

The Business in Canadian Manufactures

Carried on at HAMILTON, under the firm of D. Mc-INNES & CO. has been merged into the business of

McINNES BROS. & CO.,

By whom it will be continued as heretofore.

Referring to the above

McInnes Bros. & Co.

desire to announce to the

TRADE OF WESTERN ONTARIO,

That they are now receiving deliveries of their new

SPRING TWEEDS,

From all the principal Manufactories in the Dominion. Their travellers will be ready by the first week in January to submit very full and attractive ranges of New Patterns, and trust that buyers of these goods will reserve their orders until they have seen their samples.

THE MONETARY TIMES, AND TRADE REVIEW.

TORONTO, CAN., FRIDAY JAN. 21, 1876

THE ST. LAWRENCE BANK.

We stated our intention, in last week's issue, to revert again to the subject of this Bank. The reason we do so is that it furnishes a conspicuous example of the dangers that beset new institutions which are got up without regard to the real requirements of the country, and are engineered from the beginning by designing promoters.

The Bank, let us say at the outset, is in very good hands now. The President is a gentleman of ability, experience, and means. The Cashier is a trained banker of wide experience both in the old country and in Canada, and in spite of all the follies and blunders of its former executive it has still a nucleus of good and profitable business, which may grow, by careful management, to respectable dimensions in the future.

But the past history of the Bank is instructive. Its charter was originally got up and carried through a too compliant legislature by a speculative lawyer, who had sufficient Parliamentary influence to enable him to have the bill passed. The Bank at that time was to have a very ambitious name: "The Bank of Canada," or something of that sort, but some sensible man on the Committee of the House objected to this, and the title was altered to what it is at present. It was said at the time that after the charter was obtained a very heavy bonus was demanded by the speculator aforesaid as the price at which

he would surrender the control of it. This proved a formidable obstacle in the way of obtaining an efficient and respectable directorate, and for a long time, although subscriptions were vigorously pushed, it seemed as if the whole affair would collapse for want of this. But it was announced at length that a merchant in Toronto had consented to act as President, and shortly afterwards that a Board had been constituted. A gentleman whose experience of banking had been confined to managing a small branch in a country town was appointed to the responsible post of cashier. The Bank opened for business early in 1873, and had scarcely commenced operations when a number of branches were also opened. Bankers of experience shook their heads as one after another of these branches commenced business, and when it became known that many of them were put in charge of men who had never been in a banking office, there were not wanting those who predicted pretty much what has come to pass during the past year.

The Bank from the beginning pressed its notes into circulation, and within one year of its commencement had nearly as many bills floating as its whole paid-up capital amounted to. The deposits were also considerable, and if its discounting business had been carefully managed the Bank might have had an unbroken career of prosperity. But here the great difficulty was experienced, and it is the great difficulty of every bank. When once a charter has been obtained and a Board organized, it is comparatively easy to obtain deposits and push bills into circulation. But to lend some millions of money every year on mere promissory notes, and to lose only a small fraction of it, is a task that requires an uncommon amount of trained skill and experience. But this element was almost wholly wanting. The Bank was conducted with great energy and *push*, and until the spring of last year its friends congratulated themselves on the splendid progress it had made. But there came a very sharp check indeed, and at once the eyes of stockholders were opened to the mischievous course that had been pursued.

The very heavy monetary drain of last February and March told seriously on the resources of all the banks, and the St. Lawrence was forced to ask assistance from its neighbors. The banks of the city combined to grant it, and on security being given a fund was placed at its disposal which proved amply sufficient for the emergency. In the negotiations that then took place the gentleman who is now President took the leading part; and it is scarcely too much to say that but

for him the concern would then have gone to pieces. There would of course have been no danger to creditors and the public, but stockholders would have lost far more heavily than they are now doing. The danger, however, was tided over, for the Bank proved to have sufficient good business left to enable it to proceed with its operations when a reorganization of its executive had been effected.

It was evident at that time that large sums of money had been recklessly lent, and that a heavy account would have to be made at some time of bad and doubtful debts. The new Executive having been in office some months, found themselves, a short time ago, in a position to make something like an accurate estimate of the position. They have therefore called the stockholders together, and informed them that losses to the amount of two hundred thousand dollars had been made, and must be provided for.

Here, then, stockholders have the result of incompetence and inexperience. Out of such a small business as this Bank has done, and in little more than eighteen months, the enormous sum of \$200,000 has been lost. Assuming that a certain amount of loss is unavoidable in banking (especially during the first year or two), and allowing even fifty thousand dollars as the price to be paid for experience (which is far too much), we have \$150,000 as the simple and direct result of incompetence and cheap management. Nothing can more surely demonstrate the folly of this conduct. It would have been an enormous saving to the Bank if they had engaged the service of the highest talent in the Dominion, even if they had had to pay fifteen or twenty thousand dollars a year for it. Even then they would have saved \$120,000, at least, up to the present time. This, however, would have been out of the question. But the Board might and ought to have had competent men. And these they could have secured for less than twice the sum they have paid for men who have, by simple incompetence, thrown away at least \$150,000 of the stockholders money in two years.

Banking is a business that cannot be played with. The game is too serious altogether. The difference between good management and bad is not an affair of a thousand or two but of hundreds of thousands. If a large Bank like the Bank of Montreal were to lose as much as the St. Lawrence in proportion to its business its bad debts would amount to \$2,500,000 a year. If the Bank of Toronto had lost in the same proportion its losses would have been \$500,000 a year. Had such been the case, the Directors would not have had very