

circulation of these notes. It merely involves the substitution of Government notes for the circulation of the Bank of Montreal. In other words, I cannot see anything wrong in the Provincial Note Act, and do not believe it had anything to do with the recent embarrassments of the banks.

So much for Mr. Paton's evidence. Let us now see what the other bankers have to say. They give evidence to the following effect:—

From the beginning of September to the middle of October, trade was in a very satisfactory state. The crops on the whole were good; they were a little less than average, as to quantity, but a good deal more than average in quality; the demand was brisk; prices high; importations had not been excessive; money was plentiful. There was some slight depression in the lumber trade, but nothing of material consequence, not enough to mar the general prosperity of the country. The Commercial Bank failed about the middle of October, but this had been foreseen as a thing not unlikely to happen, and the bankers were not wholly taken by surprise. This necessarily caused a disturbance in financial circles, but it was promptly met. It had hardly subsided, however, when suddenly the uneasiness became aggravated and intensified by telegrams from the Bank of Montreal to its Agents, practically discrediting another bank generally looked upon as quite sound. This uneasiness was only allayed by the bank in question promptly meeting all demands, and, by the aid of the Government, counteracting the evil effects of that telegram. The Western Banks, owing to this and possibly to other evidences of hostility, were forced to distrust the future intentions of the bank of Montreal, and consequently they contracted their usual advances to produce and other dealers. The volume of circulation necessarily became unusually contracted. Trade suffered in consequence; more especially as at this particular time an expansion of both discounts and circulation was imperatively required. In consequence of the sudden suspension of produce operations a general stagnation took the place of activity in every other branch of business. Money became so stringent that for a short time, it could hardly be got at any price. With regard to the amount of specie reserve necessary against probable demands, that "depends largely on the nature of a banker's business. A bank which has a large amount out on long credits, or such as are of a standing character, will find it prudent to maintain a much larger reserve than another bank which has a considerable amount of discounts in the shape of short loans. Many of the discounts of the Western banks in the fall of the year are almost equivalent to loans at call, as the property on which they are based is rapidly moved to market, and funds are remitted in payment at once."

As a general answer, however, a safe estimate in ordinary times would probably be one-fourth of the circulation, and one-sixth of the whole deposits, but a far larger reserve becomes necessary now. The reason for this is in the fact that the banks hold some \$800,000 of Provincial notes under compulsion or coercion. If they did not hold them, the Bank of Montreal would demand specie at every branch of our banks for every paltry cheque instead of accepting a general settlement in Montreal as formerly. This threat it has the power to carry into effect much to our detriment and annoyance, because it could compel us to hold twice as much specie as would be necessary but for its coercion. While it need not hold one single extra dollar itself, "because of the relations which

subsist between it and the Government respecting Provincial notes."

Such being the main features of the evidence furnished by Mr. Paton, on the one hand and the Ontario bankers on the other, the weight of testimony goes to prove that the Provincial Note Act has enabled the Bank of Montreal to exercise a coercive influence over the other banks to their injury, and to the general detriment of trade.

"Amongst other evils, its operation places one bank in antagonism with the other by a difference of interests, responsibilities, and position. These differences are so great as to intensify the danger of crises in all periods of financial depression."

Hereon then hangs the whole question at issue. Are there or are there not those differences of interest, responsibility and position above referred to? Taking the statements as a whole, we must answer in the affirmative, and we cannot but feel that Mr. Paton in his replies has withheld one of the most important facts bearing upon the case, and throughout has manifested much disingenuousness. It would have been wiser in him boldly to avow what Mr. King himself would not fear to declare, that the Bank of Montreal having no circulation to redeem, stands in an entirely different position from the other banks, and for self-protection or from self-interest, was entitled to pursue such policy as to itself might seem meet.

