

W. H. HARRISON

JOURNAL  
OF THE  
CANADIAN BANKERS'  
ASSOCIATION

VOLUME III

CONTAINING

October, 1895, to July, 1896

---

TORONTO  
MONETARY TIMES PRINTING COMPANY, LIMITED  
1896

15302 — May 7/28

CORRIGENDA

---

On p. 14, line 8, read *1,000 fcs.* instead of *100 fcs.*

On p. 14, line 9, read  $\frac{1}{2} \text{ ‰}$  instead of  $\frac{1}{2} \%$ .

On p. 277, line 2, read *rulers* instead of *rules.*

## INDEX TO VOLUME III

	PAGE
AMERICAN CURRENCY in Canada, Circulation of . . . . .	189
ANNUAL MEETING OF THE CANADIAN BANKERS' ASSOCIATION, Fourth, Proceedings of . . . . .	15
ASSOCIATES OF THE CANADIAN BANKERS' ASSOCIATION, List of . . . . .	425
ASSIGNMENT, EQUITABLE, of Goods as Security . . . . .	200
AUSTRALIAN BANKS, Position of the . . . . .	175
BANK OF FRANCE—G. Francois . . . . .	I
BANK OF NEW BRUNSWICK . . . . .	109
BANK OF NEW ZEALAND . . . . .	176
BANK STATEMENT, Government . . . . .	130, 224, 328, 422
BILLS OF LADING— <i>Smith v. Bedouin Steam Navigation Co.</i> . . . . .	400
BLANK TRANSFER of Shares . . . . .	305, 313, 318
BRITISH COLUMBIA, The resources of (Prize Essay). F. M. Black . . . . .	160
CHATEL MORTGAGE, Unregistered . . . . .	214
CLEARING HOUSE FIGURES . . . . .	132, 223, 330, 424
COLLECTION BILL, Payment advised in error . . . . .	125
CUSTOMER'S ACCOUNT, Closing . . . . .	399, 409
COMMERCIAL BANK OF NEWFOUNDLAND . . . . .	35
COMPANIES. See also "Limited Liability Companies" . . . . .	
COMPANIES AMENDMENT ACT . . . . .	174
COMPUTATION, Short Methods of. E. M. Langley, M.A. . . . .	359
DAVIDSON, DAVID, The Late . . . . .	356
DECLINE IN THE VALUE OF PRODUCTS, The (Prize Essay). R. J. Gould . . . . .	73
DIRECTORS, The Powers of. G. F. Shepley, Q.C. . . . .	331, 380
DISSOLUTIONS OF PARTNERSHIP. Z. A. Lash, Q.C. . . . .	266
DRAFT FORMS . . . . .	390
DOMINION NOTE ACT . . . . .	18
ECONOMIC CONDITION OF NEWFOUNDLAND. M. Harvey, LL.D. . . . .	133
ESSAY COMPETITION, 1895 . . . . .	20, 22
ESSAY COMPETITION, 1896 . . . . .	293
EXPRESS COMPANY MONEY ORDERS . . . . .	44
GOVERNMENT SAVINGS BANKS. See "Land Mortgage Com- panies, etc." . . . . .	
GUARANTEE BONDS— <i>Ellesmere v. Cooper</i> . . . . .	414
INSOLVENCY LEGISLATION . . . . .	18
INSURANCE INVALIDATED where property conveyed without an assignment of policy . . . . .	201
INTEREST, The Legal Rate of . . . . .	277

	PAGE
INTEREST ON DEBTS proved against the Liquidator of a Failed Bank	115
INTERNATIONAL MONETARY CONFERENCE, Proposed . . . . .	173
KING, E. H., The late . . . . .	380
LAND MORTGAGE COMPANIES, Government Savings Banks, and Private Bankers of Canada. M. Morris . . . . .	227
LEGAL RATE OF INTEREST . . . . .	275
LEGAL TENDER NOTES, Special . . . . .	19
LEGAL CASES AFFECTING BANKERS—	
Bridgewater Cheese Factory <i>v.</i> Murphy . . . . .	199, 207, 400
Broderip <i>v.</i> Salomon . . . . .	114, 116
Buckingham <i>v.</i> London & Midland Bank . . . . .	399, 407
Clarkson <i>v.</i> McMaster . . . . .	215
Commercial Bank of Manitoba, La Banque d'Hochelaga's Case	213
Confederation Life Association <i>v.</i> Merchants Bank of Canada.	126
Deutsche Bank <i>v.</i> Beriro & Co. . . . .	125, 399
Duthie <i>v.</i> Essery . . . . .	205
Ecclesiastical Commissioners for England <i>v.</i> Royal Exchange Assurance Corporation . . . . .	201
Ellesmere Brewery Co. Ltd. <i>v.</i> Cooper et al . . . . .	400, 414
Fontaine-Besson <i>v.</i> Parrs Banking Co. and Alliance Bank Ltd.	408
Fox <i>v.</i> Martin . . . . .	305, 313
Gorman and Dixon . . . . .	418
Halsted <i>v.</i> Bank of Hamilton . . . . .	323
Jeffreys <i>v.</i> Carey's Cycle Co. Ltd. . . . .	115, 124
Langtry <i>v.</i> Union Bank of England . . . . .	197, 380
London & River Plate Bank, Ltd., <i>v.</i> Bank of Liverpool, Ltd. et al . . . . .	304, 309
London and Yorkshire Bank, Ltd., <i>v.</i> White . . . . .	200
Metropolitan Bank, Ltd., <i>v.</i> Coppee . . . . .	305
Molsons Bank <i>v.</i> Cooper . . . . .	199, 211, 400
Munkittrick <i>v.</i> Perryman and others . . . . .	413
Ogilvie <i>v.</i> West Australian Mortgage & Agency Corporation Ltd. . . . .	403
People's Bank of Halifax <i>v.</i> Wharton . . . . .	127
Rolland et al, and La Caisse d'Economie . . . . .	202
Smith & Co. <i>v.</i> Bedouin Steam Navigation Co. Ltd. . . . .	400
Smith <i>v.</i> Walkerville Malleable Iron Co. Ltd. . . . .	305, 318
Stagg, Mantle & Co. <i>v.</i> Broderick . . . . .	407
LIMITED LIABILITY COMPANIES. <i>Broderip v. Salomon,</i> etc. . . . .	114, 116, 124, 193, 413

	PAGE
MATERIAL ALTERATION of a cheque after being marked good . . . . .	213
MONEY paid to a person not entitled to receive it . . . . .	126, 304, 309
MUNICIPAL DEBENTURES, The certification of by Trust Companies . . . . .	178
NEWFOUNDLAND, The Economic Condition of. M. Harvey, LL.B. . . . .	133, 172
NEW ZEALAND AFFAIRS . . . . .	176
NOTICES TO OBLIGANTS on Discounted Paper . . . . .	109
NOVA SCOTIANS, The, Mr. Knight and . . . . .	387
 " ONE-MAN " Companies . . . . .	 114, 116, 124, 413
PAST CANADIAN BANKERS—David Davidson . . . . .	356
PAYMENT OF A BILL advised in error by Collecting Agent . . . . .	399
PEOPLES BANKS OF EUROPE (Wolff) . . . . .	370
POWERS OF DIRECTORS. G. F. Shepley, Q.C. . . . .	331, 380
PRINCIPAL AND SURETY . . . . .	306, 418
PRIVATE BANKERS OF CANADA. See " Land Mortgage Companies, etc." . . . . .	
PRIZE ESSAY COMPETITION, 1895 . . . . .	20, 122
PRIZE ESSAY COMPETITION, 1896 . . . . .	293
PRODUCTS, Decline in value of (Prize Essay). R. J. Gould . . . . .	73
 QUESTIONS ON POINTS OF PRACTICAL INTEREST—	
Ante-dated Acceptance . . . . .	195
Banking hours . . . . .	194
Bill for collection Recalled after being marked good. . . . .	299
Cheque marked payable only after a certain date . . . . .	392
Cheque presented for payment by a Debtor of a Bank . . . . .	111, 192
Collections sent to private bankers . . . . .	394
Deposits in names of two parties jointly . . . . .	300
Dower Interest in encumbered lands . . . . .	303
Endorsements by Rubber Stamp . . . . .	110
Endorsements on Deposit Receipts . . . . .	110
Endorsement, Irregular, on a marked cheque . . . . .	191
Endorsement, Note delivered without . . . . .	302
Endorsements, Stamped . . . . .	300
Equitable assignment of goods as security for a debt. <i>London and Yorkshire Bank v. White</i> . . . . .	200
Garnishment, Writs of . . . . .	301, 392
Guarantee Bonds . . . . .	393
Hour at which a Bill may be protested . . . . .	301
Identification of the Payee of a Cheque . . . . .	190
Irregular Endorsement on a marked Cheque . . . . .	191
Liability of Endorsers to drawee of a cheque . . . . .	195
Limited Liability Companies . . . . .	193

