

THE CANADIAN MONETARY TIMES

AND INSURANCE CHRONICLE.

DEVOTED TO FINANCE, COMMERCE, INSURANCE, BANKS, RAILWAYS, NAVIGATION, MINES, INVESTMENT, PUBLIC COMPANIES, AND JOINT STOCK ENTERPRISE.

VOL. II—NO. 18.

TORONTO, THURSDAY, DECEMBER 24, 1868.

SUBSCRIPTION
\$2 YEAR.

Mercantile.

Gundry and Langley.

ARCHITECTS AND CIVIL ENGINEERS. Building Surveyors and Valuers. Office corner of King and Jordan Streets, Toronto.

THOMAS GUNDRY.

HENRY LANGLEY.

J. B. Boustead.

PROVISION and Commission Merchant. Hops bought and sold on Commission. 82 Front St., Toronto.

John Boyd & Co.

WHOLESALE Grocers and Commission Merchants, Front St., Toronto.

Childs & Hamilton.

MANUFACTURERS and Wholesale Dealers in Boots and Shoes, No. 7 Wellington Street East, Toronto, Ontario.

L. Coffee & Co.

PRODUCE and Commission Merchants, No. 2 Manning's Block, Front St., Toronto, Ont. Advances made on consignments of Produce.

J. & A. Clark.

PRODUCE Commission Merchants, Wellington Street East, Toronto, Ont.

D Crawford & Co.

MANUFACTURERS of Soaps, Candles, etc., and dealers in Petroleum, Lard and Lubricating Oils, Palace St., Toronto, Ont.

John Fiske & Co.

ROCK OIL and Commission Merchants, Yonge St., Toronto, Ont.

W. & R. Griffith.

IMPORTERS of Teas, Wines, etc. Ontario Chambers, cor. Church and Front Sts., Toronto.

H. Nerlich & Co.

IMPORTERS of French, German, English and American Fancy Goods, Cigars, and Leaf Tobaccos, No. 2 Adelaide Street, West, Toronto.

Hurd, Leigh & Co.

GILDERS and Enamellers of China and Earthenware, 72 Yonge St., Toronto, Ont. [See advt.]

Lyman & McNab.

WHOLESALE Hardware Merchants, Toronto, Ontario.

W. D. Matthews & Co.

PRODUCE Commission Merchants, Old Corn Exchange, 16 Front St. East, Toronto Ont.

R. C. Hamilton & Co.

PRODUCE Commission Merchants, 119 Lower Water St., Halifax, Nova Scotia.

Parson Bros.

PETROLEUM Refiners, and Wholesale dealers in Lamps, Chimneys, etc. Warehouses 51 Front St. Refinery cor. River and Don Sts., Toronto.

C. P. Reid & Co.

IMPORTERS and Dealers in Wines, Liquors, Cigars and Leaf Tobacco, Wellington Street, Toronto.

W. Rowland & Co.

PRODUCE BROKERS and General Commission Merchants. Advances made on consignments. Corner Church and Front Streets, Toronto.

Reford & Dillon.

IMPORTERS of Groceries, Wellington Street, Toronto, Ontario.

Sessions, Turner & Co.

MANUFACTURERS, Importers and Wholesale Dealer in Boots and Shoes, Leather Findings, etc., 8 Wellington St West, Toronto, Ont

Financial.

PRINCIPLES OF BANKING.

(Continued.)

The function of Government in the creation of a symbolic currency is almost equally restricted. The test of value of such a currency is that of the loanable capital it represents. Now the only parties capable of deciding whether paper currencies represent an adequate amount of capital, are those parties who are to receive them. It would be very ridiculous for Government to attempt, by legislative enactment, to secure the more certain payment of bills of exchange drawn in commerce between nations. None are so able to secure such provision as the parties to them. If currencies were the representative of gold and silver only, and not (as is the fact) of all kinds of loanable property, then the functions of Government would be plain. All it would have to do would be to restrict the issue of banks to the coin in their vaults. But who shall decide whether it is proper for a bank to make a loan by an issue of its notes and credits to a party offering it a bill given for a thousand barrels of flour? Of course, those only who, from their intimate connection with the trade, commerce and industry of the country, are in a position to determine whether the purchaser of the flour will be probably able to sell the same and collect the proceeds before the maturity of his note. Government can have no such intelligence or functions as these—in fact, it does not attempt to assume any control over the greater portion of the symbolic currency in use—the credits which banks write on their books. Only a very small proportion of the transfers of property are effected by bank notes. Outside of these, the amount of currency that may be issued is left, as it should be, to the discretion of banks. The operation of natural laws will secure the conditions necessary to a perfect currency far more effectually and completely than they can possibly be secured by any act or oversight of Government.

