The Monetary Times
AND TRADE REVIEW,

With which has been incorporated the "Intercolonial Journal of Commerce" of Montreal, the "Trade Review" of the same city (in 1870), and "The Toronto Journal of Commerce."

ISSUED EVERY FRIDAY MORNING.

SUBSCRIPTION—POSTAGE PREPAID.

Canadian Subscribers..................$2 a year.
British " ....10s. sterling a year.
American " ....$2.50 U.S. Currency

BOOK AND JOB PRINTING A SPECIALITY

Office—Nos. 64 & 66 Church St, Toronto, Ont.
EDWD. TROUT, MANAGER.

TORONTO, CAN. FRIDAY, JUNE 9 1882

THE BANK OF MONTREAL.

The yearly report of the Bank of Montreal, and the tenor of the views of its management, are looked forward to by business men, as indicating pretty accurately the state of the country's trade, and as affording an index to the financial aspect of the immediate future. A year ago, the statement of this bank was of a very reassuring character. The general manager was able to present what he termed "a remarkably clean balance sheet," and the outlook was then alluded to in cautious but hopeful terms. Revival in the lumber trade; a satisfactory harvest; good export demand for our cattle and dairy produce; activity in our manufactures, were all promising features of 1881, added to which was the important fact of the improved condition of mercantile affairs in the United States.

Let us see what the result has been to the Bank of Montreal during the year which has since elapsed, and what its board has to say about the prospect. The Bank's circulation has gone up from $4,124,000 a year before to $5,086,000 at the close of April last; its discounts from $20,705,000 to $30,639,000; and the profits of the year are stated at $1,641,000 where in the previous twelve months they were $1,452,000 the bulk of these having been earned during the last half year. Furthermore, the overdue debts which amounted to $460,000 in 1881 are reduced to $383,000. It is noteworthy, at the same time, that the balances due from the bank's agencies or other banks in foreign countries have gone from $12,719,000 last year to a little over half the amount now, a partial indication that the bank's funds are employed more largely in Canada. Deposits have increased in the year from $18,700,000 to $21,100,00. And the Rest has been restored to $5,500,000, the highest point it ever reached, a point at which it stood from the year 1875 until 1879. This is fair matter of congratulation to the shareholders.

The president's statement leaves it uncertain whether the Bank of Montreal took any, or what portion of the Canadian Pacific railway bonds, or whether it merely acted as agent for the sale of these securities. And yet this is a point on which there ought to be no uncertainty. He seems to imply that the bank did take some of these bonds; for he says: "Soon after they were taken the money markets both of London and New York took an unfavorable turn;" with the result that less than $3,000,000 have been sold. No doubt purchasers of bonds from the Co. will procure them for the sake of the discount. Mr. Smithers says negotiations are now going on for the sale of a very large quantity. This is understood to refer to the Duke of Manchester's North-western land company, which was reported, as long ago as last December, to have purchased 2,000,000 acres. The extent to which the bonds will be in request for this purpose will depend upon the rapidity with which the company may be enabled to effect sales of its lands; and this must necessarily be a matter of some uncertainty.

SOME FINANCIAL POINTS.

The president of the Bank of Montreal, Mr. Smithers, caused not a little stir in banking and commercial circles by the words of admonition spoken in his address at the annual meeting on Monday last. "I think it is an undeniable fact," he says, "that trade is not in an altogether satisfactory conditon." That he is not alone in his view of the situation is proved by the utterances in private, to our knowledge, of not a few well-informed merchants. And in a letter referring to the speech of Mr. Smithers, the head of another of our most important banks says: "I quite concur with what Mr. Smithers has said about expansion, and I think you will find that all Conservative bankers are of the same opinion." We find the president of the Bank of Montreal saying, further, with reference to the expansion of bank discounts in Canada to $176,000,000: "It is quite certain that the banks generally cannot go on expanding at this rate much longer," and the executive head of a third leading bank has expressed it as his opinion that we are "about the top of the wave of prosperity now."

Mr. Smithers is of opinion that cotton manufactures may be carried to excess, an opinion which we have ourselves previously expressed. There are two sources of supply of cotton fabrics, manufacture and importation; but the manufacture is fast outrunning the importation. For the fiscal year ending with June, 1881, the domestic manufactures of cotton were probably four times as great as the imports, and if, as Mr. Smithers says, there are thirteen cotton mills in operation now and six in course of construction, we have an arithmetical demonstration that the means of production are likely soon considerably to outrun the demand. In that case, we shall have some mills working on short time, and others perhaps "shutting down" altogether, with the result that some of the capital fixed in buildings and machinery will be unproductive, and mill hands, drawn from other fields of labor, will be thrown out of employment.

When Mr. Smithers refers to the balance of trade, he appears, if correctly reported, to have got out of his depth. The richest nations are those which habitually import more than they export; and of all nations England affords, in this particular, the most illustrious example. Why should a so-called adverse balance of trade—imports to a greater value than the exports—be bad for the United States or Canada any more than for England? If the United States has exported $20,000,000 of gold since January last, there is nothing alarming in the fact, nothing to regret. The gold went out in the course of trade and a profit was made on every dollar of it; otherwise it would not have gone. Those who think our imports too large and our exports too small should remember that there are special reasons, at the present time, which explain this state of things. We are borrowing heavily abroad, in one form or another, on account of railway construction; and part of what we should, under other circumstances, export, goes to the North West to feed a population composed partly of immigrants, whose money pays for it and whose labor will add to the productions of the country. What we send to the North-West is more valuable to us than it would be if exported. So far as these facts affect the proportion between our imports and exports, they furnish an explanation which must be regarded as satisfactory.

On the movement of capital between Canada and the United States, Mr. Smithers expresses the correct view. He says, "The movement of funds lately serves admirably to illustrate the usefulness of our American agencies, which serve to promote the elasticity of our system." And he adds: "It has not been an uncommon thing for some people to cry out against the amount of money employed by the Canadian banks in the United States; but by the inexorable laws of finance the money always comes here when it is wanted, and when it is not wanted it returns and earns what it can, at the same time relieving this overburdened market." This is precisely what has hap-