

1874.

MAY.

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Bryce McMurrich & Co.

WHOLESALE

DRY GOODS MERCHANTS,

ARE RECEIVING

GOODS WEEKLY BY STEAMERS

FROM

Liverpool and Glasgow,

And Stock in all Departments

WELL ASSORTED.

Agents for sale of DUNDAS COTTON MILLS
MANUFACTURES.

WAREHOUSE—34 Yonge Street, TORONTO.

THE MONETARY TIMES,

AND TRADE REVIEW.

TORONTO, CAN. FRIDAY, MAY 29, 1874

ANNUAL STATEMENTS OF BANKS.

We have reached the period of the year, when our banking institutions make up their annual balance sheets and call their stockholders together for the purpose of hearing what has been done since they last met. For some years back, these reports have generally been of a most cheering character. Good dividends have been paid, and considerable sums have been reported as carried to 'reserve' or 'rest' account. A profitable time of business is sure to attract competition; we have had, therefore, for the last year or two, a large number of new institutions chartered and set afloat, with the usual and inevitable consequences to older institutions, and to business generally.

It is in consequence of this increasing competition by which inducements have been held out to traders and others to come and borrow on more and more easy terms, that some old safeguards have been broken down and new lines of dangerous and risky business have been opened out, that we desire to call the attention of Directors and Stockholders to some considerations of serious moment in the present condition of banking affairs:

1. A time like this imposes very great responsibility on bank directors. They have been driven by the force of competition, during the last year or two, to undertake transactions and agree to loans and

credits which their better judgments probably disapproved. Once a year, however, there is time to review, and after reviewing, to reform, if reform be necessary. It rests with directors to have their review made searching, thorough and accurate. The same competition has also resulted in numbers of bad and doubtful debts. When men find bankers coming to them begging, as a favour, that they will be good enough to borrow some of their money—the more the better—it would be marvellous indeed if they did not avail themselves of the opportunity to stretch out, expand and inflate—and with the usual result, in many cases, of embarrassment and ruin. Now, directors know very well that nothing is more easy than, to keep men of this kind afloat for years after insolvency has set in. It has been done numbers of times, and they are strongly tempted to do it at a time like this, when good dividends and additions to 'rests,' year after year, have raised the expectations of stockholders sometimes to an unreasonable pitch. For to stop such accounts would bring about immediate bad debts, to the heavy and unmistakable diminution of the year's profits. Yet, to stop is the only way to prevent worse consequences by and bye. Bad debts are the most trying test that directors can encounter. Few men have the nerve and the courage, not to say the honesty, to face them. Yet the whole value of the stockholder's property depends on the pruning-knife being rigidly applied to it year by year. Every bank has more or less of debts due to it of a doubtful character. Rigidly to write these down may entirely cut off the chance of a dividend; not at all an impossible case when banks have expanded fast and been eager for new business, and few are equal to the obloquy which this would bring about. Yet directors should remember that they are exercising a trust, and that on their judgment and thorough honesty the whole of a vast and ramified business rests.

2. Stockholders, if wise, will not be eager for increased dividends and bonuses from so risky and treacherous a business as banking is. Nothing is so easy as to show large apparent profits; nothing so easy as to pay good dividends. Only one thing is needed, viz., to avoid writing down losses. But all is not gold that glitters. Banks in Canada have gone on paying dividends for years, when the result proved that more than the whole dividend had been lost year after year. It is very pleasant, doubtless, to receive dividends, but it is a very unpleasant awakening to find that sixty per cent. or the whole of the capital is gone.

Stockholders should remember that their sole reliance for the value of their property

is on the temper, (sanguine or otherwise), judgment, and absolute faithfulness to trust of a very few men, and sometimes of only one man. Debts due to the bank, amounting to many millions, have to be valued by them, or by him, before any profit can really be estimated. And the lessons of experience are surely worth something. Men of much reputation and experience have, before this, made mistakes to the extent of millions in estimating bank assets, and have told stockholders that their property was good. A year or two afterwards the bubble burst, and then there was nothing but exasperation and dismay. Events do not always repeat themselves; but they have been known to do so. We trust that stockholders are not quite so easily deceived now as in former days; but certain it is, that times of growth, inflation and increase are just the time when the seeds of future trouble are sown.

BANKING REVIEW.

Although the tardy opening of navigation and the protracted cold of this season have been heavy drawbacks to the general business of the country, there is now a good prospect of the great staple products which determine our fate for the next year and beyond being abundant. The apprehensions as to the state of the fall wheat which were once an annual trouble have ceased to be of serious moment, as the risk of that crop has diminished its extent, so that of the entire area under cultivation or pasture, probably not more than one-seventh is sown with fall wheat; in some localities much less. As the facilities of farm culture increase, this crop will gradually be less relied upon, and spring sowing be as general as in countries with an earlier season for seeding. As the spring advances the prices of our remaining stocks become more and more uncertain, and dependant upon the weather in Europe. Holders will do well to realize while good prices can be got, as favorable indications of a fair average harvest in England must weaken the market. The enormous price to which hay has risen has affected dairy interests very seriously. The extent of this branch of agricultural enterprise was pointed out in a recent issue. Our exports of butter and cheese now exceed five million dollars yearly. A business like this is of special advantage to the country, giving, as it does, the utmost stimulus to systematic farming, and to the most economical development of the great raw material of land into its most valuable form as a manufactured article. It also utilizes labor, which is largely wasted in farm life; it ne-