#### MADOC GOLD FIELDS.

We find in the Quebec *Chronicle* an article, apparently copied from some other Canadian journal, which discusses the question "Is Madoc an available Gold field." It is said:

"Though we must repeat, there is still much that is very unsatisfactory in the information which is *unofficially* afforded to the public, through that valuable journal the *Canadian Monetary Times and Insurance Chronicle*, and other similar papers, we think there must be ground for believing that Madoc *does* contain gold, and that several veins have yielded to assay a fair average. But as long as we are without regular official reports, and till such time as gold in quantity is brought to market, (as is the case in the Chaudiere) we must speak with hesitancy."

While we thoroughly agree with the suggestions that the Government should ensure a clear and uniform system of record of all mining operations under oath, we wish it to be distinctly understood that we hold ourselves responsible for the information communicated by our Madoc correspondent. He is a gentleman of scientific education, and we believe him to be thoroughly honest and reliable. He might, of course, be deceived, but we challenge any one to point in his letters to a single paragraph dictated by improper motives. If there is anything on which we pride ourselves it is the honesty of purpose that controls the columns of this journal. It is the evidence of this, as we take it, that has brought us the hearty support of the most influential classes in the Dominion. As a mere matter of policy, were no higher considerations involved, it

is our interest to preserve a character for reliability. When it becomes necessary to substitute expediency for honesty, we shall look upon our mission as closed and withdraw from the field of journalism. We do not consider the paragraph quoted as impeaching the veracity of statements made in our columns, but we conceive it a duty to our correspondent as well as to ourselves, to make these remarks.

#### THE IMPORT TRADE.

As a natural consequence of the excessive importations of foreign goods last year, the Custom House returns show an important decrease in the value entered during the first quarter of 1868, as compared with the like period the previous year. This extends through almost every article in the list, there being, of course, some exceptions. The returns for Montreal and Toronto combined show the following totals:—

|                           | 1st Qr. 1867. | 1st Qr. 1868. |
|---------------------------|---------------|---------------|
| Total Dutiable Goods..... | \$7,414,124   | \$5,103,363   |
| Total Free Goods.....     | 858,348       | 533,676       |
| Total Imports.....        | \$8,272,472   | \$5,637,039   |

Difference, or decrease this year.....\$2,635,433

In dry goods the falling off is especially noticeable. This is as it ought to be. The numerous failures and compositions occurring among retail dealers just now and for some time past, are sufficient to prove that business was not being conducted in all cases on sound principles. There was evidently too much disposition to credit any one in order to sell, and even those who by successive failures had proven themselves utterly unworthy of being trusted. We give a comparative statement of the imports in this branch.

*Dry Goods imported at Toronto and Montreal, for the quarter ended March 31st.*

|                          | 1867.       | 1868.       |
|--------------------------|-------------|-------------|
| Cottons .....            | \$2,102,828 | \$1,461,591 |
| Woolens .....            | 1,849,943   | 1,124,891   |
| Silks, Satins & Velvets. | 372,297     | 280,641     |
| Linen .....              | 348,523     | 185,498     |
| Clothing.....            | 4,648       | 2,977       |
| Shawls.....              | 16,551      | 3,375       |
| Hosiery.....             | 109,862     | 36,366      |
| Hats, Caps, & Bonnets.   | 217,157     | 154,388     |
| Carpets, &c.....         | 75,977      | 59,059      |

Total.....\$5,097,786 \$3,308,786  
Decrease this year.....\$1,789,000

In every article in the above list a decrease occurred. This must be accounted for, to some extent, by the decline in value of staple goods, but still the actual falling off in quantity must be important, yet by no means too large, the state of the trade being considered. Taking these figures as a basis we estimate the falling off in the dry goods imports of the whole Province at two and a quarter millions of dollars in value below the figures of last year.

#### RELiance MUTUAL LIFE ASSURANCE SOCIETY.

This Society issued 652 new Policies and received new premiums last year to the amount of £7,901. The gross income from premiums and interest was £66,000. The