

THE MERCHANTS' BANK OF CANADA.

SKETCH OF ITS HISTORY SINCE 1864.

The Merchants' Bank of Canada was founded in 1864, the prime mover in this new enterprise being the late Sir Hugh Allan, who, for many years, was its President. The time was one when Canada was giving signs of entering upon an era of trade expansion, of political unity, of financial growth. It was the year when a conference of leading statesmen was held at Quebec, who passed resolutions in favour of Confederation of British North American Provinces. Three years later the British North American Act was passed by the Imperial Parliament, by which the Dominion of Canada was established. The Merchants' Bank of Canada was a most significant event, it demonstrated that Canada was no longer "a land without capital," as it had been declared only a few years earlier, but was in a position to provide capital for a bank of considerable magnitude, and provide business to keep a large capital and other resources profitably employed. The prestige of the Allan firm, as owners of the only line of ocean steamers running between England and Canada, was of invaluable service to the new bank, as it has ever continued to be up to this date.

The following statistics show the expansion of Canada since from 3 to 4 years after the Merchants' Bank was founded:—

	\$
Imports of foreign goods, 1867-8.....	73,459,644
Exports of Canadian products, 1867-8.....	48,504,899
Increase of imports since 1867-8.....	185,752,159
Increase of exports since 1867-8.....	165,016,336
Fire insurance, at risk, 1867-8.....	188,359,809
Increase of do since 1867-8.....	744,914,955

The foreign trade of Canada in that period has increased over three times, and the amount of property insured against fire has increased about 4 times. In facilitating the business operations which arose out of and stimulated this development of trade, the Merchants' Bank of Canada did splendid service.

The history of this institution divides itself naturally into three periods, from 1864 to 1877, from 1877 to 1897, and from 1897 to 1905. Prior to 1877 the official returns are less complete than they now are, but from 1875 to end of the first period they are available. We give then the more important items for 1875 and 1877.

	Dec. 31, 1875.	May 31, 1877.
Capital paid up.....	8,135,626	8,196,903
Deposits.....	7,701,391	7,233,416
Discounts.....	14,689,717	13,431,351
Total assets.....	22,392,974	20,101,795

On the 2nd July, 1877, the directors' report narrates that, in February, the general manager resigned, and it goes on to say:

"It happened that Mr. George Hague had just re-

tired from the Bank of Toronto, after a period of successful management. The directors were fortunate enough to obtain his assent to consider the situation. He proceeded at once to make a general survey of the bank's affairs, and having satisfied self that there existed as much soundness and such a well-established business connection as to give good prospects of success and credit in the undertaking, made an engagement for a term of years."

A statement is then submitted, the net result showing that \$2,026,256 had to be deducted from capital account leaving it \$6,170,000, and contingent fund \$750,000.

At the end of August, 1875, the shares were quoted at 101.75; on 28th June, 1877, the price was 66.66, and in August, 1877, 67.25.

Mr. George Hague had a herculean task in bringing the business into business shape. He was beset by most harassing difficulties. Almost the entire managerial staff of over 40 branches had become demoralized. Managers refused to obey his instructions; he was denied the right of examining the books of a branch; his movements and proposed visits of inspection were wired from branch to branch, information as to accounts was refused, his letters were unanswered, the sternest steps had to be taken to restore discipline and harmony between head office and branches. Those reckoned without their host who imagined the new general manager could be overawed, or influenced by such insubordination. A few examples were made, then, gradually, the whole staff bent their energies loyally to aid the work of reorganization.

The end of the first year under Mr. Hague's management affords a point for comparison with the condition of the Bank when he retired.

From the preceding narrative it can be understood what a task it was to restore a bank in that condition to public confidence, to acquire deposits and commercial business. To compare what was achieved after an institution had been on the verge of wreck, with what was accomplished after its credit was restored and its business put on a basis favourable for expansion, is highly unreasonable, unless the former conditions are fully allowed for.

The following is an exhibit of the progress made under the management of Mr. George Hague:

	May 31, 1897.	May 31, 1878.	Increase.
Capital paid up.....	6,000,000	5,461,790	538,200
Reserve Fund.....	3,000,000	750,000	2,250,000
Price of shares.....	175%	90½%	84½%
Deposits.....	11,122,193	5,345,337	5,776,856
Discounts.....	17,449,710	11,132,142	6,317,568
Total assets.....	24,259,340	14,988,626	9,270,714

Each \$1,000 of capital stock in 1878 was only worth \$905, whereas at the close of Mr. Hague's management each \$1,000 had a market value of \$1,750. The value of the entire paid-up capital, as it stood in 1877, was increased by \$4,615,133 be-