

BANK DIVIDENDS.

(Continued.)

RESUMING our remarks on this subject, we have to note that the Bank of Montreal, as may be expected, is not the only institution in Canada which has made the mistake of declaring bonuses instead of adding profits to the reserve fund. The same policy was pursued, when there was far less justification for it, by the Bank of Upper Canada. To such an extent, indeed, was that policy pursued, that it would not be difficult to show, by calculation, that the sums given away in the shape of bonuses, if they had been retained, and properly used would have been amply sufficient to save the bank from the ruin which has overtaken it.

Very early in the history of this bank, a bonus of 6 per cent. was paid in addition to a dividend of 8 per cent., the bonus amounting to nearly double the amount of the rest at the commencement of the year in question. Four years afterwards, viz., in 1830, another bonus was declared—the reserve being reduced 80 per cent. for the purpose, which left it at £5,200 on a capital of £100,000. In two years more we find the astonishing folly perpetrated of giving away the whole of the reserve fund leaving the miserable pittance of £250 to start afresh, and to cover all the contingencies of its business. In another three years, the short-sighted Directors, apparently jealous of having too large a margin against "a rainy day," again divided 4 per cent. as a bonus, leaving it now less altogether than three per cent. on the capital.

No further step in this direction was taken till 1843, when the reserve having accumulated to a respectable sum, was again divided amongst the impatient stockholders, leaving it less than £5,000 on a capital of £220,000.

For eleven years afterwards a policy of accumulation was followed, and the Rest in 1853 amounted to £58,000, the capital being £497,000. The following year was one of extraordinary prosperity in Upper Canada and the profits of the Bank were very large. Seeing this state of things, and apparently calculating like many other shortsighted people that the time of prosperity would last for ever the Directors declared a bonus of *twelve and a half* per cent. over and above a seven per cent. dividend, taking some few thousand pounds from the Rest to make the amount up.

This was the last mistake of the kind, and our readers may judge from the above enumeration whether our statement as to the fact of enough having been given away in the shape of bonuses to have saved the bank from ruin is well founded or not.

In 1858 the Bank had a reserved fund of \$280,000; but at that time most of the loans had been contracted, and the engagements entered into with corporations and individuals all over the country, which ultimately resulted in the stoppage of the Bank. Now, had a far-seeing and cautious policy been pursued with regard to the reserve, it might, with judicious management, have amounted in that very year to \$800,000, and by the time the difficulties of the Bank commenced to \$1,000,000; the stockholders having received dividends of 7 and 8 per cent. in the meantime.

The Commercial Bank has not erred by any means to the same extent; but twice in its history the larger part of a fair reserve has been given away. The second bonus amounted to \$50,000, which was in the year 1844. The accumulations of this sum, by the time the difficulty occurred with the Great Western Railway, which has had such an unfortunate influence on the prosperity of the Bank, would have made the reserve amount to a sum which would have enabled the Bank to continue its business with very little interruption.

It is very interesting to notice the policy pursued in the early history of the great joint stock banks of London, which have now attained such a splendid position, and whose dividends have long been at rates which on this side of the Atlantic would be deemed fabulous.

Take the case of the London and Westminster. For the first thirteen years of its existence this Bank paid dividends of from five to six per cent., and only when the reserve was 12½ per cent. on the paid up capital was a bonus of 2 per cent. declared, taken, however, not out of the reserve, but out of the profits of the year. Since that time the reserve has accumulated to 38 per cent. on the paid up capital, and for years back the Shareholders have had nearly all the profits of the Bank divided amongst them.

The London Joint Stock Bank divided from four to six per cent. for the first ten years, and only when the reserve amounted to 20 per cent. was a bonus declared; not one pound of which however, was taken out of the rest, the amount of which increased at the same time. The reserve of their Bank now amounts to nearly 30 per cent. on its capital, and its Shareholders commonly receive from 2 to 30 per cent.

The same policy was pursued by the Union Bank, and nothing can shew the wisdom of this course more than the fact that the business of the Bank went on almost without interruption, when a few years ago a loss was suffered by the defalcation of one of its officers to the amount of a serious per centage of its capital.

The moral of all this is obvious. A strong reserve is the great safeguard of a bank, and it is consummate folly to diminish it by bonuses. When the reserve amounts to a sufficient sum, the stockholders may have the whole profits divided amongst them, and it would be poor management which would not give them, from all sources, as much as ten per cent. Bank property would then assume a stability it has never known in this country, and with the limitation of liability to double the amount of capital it would become, of all others, the most desirable investment.

We are, of course, aware that the reserve itself, as in the case of the Bank of Upper Canada, may be dissipated by foolish management, in which case no amount that could be accumulated would protect the capital. That, however, was an exceptional case.

TWO "NOTES" FOR THE AMERICAN RECIPROCITY COMMISSIONER.