	PAGE
Married Women's Separate Estate . . . . .	193
"Mrs." prefixed to a Signature . . . . .	299
Note delivered without Endorsement . . . . .	302
Notices to obligants on discounted paper . . . . .	109
Partners, Liabilities of . . . . .	393
Post-dated Acceptances, etc. . . . .	302, 392
Security held by a private banker pertaining to notes lodged as collateral with a chartered bank . . . . .	397
Stocks held in Trust, Transfer of . . . . .	395
Warehouse Receipts . . . . .	390
RENEWED NOTE may be sued on where new note cannot be recovered on. <i>Peoples Bank v. Wharton</i> . . . . .	127
REVIEWS—	
Canadian Banking System, The (Breckenridge). Adam Short	100
Computation (Langley) . . . . .	386
Gresham's Law (MacLeod) . . . . .	186
History of Currency (Shaw). F. G. Jemmett . . . . .	382
History of Monetary Systems (Delmar). S. B. Woods . . . . .	179
Industrial Services of the Railways (Johnson) . . . . .	182
Operation of Bimetallism in France (Willis) . . . . .	106
SAVINGS BANK, Position of, where it has advanced money on security not authorized by its charter . . . . .	202
SECURITIES held for safe keeping . . . . .	196, 380
SECURITIES under Section 74 of the Bank Act . . . . .	306, 323
SHARES, Blank transfer of— <i>Fox v. Martin</i> . . . . .	305, 313
SHARES, Certificate of— <i>Smith v. Walkerville Malleable Iron Co. Ltd.</i> . . . . .	305, 318
SHORT METHODS OF COMPUTATION. E. M. Langley, M A . . . . .	359
SILVER QUESTION IN THE UNITED STATES . . . . .	379
SOUTH AFRICA GOLD MINING INDUSTRY . . . . .	294
STAMP DUTIES ON BILLS OF EXCHANGE . . . . .	188
STEVENSON, JAMES, The late . . . . .	54
TRADE RETURNS, Canada, Unrevised . . . . .	128, 221, 326, 420
UNION BANK OF NEWFOUNDLAND. . . . .	35
UNITED STATES, The Financial Situation in . . . . .	379
USURY LAWS IN CANADA. See "Legal Rate of Interest" . . . . .	
VALUE OF PRODUCTS, The Decline in (Prize Essay). R. J. Gould . . . . .	73

THE JOURNAL is for the present published quarterly on or about the first day of the months of October, January, April and July, and is sent without charge to Associates. Bank officers may become Associates on payment of an annual fee of \$1.00.

Anyone not eligible for Associate membership may subscribe for the JOURNAL at \$1.00 per annum. Single copies are not for sale, but Associates and subscribers may obtain additional copies of any issue on payment of 50c. each.

Fees and subscriptions should be remitted to the Secretary-Treasurer, Montreal.

Associates should notify the Secretary promptly of change of address.

---

Contributions are invited upon subjects directly or indirectly connected with banking, or dealing with any phase of the economic development of Canada. To the authors of accepted contributions the Committee are in a position to award moderate honoraria.

Communications for the JOURNAL should be addressed as follows:

The Editing Committee,  
Journal of the Canadian Bankers' Association,  
Toronto.

---

The JOURNAL is the organ of the Canadian Bankers' Association and is subject to the control of the Council for the time being, but neither the Association nor the Council should be regarded as responsible for the opinions expressed.

The matter admitted to its pages is passed upon by the central committee in Toronto, it being of course impossible to submit contributions to the corresponding members.

It will be the policy of the Editing Committee to endeavor to keep out errors of fact and law, but they do not regard it as part of their duty to take into consideration the views held by any writer, and in matters of opinion the JOURNAL is open to all who can so write as to interest and edify its readers.

# The Canadian Bankers' Association

OFFICERS 1895-6

## Honorary Presidents

HON. SIR DONALD A. SMITH, K.C.M.G. - President, Bank of Montreal  
GEORGE HAGUE, - - - General Manager, Merchants' Bank of Canada

## President

THOMAS FYSHE, - - - - - Cashier, Bank of Nova Scotia

## Vice-Presidents

B. E. WALKER, - - - General Manager, Canadian Bank of Commerce  
DUNCAN COULSON, - - - - - General Manager, Bank of Toronto  
D. H. DUNCAN, - - - - - Cashier, Merchants' Bank of Halifax  
G. A. SCHOFIELD, - - - - - Manager, Bank of New Brunswick

## Executive Council

E. S. CLOUSTON, - - - - - General Manager, Bank of Montreal  
F. WOLFERSTAN THOMAS, - - - - - General Manager, Molsons Bank  
H. STIKEMAN - - - - - General Manager, Bank of British North America  
D. R. WILKIE, - - - - - Cashier, Imperial Bank of Canada  
THOS. McDougall, - - - - - General Manager, Quebec Bank  
W. FARWELL, - - - - - General Manager, Eastern Townships' Bank  
J. TURNBULL, - - - - - - - - - Cashier, Bank of Hamilton  
GEO. BURN, - - - - - - - - - General Manager, Bank of Ottawa  
M. J. A. PRENDERGAST, - - - - - General Manager, La Banque d'Hochelega

## Editing Committee, Journal of the Association

J. H. PLUMMER (*Chairman*), Ass't Gen'l M'g'r, Canadian Bank of Commerce  
J. HENDERSON, - - - - - - - - - Inspector, Bank of Toronto  
E. HAY - - - - - - - - - Inspector, Imperial Bank of Canada

## Corresponding Members

GEO. BURN, - - - - - - - - - General Manager, Bank of Ottawa  
E. STANGER, - - - - - - - - - Inspector, Bank of British North America  
JOHN KNIGHT, - - - - - - - - - Cashier, Peoples' Bank of Halifax

## Auditors

E. STANGER, - - - - - - - - - Inspector, Bank of British North America  
A. D. DURNFORD - - - - - - - - - Inspector, Molsons Bank

## Secretary-Treasurer

W. W. L. CHIPMAN, - - - - - Montreal



JOURNAL  
OF THE  
CANADIAN BANKERS'  
ASSOCIATION

OCTOBER—1895

THE BANK OF FRANCE\*

I

OF the great financial establishments of the world the Bank of France is unquestionably one of the most important, one of those whose influence on international affairs is most extensive. The large volume of its note circulation, of its metallic reserve, justify and more than justify the estimation in which it is held. But to understand its preponderating position in France some details as to the organization of credit are necessary.

The business of banking as understood in France embraces not only everything that pertains to loans, discounts, collection of drafts, demand and time deposits, but also the operations of the Bourse for cash or for account, continuations, and, for establishments of the first rank, the issue of public loans. According to the locality, and to the resources of those engaged in the occupation, those who take the name of bankers engage in some or all of these operations, the degrees being naturally numerous, from the financial establishment which can take on its own account an important share of a public loan, to the

\*Translation from the author's MSS. written in French.

money-lender established in the chief town of a district, whose clientele is spread over an area of several leagues. Taking the title in this general sense, the number of bankers in France is considerable, and, including agencies or branches, the total would probably reach about three thousand.

Apart from the *Crédit Lyonnais* and the *Société Générale*, whose agencies are scattered throughout the whole country, and the *Comptoir Nationale D'Escompte de Paris*—which for some time past has appeared to be adopting the same policy—the banks having branch offices are few, and amongst those operating thus the agencies rarely number more than three or four, being in all cases distributed in the Department where the head office is situate, or the neighboring Departments. Only the more important of the provincial banks, however, manage to establish branch offices in Paris.

