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The Journal of Commerce
FINANCE AND INSURANCE REVIEW.

MONTREAL, OCTOBER 3, 1879.

**THE BANK STATEMENTS FOR
AUGUST.**

Owing to the pre-occupation of our columns last week with the report of the Consolidated Bank meeting, we were unable to call attention to what we cannot but think an alarming feature in the statements of several of our banks, although we admit that it is one which has existed for a considerable time. In an article published a few months ago, we pointed out the dangers to which our loan companies are exposed, owing to the large amount of deposits which they hold, subject to call on comparatively short notice, while the reserves are wholly inadequate to meet them. It is much to be feared that the competition of these loan societies has led several of our banks into the fatal error of paying too high a rate of interest on deposits. It is well known that the principal banking institutions have persistently refused to raise the rate of interest on deposits, while the smaller and weaker banks have not hesitated to pay as high as five and six per cent., and in some cases it has been said even higher.

No doubt this has been in some measure owing to the competition of the loan societies, but it has likewise been caused by active competition with one another. It would, of course, be difficult to suggest a remedy for what is obviously an evil without interfering with freedom of trade. Excessive competition has led to serious disasters in almost every branch of business within the last few years, and it is not surprising that banks should not have escaped. It cannot, however, be too strongly impressed on the minds of those who have transactions with banks that high interest very often means bad security, and that great caution should be observed with those banks which pay more than the current rate of four per cent.

In this connection it may be interesting to draw attention to the comparative statements of the banks doing business exclusively in Ontario and Quebec. Of course, the larger banks, such as the Banks of Montreal, British North America, Merchants, Quebec, Molsons, Ontario, and Toronto, have branches or agencies in both Provinces, and it would consequently be impossible to institute a comparison between the business in the two sections. We have, however, examined the returns of six banks in Ontario and six in Quebec, and have been much struck with the difference. The business of the banks in question is confined almost exclusively to their respective Provinces. It is unnecessary to designate the banks, as their names will at once occur to any one who refers to the statement. Six Ontario banks, with aggregate paid up capitals of \$4,721,700, had liabilities of a little over \$11,000,000, of which about \$8,500,000 were for deposits and \$2,371,000 for circulation. Six Quebec banks, with aggregate capitals of \$6,078,652, had liabilities under \$6,000,000, of which about \$4,500,000 were for deposits, and \$1,300,000 for circulation. The banks that we have selected are some of them very small, and we have therefore selected three in each Province, the largest of what may be termed local banks, with the following results: In Ontario three banks, with aggregate paid up capitals of \$2,855,689, had liabilities amounting to about \$8,700,000, of which nearly \$7,000,000 were for deposits and nearly \$1,700,000 for circulation. In Quebec the three largest local banks had aggregate capitals of very nearly \$5,000,000, with aggregate liabilities of \$4,878,024, of which about \$1,100,000 was for circulation and about \$3,750,000 for deposits. In the one case the aggregate liabilities are less than the aggregate capital, while in

the other case they are more than three times the capital. It may be observed that in the case of the larger banks hardly any have liabilities amounting to anything like double their capital. The Bank of Montreal has not quite double, but it is to be observed that, as the Banker of two Governments, it occupies an exceptional position, and is compelled to hold a much larger proportion of its assets in an available form. It is tolerably well known that efforts have been made from time to time by the more conservative banks to induce the banks generally to come to an agreement among themselves not to pay more than four per cent. for deposits, but for one cause or other such attempts have never been successful, and it is hardly probable that they will be, especially so long as loan societies enter into the competition. The figures which we have given prove how much more abundant the floating capital of Ontario is than that of Quebec, and it is to be borne in mind that the deposits of the loan societies, which are much larger in Ontario than Quebec, have to be added to those of the Ontario banks.

**SIR ALEXANDER GALT ON THE
TARIFF.**

In our issue of the 19th September we noticed at some length the speech recently delivered by Sir Alexander Galt in Belfast. We labored at the time under a misapprehension as to circumstances, and, judging from the remarks that we have seen in the press, we should infer that it is not generally understood that the first report contained a brief summary of Sir A. Galt's speech at a public dinner, whereas the paper submitted at the suggestion of the chairman is an elaborate defence of the policy of the Canadian Government. The paper has been severely criticized not only by the press in opposition to the Government, but by the supporters of the National Policy, and we must own that we read the concluding portions of the paper with considerable surprise. It is just possible that Sir Alexander Galt may have deemed it a wise policy to suggest to the commercial bodies which he was addressing, that Canada would be quite ready to act in a more liberal spirit towards England on condition that England discriminated in her favor, although perfectly aware that he was suggesting what could not be carried into effect. It is, as we pointed out in our former article, vain to entertain the idea that England will ever again tax the food of her people or the raw material of her manufactures. The suggestion of Sir Alexander Galt, even if seriously offered,