I. FISHING IN OUR WATERS UNDER LICENSE.

"The fee of 50 cents *per* ton which is now charged by the Provincial Governments for a License allowing American fishermen to fish in British waters is much less than the duty which is imposed on British caught fish when admitted into the States, and it is the opinion of many practical persons in the trade that under the present regulations the British Colonial fishermen cannot successfully compete with American fishermen in the markets of the Republic." * * * The average catch of American fishermen for the season is about 10 barrels of mackerel to the ton; and as the license fee is 50 cents *per* ton, it subjects the American fishermen (if they take out a license) to a tax of about 5 cents *per* barrel on their fish, but our fishermen are subjected to a duty of \$2 *per* barrel on taking their mackerel into ports in the United States, giving an advantage to American fishermen over our own people of \$1.95 *per* barrel." Annual Report of Controller Smith, of St. John, N.B.

At the expiration of the Reciprocity Treaty, it was determined that at least for one season the American fishermen should be allowed on payment of a fee of 50c *per* ton, to fish within the three mile limits into which under well understood international laws they are prohibited from entering, except by special permission.

It was well known that this license fee was by no means an equivalent for the duty imposed by Congress on British caught fish. The calculation above given, on the authority of one of the best informed men in the maritime Provinces, shews that if we were to make the Provincial license an equivalent for the American duty, it ought to be forty times as heavy, or \$20 instead of 50 cents *per* ton. The mackerel fleet being composed of vessels of from 60 to 80 tons, it would be \$1200 to \$1600 *per* annum, instead of \$30 to \$40.

When the American Government abrogated the Reciprocity Treaty, which had conferred mutual benefits of the most substantial character, it was of course open to us to have at once excluded their fishermen from our waters. This would have destroyed the value of almost all their fishing craft, which are not adapted for any other business but fishing, and thrown many thousands of hardy fishermen out of employment. It would have diminished the supply and raised the price of fish in the American market and cut off the New England States from the main staple of their lucrative West India Trade.

We preferred, however, to wait, to see whether our neighbours would not return to more liberal views of trade matters, and instead of irritating them by means we had an undoubted right to use, we here steadily pursued a conciliatory policy. The Americans have inflicted the most serious injury on the fishermen of our Upper Lakes; they have damaged our fresh-water shipping interest materially by recent regulations. We have not even closed a canal or warned a fishing vessel off our seaboard.

It is very possible, in view of the appointment by the American Government of a Commissioner to investigate these matters that we may continue this policy for another year. But we doubt even now whether, if a popular vote were taken, the Canadian Government would find itself sustained: while we know that the Governments of the Maritime Provinces assented to the proposition to license the American fishing craft at all with extreme reluctance, sacrificing their convictions to the wishes of the Canadians.

We wish the U. S. Fishery and Reciprocity Commissioner to note this—to report that the fishermen are carrying on their trade by sufferance, and that unless his Government relinquish their attitude of commercial hostility it must follow from the very nature of things that our patience will some day come to an end.

II. WHAT WE DESIRE IN RETURN FOR THE PRIVILEGE TO FREQUENT OUR FISHERIES.

The free admission of our cereals, fish, animals and lumber into the United States markets was considered a tolerably fair equivalent, twelve years ago, for the concession of the right to fish within three miles of our coasts. We should not so consider it now.

We had then no steam communication with Europe; we have now, owned and managed in Canada, a line of steamers which in tonnage and numbers will compare not unfavorably with any in the world; while year by year we have come to own more sailing vessels than before.

We had then no railways to bring our inland produce to the sea-board; all the lines then pointed to the cities of the States; we now have railroads connecting almost every village with the sea at Montreal and Quebec, and shall soon have a road to the ocean ports of St. John and Halifax.

The price of all the raw products above enumerated is established by the markets of Europe more than by those of the States, and we are rapidly learning how to place them there. We have this year exported to Europe more oats than we ever did before; we have commenced to ship even barley; we have found out how to prepare flour for the Tropics. We are packing meats for direct shipments to the British Navy yards.

Thus things are changed, and the Reciprocal admission of these articles free of duty or at reduced rates would not benefit us more than the United States. Indeed we are now showing plainly that we understand our altered circumstances by continuing to admit freely almost all the products which were until lately free by Treaty. We offer no obstacles to the bringing in of wheat, oats, &c., because we are now as well able to export to Europe as the United States. We hope, moreover, we shall soon do away too with the duties on pork, butter, corn, &c., and begin to buy them yet more largely in consequence, for export.

If then the Americans desire the continuance, as of right, of the privilege to use our fisheries; if they wish to be certain that they will not have the regulations under which the mackerel and inshore cod and herring fisheries are carried on altered every season, and perhaps done away with altogether some fine morning, they must offer us a boon of more value than the admission of our products into their markets free, which indeed simply amounts to giving themselves the privilege of buying cheaply.

If we were to suggest what this should be, we should feel induced to say, "Admit us to participation in your Coasting Trade."

This question will assume a very different aspect under Confederation from what it now possesses. British American shipping will then doubtless enjoy more exclusive privileges in British American waters than it now does, and our shipowners will not have to see the Yankee flag coasting from Halifax to Charlottetown, thence to Pictou, and so on, while they cannot go from New York even to San Francisco, or carry goods from Boston to St. John and touch at Portland on the way. We shall probably be able to offer as well as to ask for valuable privileges even in this respect. But it would be a graceful act for the States who want our fisheries to relax their coasting trade in return; and we wish their Reciprocity Commissioner to note that while no Treaty will be satisfactory which does not stipulate for this, nothing would more tend to renew the commercial friendship which has been of late so widely shaken than a free will offer of this kind.