These branches have naturally more intimate relations with their head office and among themselves than exist between correspondents, but they have nevertheless to act in many respects as independent establishments, especially in everything pertaining to receipts and payments. In France, even in large towns and by merchants doing a business of respectable proportions, the banker is often dispensed with. He is applied to with regard to the collection of bills, and for advances when they are required, but all payments are made at the office of the merchant or manufacturer, and it is there that at maturity his obligations must be presented. But besides this, whether use is made of the banker or not, there is not the centralization of payments that is to be observed in England, and as all or nearly all bills are domiciled in some town where the Bank of France has an office, to make them more readily negotiable, there results from this an employment of money, real or fiduciary, very large in proportion to the volume of transactions effected.

Now if, for the negotiation of first class long dated bills, of that which constitutes choice paper, the Bank of France is successfully competed with by the large financial establishments, who find it of advantage to take these bills at  $\frac{1}{2}\%$  or even  $1\%$  below the Bank rate, it is not so in the case of discounts having principally for their object the supplying of the needs of clients, or the provision of funds for maturing bills. The bills dis-

counted for these purposes are of short date, but it is the Bank that is applied to ; it is sufficient to compare the balance sheet at the moment of the issue of a public loan or during a crisis to recognize with what eagerness the facilities offered by the Bank are availed of.

In France, as in all other countries, cash transactions (leaving the retail trade out of account) represent a very small part of the whole ; the greater portion of business transactions are settled for periodically, the terms varying according to the custom obtaining in the trade or industry concerned. Settlement is made by means of a bill drawn on the debtor payable at his residence, and occasionally at his bankers. As these bills are payable at all points, there results a very large circulation of values in this shape, which at all times amounts to hundreds of thousands of drafts ; many banks find, too, in their collection—that is, in the gathering together of these bills receivable and their transmission to the points where they are to be paid—a source of business and of profit which is not to be despised. The merchants or manufacturers, drawers of these bills or holders of them by endorsement, remit them to their bankers, who make advances upon them, without waiting for maturity, of the face amount or less, according to the credit of their client ; credits established thus, although not representing a debit balance in current account, often attain considerable figures. Whenever for any reason the banker wishes to repossess himself of capital thus temporarily invested, their rediscount at the Bank of France affords him always—to the extent at least of the credit afforded him—an easy means of attaining this result ; furthermore, this rediscount, or even the transmission of the bills for payment, relieves him from the trouble of collection at all points where there is an office of the Bank of France, removing at the same time all the risks of remittance. These facilities are not confined to bankers, and merchants and manufacturers who furnish the security required by the Bank profit by them in the same way.

Advances upon securities, and better still, advances on current account, are also frequently made. These advances on current account, which permit from 60 to 80 per cent. of the value of the securities deposited to be drawn for a minimum of

five days at least, offer an easy means of employing unused money on securities of the first rank, as, for instance, that which constitutes the reserve, whilst keeping it within reach in case of need at short notice, or keeping it employed for a longer period at will.

The Bank issues cheques and certificates of transfer upon its branches or agencies, generally without other charge than the cost of the stamp, in consideration of the advantages derived from the accounts. Cheques upon the Bank are made use of in the customary way, but always with this distinction, that they are not marked good by the Bank unless the sum is really at the credit of the account, and there is then no question of their payment.

Certificates of transfer, or transfer orders (*les bons de virement*) permit a sum to be passed from one account to another, whether in the same place or in different places; they constitute a means of settlement which is employed by preference between bankers, and also a valuable instrument of liquidation for the operations of the Bourse.

If it be added that the Bank of France handles the moneys coming from the receipts of the Treasury, placing against them at the disposal of the officers of that department the funds which they require for the performance of their functions, it will be seen that the Bank of France plays in effect the role of clearing house for the whole of France, securing and facilitating the circulation of capital throughout the country.

## II

The fall of Law's bank and the financial troubles consequent upon it, destroyed for a long time in France all confidence in banks of issue; and it was not until half a century later that there was founded in Paris, in 1776, La Caisse d'Escompte, a bank having the right of issue, which disappeared, however, in 1793. Some years later we find as banks of issue: La Caisse des Comptes Courants (1796), La Caisse D'Escompte du Commerce (1797), Le Comptoir Commercial (Caisse Jabach) (1800), La Factorerie and some other establishments of lesser

importance, but in 1800 La Caisse D'Escompte amalgamated with the Bank of France, then in course of formation and definitely established 13th February, 1800 (24 Pluiose An VIII). On 14th August 1803 (24 Germinal An XI) the Bank of France obtained, dating from 24th September, 1803 (1 Vendemiare An XII), the exclusive privilege of note issue, and the other Parisian banks found themselves therefore under the obligation of retiring their notes. This privilege, granted originally for 15 years, was successively renewed in 1806, 1840, 1857; it ends, unless further renewed, 31st December, 1897.

The law of 14th April, 1803, had fixed the capital of the Bank of France at 45,000,000 fcs., which the law of 5th August, 1807, increased to 90,000,000 fcs., but a redemption of shares authorized by the law of 4th July, 1820, reduced the capital to 67,900,000 fcs. In 1848, as a consequence of the absorption of the Departmental banks, an increase of 23,350,000 fcs. was authorized. Then by the law of 9th June, 1857, the doubling of the capital was ordered, since which date the capital of the Bank, outside of the reserve, has been 182,500,000 fcs. This capital is represented by 182,500 shares of 1,000 fcs. each, fully paid-up and transferable from name to name, and which can by special provisions be transferred *en biens immobiliers* (that is, made transferable under the same conditions as real estate), and may even be made altogether inalienable.

In creating the Bank of France Napoleon had in view the formation of a Credit establishment which would facilitate the operations of the Treasury, and above all furnish the advances necessary to the Government. In the year 1806 an operation of this kind made it necessary for the Bank of France to suspend or postpone in part the payment of its notes; in 1814, in consequence of the discounting of paper of the Government or of the Treasurers-General arranged for in the preceding years, and afterwards renewed, a similar measure had again to be adopted.

Since then the Bank of France has rendered to the Treasury numerous services, and made a succession of important loans, but under such conditions that its position could be in no way compromised by them.

The crisis of 1818 forced the Bank to have recourse to the

plan that it then adopted, instead of altering the rate of discount, namely, the reduction of the currency of the paper discounted. This was lowered to 60 days, then to 45 days. It was raised afterwards to 90 days, and was kept at that until 1875.

The organic statutes of the bank had provided for the opening of branches, but the Royal ordinance of the 25th March, 1841, while suppressing almost entirely all governmental interference, had modified these provisions. The branches opened in 1809 at Lyons, Lille and Rouen had been rapidly liquidated, and it was not until much later that other branches were established, but in 1841 six only were in operation; fifteen new branches were established from 1841 to 1848.

The crisis of 1847 was the cause of serious trouble to the bank. To facilitate and augment its circulation, notes of 200 fcs. were authorized. The rate of discount had to be raised from 4 to 5 per cent.; but a sale of 50,000,000 fcs. of rentes made to the Russian government gave the Bank sufficient available funds to enable it to dispense with other means.

The revolution of 1848, and the financial troubles which ensued, brought upon the Bank graver difficulties than those of the preceding year. Under stress of numerous demands from its creditors the Bank had to ask the provisional government to give their notes a forced currency (*cours forcé*), (15th March, 1848), the issue being limited to 350,000,000 fcs. Notes of 100 fcs. were at that time authorized. Some months later, because of the difficulties in which the Departmental banks found themselves, their suppression was decided on; they were transformed into branches of the Bank of France, which thus obtained the privilege of issue over the whole country.

The authority granted the Bank to suspend payment of its notes in specie was repealed in 1850, but the Bank had resumed payment in June, 1848. In 1854 the Bank abandoned the system of a fixed rate of discount, which it had maintained almost without interruption since its foundation. During the crisis of 1877 the Bank found it necessary to raise its rate of discount to 10% in November, to drop it speedily to 6%, then to 5% in December.

