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The Journal of Commerce

FINANCE AND INSURANCE REVIEW.

MONTREAL, APRIL 14, 1876.

THE GOVERNMENT DEPOSITS.

We can hardly allow the recent debate in the House of Commons on the subject of the Government deposits in the banks to pass without some notice, and yet it was not productive of any satisfactory result. The discussion originated in a motion of Mr. Bowell's, calling for a statement of the moneys lying in deposit in any bank at the credit of the Dominion, but the object of the opposition was to establish a charge of favouritism against the Government, and likewise to censure Mr. Cartwright for his policy last year in negotiating a new loan in London at a time when he had a considerable amount of money in the chartered banks. The discussion seems to have branched off to matters of unimportant detail, and we are quite unable to judge what the policy of the Government on the subject really is. The cause of the motion, there can be little doubt, was the celebrated "Big Push" letter addressed by Senator Brown to Senator Simpson, President of the Ontario Bank, at the time of the general election, and one or two letters by the president and cashier of that bank, intimating that the bank would derive an important benefit in the form of deposits by a change of Government. It happens that Senator McMaster is president of

another bank, but his name has not, so far as we are aware, been in any way connected with favouritism. It seems to us that the opposition can derive little benefit by the statement for which they have called. The mere fact of a large sum of money being in deposit at one time in any bank is of itself no evidence of favouritism, and most assuredly the fact of the president of the Ontario Bank being a senator while his bank holds money in deposit from the Government is no more a ground of censure against him, than it would be against Senators Campbell, Ryan and McMaster, or many members of the House of Commons who are in the direction of banks. The real point at issue was whether the practice of the present Government with regard to bank deposits had been, as was alleged by Dr. Tupper, unfair, and we own that we feel some difficulty in forming a satisfactory opinion on the point. Mr. Cartwright in the very few remarks which he made on the subject used these words:—"What he wished to point out was that both Governmentments, and he did not wish to be understood as censuring the preceding administration, having enormous works to carry on, with expenditures varying from 3 to 12 millions in a single month, and having to prepare for the redemption of a large amount of legal tender notes, were obliged to keep heavy amounts in the banks without interest, As to the soundness of that position no gentleman who had watched the Government business of this country was likely to differ in opinion from himself." We readily admit that we see no reason to dissent from the foregoing statement of the Finance Minister. It however hardly meets the special case. Dr. Tupper in the course of his remarks read a letter from a former Finance Minister, Sir Francis Hincks, dated 27th Nov., 1875, in which, at the request of Dr. Tupper, he explained at some length the policy of the late Government regarding bank deposits. That letter is as follows:—

"MONTREAL, 27th Nov., 1875.

"MY DEAR DR. TUPPER,—

"In accordance with your request that I should write you on the subject of the Bank Policy of Sir John A. Macdonald's Government while I was Minister of Finance, I now beg to state that we adhered strictly to the principle of keeping the Government account with the Bank of Montreal. I made a change in the previous practice, which had been to purchase our sterling exchange from that bank, and I put it up to competition, taking it from the bank which charged the lowest. The same rule was followed when we sold exchange, and in that case, in order to obtain the highest rate we invited tenders, the money to remain with the successful competitors at 5 per cent. until required. The only other way in which banks obtained deposits was when they circulated or

one and two dollar bills. A bank applying for, say \$100,000 in small notes, would get them on a deposit receipt at call. I have no recollection of a case having ever occurred in which we took money from our own Bankers to place it elsewhere. The Bank of Montreal received the revenue at all points, but in a few cases at very small towns where the Merchants Bank had agencies and the Bank of Montreal none, Collectors were authorized to deposit with the Merchants. I recollect a case in which Gooderham & Worts in Toronto, distillers, who paid a very large amount of revenue, asked to be allowed to deposit their duties in the Bank of Toronto where they kept their account. I explained the impossibility of meeting their wishes, as it would either expose us to the charge of obliging our friends, or involve the necessity of allowing other distillers or importers to pay their duties at their own banks. I believe my explanation was considered satisfactory and the matter dropped. I do not recollect a case of favouritism and I think it would be safe to assume that no such case occurred. * * *

"(Signed), F. HINCKS."

Dr. Tupper states that this policy is "wide as the poles asunder" from the policy of the present administration, but this charge does not seem to be established. It has been alleged that in the case of the Ontario Bank there were payments of considerable magnitude to be made for public works at some remote point where the Ontario and no other Bank had an agency. This point does not seem to have been much adverted to, but to us it seems of considerable importance in considering the charge. It would hardly be maintained that cases may not arise which would justify withdrawals of the public money from the custody of the Government Bank. Of the propriety of making such withdrawals the Minister of Finance must be the judge, but still there ought to be a good reason susceptible of explanation and defence in Parliament. The charge seems to resolve itself into this: Did the present Government capriciously withdraw public money from its recognized Banker, the Bank of Montreal, to put it in the Ontario or any other bank from mere favouritism? We own that as the case stands we should be inclined to give a Scotch verdict, "not proven." In the course of the discussion there was a controversy on a point which, though really of no material consequence, seemed to imply a want of veracity on one side or the other. The returns made by the Government showed a deposit in the City and District Savings Bank of \$701,000 without interest on the 31st October, 1873. There was a sum of over \$400,000 bearing interest. This fact having been mentioned by the *Globe*, Sir Francis Hincks addressed a letter to that paper, correcting what he stated to be an error, and this was read by Dr. Tupper, and is as follows:

"Sir,—In your leading article yesterday you stated that on the 31st October, 1873, the