serious depletion of specie resulting from the operation of the Act. Mr. Woodside differs from the foregoing gentlemen. He states that at the time of the introduction of the Act, it created almost a financial crisis, and that the business both of the country and of the Banks suffered serious injury for a time, and that but for its operation there would have been, in his opinion, no crisis or panic in October last, that had the Bank of Montreal been on the same footing as the other Banks of Province it would not have dared to cast discredit on the bills of other banks just as it does as itself, but that, having the control of the Government issue, it was placed beyond injury by a run—and as it is paid by the Government not only for its own circulation, but it is paid a per centage upon the Government circulation, it was manifestly its interest to drive in the circulation of the other Banks in order that this might be got out. Mr. Cassels cannot see that the Act has had any effect upon the banking and general interests of the country. Mr. Arnold considers that the effect has been injurious, because it has worked partially in giving an undue preponder-