The Bank of France had to bear as best it could the misfortunes of 1870-71. To provide for the necessities of war

the Imperial Government, and later that of the *Défence Nationale*, obtained numerous loans, which grew to the total amount of 1,530,000,000 fcs. which was the figure established as due by the law of 21st June, 1871. On 12th August, 1870, the suspension of payment of its notes in specie was again authorized; the issue of notes of 5, 20 and 25 fcs. was also decided on. At the time of the Commune the Bank advanced a sum of 7,293,383 fcs. which was never repaid to it.

The suspension of specie payment was brought to an end by law on 3rd August, 1871, but long before that the Bank had resumed payment in specie.

Since that period the Bank has not ceased to give its support to all the operations of the Government Treasury, at the same time taking every means of affording to commerce all due facilities. The growth of its discount operations and of its current accounts give the best of all proofs of this.

### III

The Bank of France is a private corporation, but in consequence of the privilege conceded to it, it is not entirely free from governmental supervision, which is exercised in the appointment of the Governor and of the Directors. The general control of the Bank is vested in the Governor, assisted by two sub-Governors. All three are appointed by a decree of the President of the Republic, on the recommendation of the Minister of Finance; the Governor must be the owner of 100 shares, the sub-Governors of 50 each. The Council of Regents, which is charged with the administration of the affairs of the Bank, is composed of fifteen members, with whom are associated three Censors; Regents and Censors are chosen from the General Assembly, composed of the 200 largest shareholders. Three of the members of the Council of Regents must be chosen from among the officials of the Finance Department having charge of Treasury payments (*Trésoriers payeurs Généraux*). The Governor, sub-Governors, Regents and Censors form the Council-General of the Bank, to which belongs the right of deciding all questions pertaining to the bank. Regents and

Censors form, from their combined body, the different sub-committees of the cash, the bill department, the records, etc., which are charged with the examination and direction of the different departments.

The lists of bills offered for discount (*bordereaux d'escompte*) are submitted, for information as to the credit of the names, to the members of the Committee of Discount, which is composed of twelve men chosen from the shareholders who are engaged in business in Paris, and appointed by the Council-General on the recommendation of the Censors. The functions of the Committee of Discount are exercised by three of its members, who are nominated in turn to act for the space of a fortnight at a time.

The branches are managed by an officer bearing the title of Director, assisted by Administrators and Censors. The Administrators must number six at least and twelve at most. The Director is named by a decree of the President of the Republic, upon the recommendation of the Minister of Finance, after presentation of three candidates by the Governor; the Administrators and Censors are named by the Council-General. The Director must be the owner of fifteen shares; the Administrators and Censors must possess four each.

The Director, the Administrators and the Censors manage the branch, and promote measures which they think calculated to develop its business. The Administrators in turn form the Committee of Discount, to which is submitted the list of bills presented by discount customers.

The sub-branches, *Bureaux Auxiliaires*, are in effect equivalent to branches of the Bank, but are established as the Council-General deems necessary, and without the Government intervening in any way in the appointment of those who manage them. Their operations are merged in those of the branch to which they are attached.

*Les Villes Rattachées* (attached towns) are generally offices open for counter business only, on the 5th, 10th, 15th, 20th, 25th and last day of each month, or on the preceding day when any of these days fall on a holiday. The offices are attached to a branch or sub-branch.



And finally, under the name of *Places Réunies*, the Bank designates communities which it regards as dependent upon a town where there is already a branch or a sub-branch. Bills and notes payable at a *Place Réunie* are discounted on the same terms as those on the town on which it is dependent.

On 31st December, 1894, the banking points of the Bank of France numbered 259, as follows :

- 1 Head Office,
- 94 Branches (*Succursalles*),
- 38 Sub-branches (*Bureaux Auxiliaires*),
- 105 *Villes Rattachées*,
- 21 *Places Réunies*.

The business of receiving and paying money, deposits, advances on securities, etc., are effected without it being necessary to furnish references other than is customary in banks ; but no one can arrange for the opening of a discount account except upon application to the director of the branch, and the production of a certificate signed by three discount customers, attesting the commercial integrity of the applicant.

#### IV

As has been already said, the Bank of France has since 1848 had the exclusive privilege of issuing notes payable to the bearer at sight, that is to say bank notes, in which matter the only restriction is the maximum limit established by law. This limit has been successively increased ; fixed at 350 millions by the decree of 15th March, 1848 ; at 452 millions on 2nd May of the same year ; 525 millions by the law of 22nd December, 1849 ; it disappeared in 1870, when the law suspending specie payment of notes was repealed ; the law of 12th August, 1870, had fixed it at 1,800 millions ; that of 14th August brought it to 2,400 millions ; it reached 2,800 millions on the 29th December, 1871 ; 3,200 millions on 15th July, 1872 ; 3,500 millions on 30th January, 1884 ; and finally a total of 4,000 millions (4 milliards), established by the law of 24th January, 1894.

Although it has not reached the last total, the circulation of

the notes is generally very much above the old maximum of 3,500 millions. On 31st January, 1895, the date of the last report, it reached 3,749,721,650 francs, as follows :

5 notes of 5,000 fcs. ....	25,000 fcs.
1,339,502 " " 1,000 " .....	1,339,502,000 "
525,642 " " 500 " .....	262,821,000 "
2,372 " " 200 " .....	474,400 "
17,657,163 " " 100 " .....	1,765,716,300 "
7,561,192 " " 50 " .....	378,059,600 "
16,919 " " 25 " .....	422,975 "
77,508 " " 20 " .....	1,550,160 "
144,208 " " 5 " .....	721,040 "
1,214 of old issues.....	429,175 "

---

3,749,721,650 fcs.

When the law was passed in 1870 authorizing the Bank to suspend payment of its notes in specie, the Government created them at the same time a legal tender, permitting all payments to be made in Bank notes, notwithstanding any stipulations to the contrary. The law of 3rd August, 1875, repealing the suspension of specie payments (which no longer existed, except in name), did not repeal the legal tender clause, which has, therefore, remained as one of the properties of the notes of the Bank of France.

There is no regulation as to the amount of the cash reserve, nor as to its component parts, whether in gold or in silver ; all that is left to the care of the management of the Bank. The cash reserve has steadily increased during the last twenty years, and for a long time has been almost equal to the total amount of notes outstanding. The cash reserve amounted to 3,342 millions on 24th January, 1895, after having oscillated during the previous term from 2,951 millions at the minimum, to 3,304 millions at the maximum.

Discount operations form one of the most important functions of the Bank, and are the source of a large part of its profits. In accordance with the statutes bills and notes discounted must have at least three signatures, or two signatures only when they are accompanied by a deposit of securities, or a pledge of merchandise ; they must be payable in one of the places where the Bank has an agency ; notes for the smallest sums are received, but the Bank makes a minimum charge for

interest on each bill, and there is a minimum for the total amount of each list (bordereau) submitted for discount.

The increasing number of discounted bills, and the decreasing average amount of the bills, show better than all theoretical considerations that as the Bank extends its agencies it recruits its clients from among the smaller bankers, the manufacturers, and the merchants, whose transactions could alone give rise to these small notes. Here, for the last ten years, is a statement of the number of discounted bills, and the average amount of the bills :

	Number of Bills	Average
1885.....	11,660,589	798 fcs.
1886.....	11,377,405	730 "
1887.....	11,579,661	714 "
1888.....	11,958,143	718 "
1889.....	12,368,431	742 "
1890.....	12,583,225	757 "
1891.....	12,277,234	750 "
1892.....	13,089,468	642 "
1893.....	13,425,904	661 "
1894.....	13,489,506	646 "

The results for Paris, where complete statistics are published every year, show better still how the services of the Bank of France are utilised, the number of bills discounted for a less sum than 100 fcs. increasing from year to year. Here are the figures of the notes discounted in Paris for the last ten years :

