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OFFICE: Nos. 64 & 66 CHURCH ST.
TELEPHONE NO. 1485.

EDW. TROUT,
Manager.

TORONTO, CAN., FRIDAY, MAR. 30, 1888

BANKING REVIEW.

The banking and mercantile position of the country continues stable on the whole, but the amount of the mercantile failures during the last few months has been large, and their number great. This was to be expected. It is not possible for a bank like the Central to fail without a number of rotten concerns failing with it. A bank like that invariably has a *clientelle* of weak customers; people who have been nursed by it into a prominent position which they could never attain on their own merits, and out of which they drop the moment the support is withdrawn. These people also invariably have a set of customers who have flocked around the bank when they were being crowded out of strong institutions. Such people are kept up and enabled to go on in vicious business courses, over-trading, under-selling, and over-spreading, actually insolvent all the while, but being supplied with money by the foolish institution which supposed it could make money out of them. Such delusions, however, come to an end in time; the insolvent trader is then brought to his true bearing. There are always, in large centres, persons and firms whose ways of doing business are a mystery to their neighbors. They are known to buy dearer, and yet they sell cheaper than any ordinary trader can afford to do; and they go on in this way for months, and even years. Nobody knows how they manage it, yet they do manage it; and the honest and decent trader in time begins to suspect there is some art and mystery in his trade which he has not mastered. Many a sound and solvent trader has had his days of despondency and misgiving when he saw his customer steadily leaving him in order to be given to such mysterious concerns as these. But by-and-by the mystery is dispelled by the bursting of some financial bubble. Then a huge debt on the part of the mysterious trader aforesaid is revealed. He fails as a matter of course. It now transpires that he has been selling at a loss during a long time, and making up the loss by borrowing more and more from the bank. There is some satisfaction in having all these things brought to light, although it is a bitter piece of reflection for decent and honest stock-

holders to think that their money has been squandered in bolstering up rotten traders, as well as speculators and swindlers.

In spite of all this, however, the general mercantile position is sound. Compared with the whole mass of traders the area of disturbance is small. It is violent enough within its own sphere; but our business and financial world in general moves on as usual, and is little affected by it. This of course is no consolation to the sufferers. But it is our business to take a survey of the whole financial position of the Dominion, and that this is generally stable is beyond question.

Of course, at such a time as this, there are busybodies coming forward with their remedies. Some of these remind one of a proposal to stop railway accidents by enacting that no train shall run more than ten miles an hour. This would probably be an effective remedy against accidents; but it would stop a thousand other things beside. So with some of the remedies proposed against banking evils. They would damage and hinder a large aggregate of sound and healthy business which is conducted for the benefit of the whole community, in order to prevent a possible loss to a very small fraction of the trading population. For it is only a small fraction of the community of the Dominion that has been affected by any bank failure. On one subject there is unfortunately an extreme degree of ignorance, namely, the fact that the bills of all our banks are preferentially secured. They are a first charge. Parliament made them so at the request of banks themselves. The bills must be paid at all events. The Government has recognized the reasonableness of this, and when the banks desired it, the provision was inserted in the Banking Act. No persons are so much interested in the stability of banks as bankers themselves. Bankers have vastly larger dealings with banks than any of their customers have. They are involuntary creditors of each other every day that they do business, and a strong feeling of self-interest prompts them to desire any measure that will ensure safety.

But then, none know better than bankers that the business of the country must be carried on. There are innumerable evils arising from merchants failing. In the aggregate these are much greater than any that are caused by bank failures. Parliament might step in and enact that no more credit shall be given either to or by merchants, and might prohibit all dealings except for cash under heavy penalties. This would stop failures most effectually, for no man could fail if he owed nothing; but it would stop business too, and would be utterly unworkable. Many of the schemes for the regulation of banking institutions are of this unworkable kind. The requirement that banks should always have a certain reserve of cash on hand in proportion to their liabilities is just of this sort. It looks a very conservative measure; but in reality it would work in such a way as to compel most of the banks to stop payment about half a dozen times a year. A provision of similar import prevails in the United States; but the Government never

dreams of enforcing it. It could not be enforced without bringing the whole of the banking machinery to a dead lock. For it means that if the demands of the depositors of a bank are heavy for a certain period, that bank must stop paying out any more to its depositors or note-holders, although it may have millions at its command, if so be that those millions do not amount to a certain theoretical figure. The demand that all the currency of the country shall be issued by the Government is supported chiefly by a school of thinkers who imagine that the Government should own all the land in the country. Their ideas generally run in the direction of Government money being what bankers call irredeemable; a financial heresy which has been exposed over and over again, but which finds ready listeners when new men come to the front who have not read the old exposures. Even to the much more moderate plan of securing all bank issues by Government bonds, there are grave and weighty objections. No argument whatever can be drawn from the example of the United States; for the banks of the United States are constructed on an entirely different principle from Canadian banks. This is very apt to be forgotten in discussions on the subject. If it be said that we ought to assimilate our banking system to that of the United States, there is a very ready reply. It cannot be done without uprooting the whole banking and financial system of the country, and with it all commerce, trade, and manufacture that depend upon it. And further, the attempt has been made two or three times, but it has invariably failed.

OUR EXPORTS TO THE UNITED STATES.

Out of a total trade done by the Dominion with the United States during the last fiscal year of \$82,867,000, imports amounted to \$45,107,066 and exports to \$37,660,199. Not all the merchandise represented by the last-quoted sum, however, consisted of Canadian products. Some of it was from Europe or other foreign countries, some of it American, even, being probably brought within our lines from the States at one part of the Dominion for transportation through our territory and exit into the United States at another. The foreign goods so handled amounted to a value of \$8,549,000, and over \$6,000,000 worth consisted of American grain shipped from Canadian ports or American lumber. We give a list of Canadian products exported, amounting in value to \$32,347,000:—

Produce of	
The Mine	value\$ 3,085,431
" Fisheries.....	" 2,717,509
" Forest	" 9,353,506
Animals, &c.....	" 7,291,369
The Field.....	" 7,966,248
Manufactures	" 1,289,052
Miscellaneous	" 644,361

Total value, produce of Canada..\$32,347,476

More than nine million dollars is the estimated value of wood goods sold by the Dominion to the American Republic—\$9,353,506 exactly. The great market for our sawn lumber is Albany, and we find that of the \$6,209,000 worth of "boards