If Government assumes to interfere with the currency, its most important function would be the restriction of loans to bills receivable soon to mature, and given for loanable property. With such provision, rigidly enforced, there never could be an inflation. But unfortunately, the action of Government is always sought in a contrary direction—to authorize an expansion, which sooner or latter must be followed by a corresponding revolution; but often not before society is so exhausted that years are required to repair the losses sustained. The Bank of England, for example, is authorized to issue notes to the amount of \$75,000,000 upon the strength of having the possession of a corresponding amount of Government debt, redeemable only at the pleasure of the latter. This vast sum, although not the representative of loanable capital, exerts, from the circulation obtained for the notes issued, precisely the effect, for the time being, of so much capital. An extraordinary stimulus is given to every kind of investment and expenditure, without the addition of a penny to the means of consumption. It gradually comes to be seen that the inflation has led to the construction of too many ships and railroads; to the manufacture of too much iron and cloth; that too much money had been in-

vested in schemes which never should, and never would, have been entertained, but for the disproportion created between the instruments and means of expenditure. As soon as people get their eyes open, each one endeavors to protect himself by converting his means into money. The bank puts up its rate of interest and calls in its loans, which only serve to increase the alarm and the drain upon it for gold, and the interposition of Government has to be invoked to allow the bank to transcend its chartered powers, by making loans irrespective of the amount of means it may possess. But all this does not prevent a crisis, which drives no small proportion of the community into liquidation. With the consequent prostration of business, money becomes a drug; the rate of interest is reduced to a minimum, to stimulate its use, when the past experience of inflation and contraction is repeated with all its attendant evils, but unfortunately, without teaching any useful lesson.

Now, if the \$75,000,000 issued on Government securities, had represented loanable capital, either in its vaults or in the hands of its borrowers, there could have been no currency inflation, consequently no excessive contraction. The enterprises which this sum had set in motion would have rested on a solid basis—would have measured the ability of the people to consume, and would have exerted none other than a beneficent influence in the channels of business and trade.

The amount of reserves of loanable capital necessary to be kept on hand by banks to meet the calls to which they are constantly liable is a matter of experience, rather than of theoretical calculation. It will depend very much upon the character of the loans made. As the balance of indebtedness between the banks and the public is always in favor of the former to the extent of their capital, it follows that if their loans are made to solvent parties, they can always place themselves in funds from the payment of their bills. The reserves in such case will have to be only nominal. But as improper loans will always be made, involving corresponding disturbances in industries and commerce, reserves must be maintained to considerable amounts to meet such contingencies.

As the foreign commerce of a people is quite as much to be considered in making loans, as their domestic trade, reserves should be chiefly maintained in the great entrepôts of such commerce. The rule of the New York banks, before the suspension of specie payments, was to maintain reserves in coin equal to twenty-five per cent. of their immediate liabilities. The coin held by the country banks was much less, their reserves being made up chiefly of balances against the city banks. The great majority of the country banks held an amount of coin only necessary for ordinary payments by way of change. Banks are not necessarily strong in proportion to the amount of coin they may hold, but in ratio to the amount of promises of solvent parties to pay gold on demand. But as before remarked, the amount of reserves must be a matter of experience with banks, as with merchants. When there is no Government interference, and when perfect freedom of action is accorded, reserves will always be in a proper ratio to the demands likely to be made. People have only to be left alone, to adopt the best means to given ends, whether such be the construction of a steamboat, a railroad, or any other contriv-

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