	Number	10 fcs. and less	11 to 50 fcs.	51 to 100 fcs.	Above 100 fcs.	Total in millions of fcs.
1885..	5,017,904	14,106	656,980	919,753	3,427,065	3,970.9
1886..	4,966,581	13,528	638,876	940,271	3,373,906	3,810.1
1887..	5,188,490	13,755	677,590	977,455	3,519,690	3,869.7
1888..	5,423,916	17,842	796,577	1,006,054	3,603,443	4,221.9
1889..	5,667,119	19,100	836,417	1,076,072	3,735,530	4,620.3
1890..	5,673,088	23,689	842,933	1,077,059	3,729,407	4,782.5
1891..	5,695,921	19,350	745,500	1,013,751	3,917,320	4,720.3
1892..	5,574,911	26,136	886,149	1,155,792	3,506,834	3,801.4
1893..	5,868,772	26,183	931,002	1,168,292	3,743,295	4,163.3
1894..	5,805,774	31,783	984,496	1,172,678	3,616,817	4,125.0

These discounts cause a movement of specie, but also bring about the issue of transfer certificates for head office and between head office and branches, which are largely utilized by ordinary holders of accounts, especially at Paris, where the Bourse accounts are thus settled. The favorable terms accorded by the Bank of France for these transfers, which are nearly all made

gratuitously, explain their increasing use. The amounts of these transfers for the last ten years are given in the table herewith :

(In millions of francs)	Paris	Branches	Total
1885.....	29,059.0	1,308.0	30,367.0
1886.....	34,697.6	854.4	35,552.0
1887.....	31,917.7	806.4	32,724.1
1888.....	36,060.2	832.4	36,892.6
1889.....	40,437.2	854.2	41,291.4
1890.....	42,450.9	879.9	43,330.8
1891.....	47,854.8	890.2	48,745.0
1892.....	36,815.6	635.9	37,451.5
1893.....	37,340.3	750.2	38,090.5
1894.....	45,151.1	1,019.9	46,170.0

The business of advancing on collateral securities is also of considerable importance ; these are given to the Bank either as security for direct advances or for discounts, the deposit of securities taking the place of the third signature required by the statutes. On 24th December, 1894, the securities deposited thus by 13,281 customers numbered 695,977, and there were 115 different species of securities. Their valuation at the Bourse quotations of that day exceeded 550 millions of francs.

Advances, properly so-called, for the period indicated above were as follows, the average rate being also given :

	Total advances in millions of fcs.	Average rate
1885.....	585	4.00
1886.....	993	4.00
1887.....	590	4.00
1888.....	635	3.85
1889.....	713	4.03
1890.....	812	3.62
1891.....	1,980	3.50
1892.....	751	3.50
1893.....	807	3.50
1894.....	1,002	3.50

One easily finds evidence here of the great credit operations which have taken place in these last years, necessitating for several days at a time important movements of funds. The system of advances on securities suits perfectly operations of this kind, and bankers and speculators always have recourse to them, particularly as the rate charged is far from onerous.

On reviewing the totals given already for the different classes of business and adding thereto the transfers and payments in account, it will be seen that the operations in current

accounts must attain annually a very large sum. The amounts for the years 1885-94 are here given, as well as the balance at the end of each year (in millions of francs) :

	Total amount	Balance
1885.....	81,008	396
1886.....	91,033	380
1887.....	85,528	386
1888.....	95,060	428
1889.....	104,525	453
1890.....	108,636	418
1891.....	120,387	430
1892.....	97,429	492
1893.....	97,617	381
1894.....	113,734	451

Among the other duties undertaken by the Bank, the most important, doubtless, is that which pertains to the deposit of securities for safe-keeping ; to show this it is only necessary to note that at the end of December, 1894, the deposits of securities not pledged to the Bank, representing 41,818 accounts, were composed of 4,020,291 bonds or other documents of 2,181 différent classes, and the valuation of these at the Bourse quotations exceeded 3,000 million francs. If to these securities are added those which are connected with advances, and the deposits of the same kind effected by the associated stock-brokers, we arrive at a general total of 6,451,727 in number, and 4,500 millions of francs in value.

The banking account of the Treasury, if it does not bring actual profit to the Bank, since its business is done without charge, does not the less show a considerable movement ; here also one finds evidence of great financial operations in different years :

	Millions of Francs
1885.....	5,710
1886.....	8,973
1887.....	5,231
1888.....	5,264
1889.....	5,145
1890.....	5,783
1891.....	9,636
1892.....	6,009
1893.....	7,394
1894.....	7,354

In consequence of the numerous services which the Bank renders gratuitously, whether for the Treasury or for the holders

of current accounts, the profits realized are small in comparison with the sum total of business. It is to be remembered that the Rentes possessed by the Bank figure in its profits for nearly 10,000,000 fcs. The amounts collected by the State for taxes and sundry dues reach and even exceed 2,500,000 fcs.; the stamp duty on the Bank notes amounted in 1894 to the sum of 957,000 fcs., this duty being calculated at the rate of 20 centimes per 100 fcs. on the total amount covered by the cash on hand, and at  $\frac{1}{2}\%$  for the surplus.

(In thousands of francs)				
	Gross Profits, including Rentes owned by the Bank	Expenses of management and taxes, &c., paid to the State	Net Profits	Dividend per share of 1,000 francs
1885	51,658	15,530	36,128	185 fcs.
1886	45,297	15,643	29,654	155 "
1887	44,137	15,372	28,765	150 "
1888	43,847	15,801	28,046	142 "
1889	49,035	15,588	33,447	152 "
1890	46,839	15,931	30,908	157 "
1891	48,990	16,202	32,788	159 "
1892	41,325	16,280	25,045	130 "
1893	40,322	16,439	23,883	124 "
1894	38,789	17,293	21,496	113 "

The security that they offer, and their excellent standing, have caused the shares of the Bank of France to be sought after as an investment at a price yielding a low rate of interest. In July, 1895, in spite of the ignorance as to the conditions on which its privileges will be renewed (in 1897), the shares were quoted at from 3,550 to 3,600 fcs. (355 to 360 per cent.)

G. FRANÇOIS

PROCEEDINGS OF THE FOURTH ANNUAL MEET-  
ING OF THE CANADIAN BANKERS'  
ASSOCIATION

---

THE fourth Annual Meeting of the Association was held in the Legislative Council Chambers, Parliament Buildings, in the city of Quebec, on Wednesday and Thursday, the 11th and 12th days of September, 1895, the chair being taken by the President, Mr. B. E. Walker.

The following members were represented :—

BANK	REPRESENTED BY
The Quebec Bank - - - -	Thos. McDougall
The Union Bank of Canada -	G. H. Balfour
La Banque Nationale - - -	P. Lafrance
The Bank of Nova Scotia - - -	Thomas Fyshe
The Merchants' Bank of Halifax -	D. H. Duncan
The Peoples Bank of Halifax -	John Knight
The Bank of New Brunswick -	Geo. A. Schofield
The Bank of Toronto - - -	Duncan Coulson
The Imperial Bank of Canada -	D. R. Wilkie
The Bank of Hamilton - - -	J. Turnbull
The Canadian Bank of Commerce -	B. E. Walker
The Merchants Bank of Canada -	Geo. Hague
The Molsons Bank - - - -	F. Wolferstan Thomas
La Banque Jacques Cartier - -	A. de Martigny
La Banque d'Hochelaga - - -	M. J. A. Prendergast
La Banque Ville Marie - - -	Wm. Weir

The following Associates in addition to those representing members were present:—Messrs. J. F. Blagdon, Halifax; P. B. Dumoulin, Quebec; Louis de Martigny, Valleyfield; Jeffery Hale, Brantford; M. E. Holden, Brampton; Walter Lawson, Windsor, N.S.; N. Lavoie, Quebec; Herbert Lockwood, Montreal; W. M. Massey, Quebec; J. C. More, Quebec; Colin McCuaig, Woodstock, Ont.; F. G. Oliver, Berlin; E. L. Pease, Montreal; J. B. Peat, Toronto; R. C. Patton, Quebec;

F. A. Parkes, Brampton; Ernest F. Racey, Quebec; Jean Taché, Quebec; Jeremy Taylor, Fredericton; A. B. Van Felson, Quebec; R. S. Williams, Goderich; C. W. Walcot, Quebec.

The following visitors were also present:—Messrs. Z. A. Lash, Q.C., counsel for the Association, Toronto, and W. C. Cornwell, delegate from the New York State Bankers' Association.

After the President, Mr. B. E. Walker, had called the meeting to order, the Secretary, Mr. W. W. L. Chipman, read the notice calling the meeting.

The President then declared the Third Annual Meeting of the Association open and ready for business.

The minutes of the previous Annual Meeting were taken as read and confirmed.

Mr. Thomas McDougall, general manager of the Quebec Bank, in welcoming the members, made the following remarks:—

Mr. President and Gentlemen,—On behalf of my colleagues in Quebec, and for myself, I wish to say that we appreciate exceedingly the compliment of your visit to this city, and we desire to make you as welcome as we can. We trust that your stay here may be an agreeable experience to you, and in saying this we feel sure that we express the sentiments of the citizens at large. For the leisure time which you have at your disposal the local committee has provided certain pastimes which may be acceptable to you. I may mention that the clubs have opened their doors, and made their privileges available to you, viz., the Union Club, the Garrison Club, the Quebec Amateur Athletic Association and the Quebec Golf Club. With regard to the Golf Club, I may say that Quebec possesses probably the finest links in America, and possesses some men also who can play the game excellently well, and who are ready to afford facilities for a game to any member of the Association. The gentlemen of Laval University have kindly intimated that they will be glad of a visit from the members of the Association to the University. A trip has been provided to the Montmorency Falls for Thursday afternoon, which should be enjoyable to members of the Association on account of the beauty of the Falls, and should also be interesting as showing the application of water power to electrical and manufacturing purposes. Mr. R. R. Dobell has kindly offered to entertain the members of the Association on Friday morning at Beauvoir Manor, and the



Secretary of the Quebec and Lake St. John Railway has been good enough to volunteer a trip to Lake St. Joseph. With this scheme of amusement I think that your spare time during your stay here should be pretty well filled up.

In reply, the President said:—

Mr. McDougall and gentlemen of the Canadian Bankers' Association: On behalf of the Association I think we have first to express our thanks to the bankers of Quebec for the trouble which they have evidently taken to make our visit here in every way pleasant to us. We must thank the people of Quebec for their proffered hospitality, of some of which we will avail ourselves with great pleasure. We must also thank the Government for the dignity which will be lent to our proceedings by the meeting being held in this Legislative Council Chamber.

We, joint-stock bankers, are one of the products of modern industrialism, the engineers of the great power of credit as essential to the world as steam and electricity—and we have come to discuss our affairs where feudalism made its first stronghold in America. We would be strangely lacking in sentiment if we could meet here unmoved by the memories of what has transpired within these fortress walls. We are gathered together to consider the complexities of currency and banking, at the close of the nineteenth century, on the very spot where an ingenious intendant of the old regime invented a way out of his difficulties by creating perhaps the crudest fiat money ever issued. Here, where the products of the chase, the forest, and the field first took their seaward way to old France, we meet, who have carried the enterprise of banking from the Atlantic to the Pacific, and while we think of the effects on banking of the abundant harvest of our far prairie provinces, let us not fail to spare a thought for those early and apparently hopeless industrial experiments of new France—at Sable Island and Tadousac, and later on a larger scale at Cape Breton, in the Basin of Minas, at Montreal, and Quebec. Whether we be Frenchmen or Englishmen we must recognize the fact that we could not enjoy the comfort and luxury which we possess to-day, or look forward to the bright future in store for us, were it not for the intrepidity and courage with which these Frenchmen fought and struggled for their homes, for their king and for the flag that bore the lilies of old France.

In the United States I notice that conventions are opened by prayer; and if these little reflections help to lift us to a higher plane before we begin, I hope you will not think that we will be less capable of looking after the hard and practical matters of banking when we come to them. Further than to express our

gratitude for, and appreciation of, the warm feelings which have prompted the people of Quebec to do again for us what was so handsomely done at Halifax a year ago, I will not detain you.

On motion, Messrs. J. C. More and F. G. Oliver were appointed scrutineers.

The Secretary then read the following

REPORT OF THE EXECUTIVE COUNCIL

*To the Members and Associates :*

The Executive Council beg to report as follows regarding the work of the Association during the past year ;

DOMINION NOTE ACT

Immediately after the presentation to the Members and Associates of the last report of the Executive Council it was learned that an error had been made in some department of the Government in carrying out the legislation connected with the increased power of issue under the Dominion Note Act, and the additional words quoted at page 14 of the *JOURNAL* had been omitted. An explanatory note to this effect was afforded by the president at page 53. Since then the Government has passed the necessary amendment, repealing the legislation of 1894, and adding to the Act as it previously existed the following much more satisfactory provision :

“Notwithstanding anything to the contrary contained in the said chapter thirty-one of the Revised Statutes, Dominion notes may be issued to any amount in excess of the sum of twenty million dollars, authorized by section three of the said chapter, provided the Minister of Finance and Receiver-General, in addition to any amount required to be held by him in gold under the provisions of the said section three, holds an amount in gold equal to the amount of Dominion notes issued and outstanding in excess of the said sum of twenty million dollars.”

INSOLVENCY LEGISLATION

It was expected that the Insolvency Bill passed by the Senate in the Session of 1894, and which was not taken up by the House of Commons, would be re-introduced and receive the serious attention of Parliament this year, but at the second reading in the Senate, towards the end of May, it met with so much opposition that the debate was adjourned, and there is

now no immediate prospect of legislation on the subject. Your Council watched the situation most carefully, and were ready to act under your instructions given at the last annual meeting, had an occasion arisen rendering it possible to further discuss the features in the bill which were not satisfactory to the banks.

SPECIAL LEGAL TENDER NOTES

In the last report of the Executive Council you were informed of the terms on which the Minister of Finance would be willing to issue a special form of legal tender note for use by banks only. The report of the Executive Council having met with your approval, and the resolution at page 51 of the JOURNAL having been passed, your Council, on 23rd November, 1894, acted as subsequently reported to you in the president's circular of 20th May, 1895, and the Order-in-Council required to give effect to the arrangement was issued 25th March, 1895.

On receipt of the circular of 20th May, 1895, the various banks from whom subscriptions were expected remitted their proportion or expressed their willingness to pay when called upon, with the exception of one institution, as reported in the president's circular of 24th August, 1895. The cashier of this bank had originally objected to the form of the note, but on the 9th March, 1895, withdrew his objection while not yielding his opinion in the matter. In response to the circular of 20th May, however, while remitting his share of the expense he protested against any further expense being incurred until the whole matter had been reconsidered by the Council of the Association.

In his letter he stated his objections as follows :

“ 1. That under section 4 of the Dominion Note Act the Governor-in-Council has no authority to make legal tender a note that is drawn otherwise than payable absolutely to bearer.

“ 2. That the expression in the proposed note, ‘ negotiable only between banks ’ would throw upon the holders of the notes for the time being, and perhaps subsequently, a responsibility and liability far in excess of any advantage or saving there might be in the use of legal tender notes having a circulation limited to chartered banks.”

As the matter is of very great importance, your Council have

thought it best that it should be discussed at the Annual Meeting, in order that all the bankers present may have an opportunity to express their views before a final conclusion is arrived at.

#### CO-OPERATION

Your Council recognizing that the Constitution of the Association provides that a majority shall not by resolution or otherwise enforce action upon a minority, nevertheless also recognize that one of the main reasons for the existence of the Association is the co-operation of banks in reforms for the benefit of the body as a whole. In the closing months of 1894 an effort was made to fix a maximum rate of interest on deposits, and your Council are glad to be able to record that success was obtained at that time in every province and territory where banks have establishments, except in the Province of Quebec, where success was temporarily prevented by a bank which has since suspended. During the past week the agreement has been extended to Quebec, and, therefore, now covers the whole Dominion, so far as banks connected with this Association are concerned. Your Council feel that a great point has been gained in demonstrating that co-operation on an extended scale is possible, and they do not doubt that if banks will heartily favor co-operation and earnestly endeavor to make each instance of co-operation successful, whether local or national, a solidarity will be created among the banks of Canada which in matters of legislation, as well as of banking practice, will be most beneficial to all.

#### THE JOURNAL

During the year your Council, on the recommendation of Mr. Henderson, one of the Editing Committee, appointed Mr. Vere Brown as sub-editor of the *JOURNAL*, with a suitable remuneration. It was reported to your Council that the duties of the Editing Committee necessarily limited themselves to a general oversight of the publication, and of the articles finding a place on its pages, while the work of proof-reading and details must devolve on some one individual, and it had devolved in the present instance almost altogether on Mr. Vere Brown.

#### PRIZE ESSAY COMPETITION

In the Prize Essay competition, 32 papers were submitted

for the Senior subject and 32 for the Junior, 64 in all. The envelopes containing the *noms-de-plume* were opened this morning, and the names of the winners will be announced by circular as heretofore.

## REPORTS OF SUB-SECTIONS

The reports of the Sub-sections at Winnipeg and Ottawa will be presented separately.

## AMENDMENTS TO THE BANK ACT AND BILLS OF EXCHANGE ACT

The Executive Council desire to draw the attention of their successors to the following business not discharged by them for the reasons given in their last report :

“ 1. Motion by Mr. Burn regarding an addition to section 84 of the Bank Act. (See page 322 of the JOURNAL).

“ 2. Motion by Mr. Prendergast regarding section 51 of the Bills of Exchange Act. (See page 323 of the JOURNAL.)

“ 3. Motion by Mr. Ward in Executive Council regarding Clause 80 of the Bank Act, that whenever legislation affecting the Bank Act is before the House, steps be taken in the direction of enabling banks to collect the rate of interest stipulated to be paid.

“ 4. Suggestion by Mr. Schofield in Executive Council, approved by Council, that ‘an addition’ be obtained ‘to the section under which the banks would be fully protected in substituting new goods for property already held under pledge, and needing to be surrendered to a customer for the purposes of his business.’”

All respectfully submitted on behalf of the Executive Council.

B. E. WALKER, *President*

THE PRESIDENT—A little comment is necessary on my part regarding this report, before moving its adoption. What was done regarding the issue of Dominion notes in excess of twenty million dollars must be satisfactory to all of us. It will probably have the effect eventually of making the banks indifferent whether they hold Dominion notes or gold.

Regarding insolvency legislation, I would say that if at any time merchants who are customers of the banks complain of the Insolvency Bill not passing, the reply is that the fault clearly

lies with them. The co-operation of the banks might have been obtained at any time had they been reasonable regarding the section discussed at the last annual meeting.

On motion of the President, seconded by Mr. George Hague, the report was unanimously adopted.

The report of the Examining Committee in the Prize Essay competition, made to the Executive Council, was then read by the Secretary, as a matter of interest to the Associates present.

#### REPORT OF THE ESSAY COMMITTEE

##### *To the Executive Council :*

The following awards have been made by the Committee appointed under your resolution of November, 1894, to examine the essays, 64 in number, submitted in the Prize Essay competition under circular of 13th February last :

##### SENIOR COMPETITION

1st—"Louis"—R. J. Gould, Bank of Toronto, Toronto.

2nd—"Facts"—C. F. Deacon, Bank of British North America, Montreal.

##### *Honorable Mention*

"Fiscus"—J. B. Peat, Canadian Bank of Commerce, Toronto.

"Mammon"—R. Wolferstan Thomas, Bank of British North America, Toronto.

"A. L. O. C."—F. McDougall, Merchants Bank of Halifax, Sackville.

"Semper Vigilans"—Geo. Wilson, Imperial Bank of Canada, Toronto.

"Erin-Go-Bragh"—D. M. Stewart, Canadian Bank of Commerce, Montreal.

##### JUNIOR COMPETITION

1st—"Per Augusta"—J. M. Black, Bank of British Columbia, Vancouver.

2nd—"N. P. N. A."—F. J. Sherman, Merchants Bank of Halifax, Fredericton.

##### *Honorable Mention*

"Parva Sub Ingenti"—J. H. Ferguson, Merchants Bank of Halifax, Charlottetown.

“Dixie”—H. M. P. Eckardt, Merchants Bank of Canada, Winnipeg.

“Yorke”—D. M. Sanson, Canadian Bank of Commerce, Toronto.

“Weymouth Pine”—H. V. F. Jones, Canadian Bank of Commerce, Toronto.

“Count”—H. A. Hunter, Canadian Bank of Commerce, East Toronto.

The Committee, while commending the general excellence of the papers, regret that in both subjects the banking interests of the country were not more fully considered.

W. W. L. CHIPMAN,

Montreal, 27th August, 1895

(for the Committee)

MR. HAGUE—I think we should pass resolutions of thanks to the gentlemen who made the examinations. I know from experience what a very onerous business it is. These gentlemen have had to read sixty-four papers of a great many pages each, and not only read them but also consider them very carefully as to their order of merit. I had the honor of taking part in the examining of these papers two years ago, and certainly it was one of the most onerous things I ever had to attend to. I think, therefore, the Association should not allow all this work to be done without, at any rate, expressing its warm appreciation of the manner in which it is done, and I now make the following motion :

Moved by MR. HAGUE, seconded by MR. McDUGALL, “That a vote of thanks be tendered to the committee appointed to examine the papers submitted in the Prize Essay Competition, for their valuable services.” Carried.

MR. G. H. BALFOUR—On behalf of the Reading Committee I tender thanks for the kind expressions of which you have made use. The reading of these papers has been a matter of gratification to us. I should just like to mention in this connection—we at first included it in our report, but I think it was afterwards eliminated—that some of the papers exceeded the regulation length. The number of words permitted in the junior competition was five thousand, and in the senior ten thousand. Now, in both classes several papers exceeded the limit. One of the best papers in the senior series—one which undoubtedly would have won a prize—contained some eighteen hundred words in excess of the ten thousand, so that paper had to be

thrown out. I think that stress should be laid upon the fact in future that papers will be discarded if they exceed the number of words allowed by a certain percentage.

MR. KNIGHT drew attention to the distinction made between the number of words allowed to the junior and senior competitors, and said that he would be in favor of restricting the number of words in the senior competitions to five thousand words and allowing the juniors to write as freely as they pleased.

The President said that he was glad to see this point raised. He had not been a member of the committee which decided the number of words, and he did not know why the distinction had been made. He had, however, urged the committee to allow a larger number of words than they first proposed. The discussion would have weight with future committees. He remarked that several young men complained that the committee did not suggest sources of information, and the intimation had been made that it might not be amiss if the committee naming the subjects would give suggestions of that kind. He did not know whether it was practicable or not, but it should go on record, so that the next committee naming the essays would have that point before them for consideration.

MR. HAGUE said he thought the number of words was too great. Such a limit as ten thousand words must necessarily in a great many cases lead to diffuseness, and make the task of reading and judging a matter of great difficulty, and such as should not be imposed upon anybody. It would be most desirable to shorten the essays by about one half. He could not endorse Mr. Knight's idea, and was inclined to think that no distinction should be made between them.

The President expressed the hope that this discussion would be helpful to the next committee, and said that he trusted they would have no difficulty in finding bankers who would be ready to undertake the labor which the examination of the papers entailed.

The Secretary then read the

REPORT OF THE WINNIPEG SUB-SECTION

*To the Executive Council:*

The Winnipeg sub-section of your Association beg to present their report herewith.

The annual meeting was held on the 8th June, when Mr. Angus Kirkland, Manager of the Bank of Montreal, was elected



Chairman for the ensuing year, and Mr. F. H. Mathewson, Manager of the Canadian Bank of Commerce, was re-elected Secretary.

Several matters of more or less importance were brought before the sub-section during the past year, and dealt with.

Through the medium of the sub-section, an agreement was effected by which all the banks doing business in Winnipeg reduced the rate of interest on deposits to  $3\frac{1}{2}\%$  on the 1st January last.

Last year our Association undertook to obtain reports upon the condition of the crops for the benefit of all the members, and arrangements were made with a large number of reliable correspondents in the province to send reports to the Secretary on the 8th August and 6th September. The information thus obtained was compiled and distributed to the several banks, and proved valuable in enabling the managers to form conclusions as to the condition, size and quality of the crop, and the probable quantity of grain available for export. The estimates made from these reports ultimately proved to be very nearly correct.

This year the list of correspondents has been considerably enlarged, and reports have already been received from correspondents at 123 points in the North-West regarding the conditions and prospects, prior to the commencement of harvesting operations. After the grain is cut, and thrashing well advanced, a second report will be obtained.

The members of the Winnipeg Sub-section beg to suggest that your Association hold their next annual meeting in this city, and they would assure you that all in their power would be done to make the visit enjoyable.

Yours faithfully,

ANGUS KIRKLAND, *Chairman*  
F. H. MATHEWSON, *Secretary*

Winnipeg, Sept. 13, 1895

MR. THOMAS—Mr. President, I would like to make a few remarks on that report. Coming as it does from one of the most remote parts of the Dominion, it shows that they have fully appreciated their position. First of all, we see them a young community, no more than, you may say, a quarter of a century

old, and they have set us an example in reducing what we considered a too high rate of interest, to  $3\frac{1}{2}$  per cent. maximum. For that, I think, they deserve a great deal of credit. Then, again, as to these reports, I read them with a great deal of satisfaction, Mr. President, because it struck me, as I think it would many others, that we could place much more reliance upon these than upon the reports furnished from other sources. I speak specially, for instance, of the railways. We know the C. P. R. is naturally interested, and whether they give true reports or not people are apt to form their own conclusions and not rely upon them altogether. Now, when these bankers took all that trouble and were enabled to furnish reports which were really a *fac-simile* of the C.P.R. reports, which just endorsed and assured the C.P.R. reports, I think it was an admirable gain to that railway, and I am sure it was to ourselves and the mercantile community doing business in the North-West. I would move that we specially put upon our records that we are grateful to our friends in Winnipeg for the position which they have taken in instituting these enquiries.

The PRESIDENT—I would add to Mr. Thomas' remarks my own feeling as to what has been done there. The bankers arranged with the 123 correspondents referred to in the report, even to have telegraphic information of frost, and they have practically covered that entire country with reliable correspondents. I hope you will all approve of the expressions of thanks to which Mr. Thomas has given voice.

MR. HAGUE—Before we pass from that, is not the example of the Winnipeg section one worth following? Could we not suggest to the Executive next year that means be taken to secure reliable estimates of the crops in our own and the other provinces? We are interested in the products of the different provinces, but particularly in the crops; and it is undoubtedly the case that we have the means of getting information, which, when summarized and published, would be of very great value to ourselves and to the general community. It is a question whether it is not desirable for the Executive next year to take means, when the next harvest comes, to have this idea extended to every province of the Dominion.

A motion by Mr. Hague, seconded by Mr. Thomas, that the Executive take this matter into consideration, was carried.

MR. McDUGALL—In connection with Mr. Hague's remarks, how would this information, as obtained, find its way to the public? Would it be periodically published?

MR. HAGUE—It would only be gathered once a year.

MR. McDUGALL—Of course in the western provinces it is only once a year for the crop; but would you apply it to the dairy products of the Province of Quebec?

MR. HAGUE—I don't know that we could apply it to the dairy products. They extend over a long period of time. The crops, however, come once a year, and definite information could be got at a particular time.

MR. McDUGALL—The information with regard to the output would be valuable.

MR. THOMAS—Does not the Board of Trade supply this? If it does not, I think it would be a good thing to extend that idea to the dairy products, and the products of the forests and mines, because these are some of the most important industries we have.

MR. THOMAS—Don't you think that if the Executive Committee took this up, they might draw up a formula and ask the banks to pass it round to their branches, so that you might have something of a uniform character from which deductions could be made?

The report of the Ottawa sub-section showed that no business had been transacted.

Moved by MR. M. J. A. PRENDERGAST, seconded by MR. E. L. PEASE:

“That the report of the sub-sections be adopted and embodied in the proceedings of the annual meeting.”

Moved by MR. THOMAS, and *resolved* unanimously:

“That the grateful thanks of the Association be tendered to the Winnipeg sub-section for their admirable and exhaustive crop reports.”

## FINANCIAL STATEMENT

The Secretary-Treasurer presented his financial statement to 30th June, 1895, as follows:

GENERAL BALANCE	
May 31st, 1894	June 30th, 1895
Balance brought forward..\$4,676 40	Cash account—In bank....\$3,141 23
Revenue account—	Charges account..... 4,844 89
Members' subscriptions.. 3,000 00	Office furniture ..... 224 70
*Associates' do. .. 459 00	
Bank interest ..... 75 42	
<u>\$8,210 82</u>	<u>\$8,210 82</u>

\*Associate fees in 1894 were payable in February; in 1895, not until 1st July. The larger part of the fees for the period Feb. '94-June '95 were paid prior to 31st May, 1894.

## GROSS REVENUE ACCOUNT

May 31st, 1894		June 30th, 1894	
Balance.....	\$4,676 40	Charges account.....	\$4,844 89
June 30th, 1895		Balance.....	3,365 93
Bank interest account ....	75 42		
Revenue account .....	3,459 00		
	<u>\$8,210 82</u>		<u>\$8,210 82</u>

Certified correct.

M. J. A. PRENDERGAST  
E. L. PEASE

It was resolved that the report of the Treasurer just read, having been approved by the Auditors, be adopted.

The following report was presented on behalf of the Editing Committee :

## REPORT OF THE EDITING COMMITTEE

*To the Members and Associates :*

The Editing Committee beg to report concerning the work of the past year as follows :

The volume for the year commenced with the September number, of which 1,200 copies were issued from the press, that quantity being regarded as sufficient for the probable requirements. A large influx of new Associates and of subscribers to the JOURNAL taking place shortly thereafter, however, it was found necessary to increase the succeeding issues to 1,600 copies, and to print a second edition of 400 copies of the September number.

The publication of Dr. Breckenridge's work on the legislative history of our banking system has been a special feature of the year's JOURNAL, and the Committee take this opportunity of reporting the arrangement upon which it was undertaken.

When Dr. Breckenridge set out upon his researches for the material for his work, he discussed his plans with some of the members of the Association. The desire had been widely expressed that someone might be induced to undertake the task Dr. Breckenridge had set for himself, and as it was eminently fitting that such a work should be published under the auspices of the Association, the President suggested to Dr. Breckenridge that the Editing Committee would doubtless be pleased to have his article—then estimated as likely to be of the length of 160

JOURNAL pages—for publication in the JOURNAL, furnishing him in return with 300 copies in pamphlet form, to be struck off when the type was set up for the JOURNAL. When the first portions of the work were placed in the hands of the Committee it was found that it would be more than double the length first thought likely. The publication of this larger article, on the conditions as to author's copies, involved a considerable expenditure; but with the approval of the President, your Committee concluded the arrangement with Dr. Breckenridge, and now express the hope that their action in the matter has been such as the Association will approve of.

In their report a year ago the Committee estimated the cost of publishing the JOURNAL during the ensuing year at \$700. The actual cost has been \$1,738. This difference has for the most part been occasioned by the publication of the Breckenridge chapters, which necessitated almost doubling the size of the three last numbers of the volume, as well as publishing a supplement of about 100 pages. The larger edition of each issue, rendered necessary by the increase in the JOURNAL'S constituency, and the reprinting of the September number, will also account for a portion of the increased cost. Against this increase, however, must be taken into account the increased revenue to the Association from fees, subscriptions, and advertisements, which has amounted to \$804, as shown by the following statement :

At the date of the last annual meeting the fees of associates amounted to .....	\$585
At 30th June, 1895, this had been increased to .....	890
<hr/>	
An increase of .....	\$305
Add increase in subscriptions to the JOURNAL .....	318
Advertisements, after deducting commission of agents managing this department.....	181
<hr/>	
A total increase of .....	\$804

bringing the total revenue up to \$1,385.

The list of subscribers is made up of bank directors, private bankers, American banks, and business men. A number of these no doubt subscribed for the purpose of procuring the article on the Canadian Banking System, and a proportion of these subscriptions will doubtless lapse. Making allowance for this and

reckoning the Associate membership at about its present figure, the Committee estimate that the revenue from the JOURNAL for the coming year will not be less than \$1,250.

The cost of publication for the coming year will, the Committee estimate, be about \$1,550, but should this have to be exceeded it will be due to causes bringing about a corresponding increase in the revenue. In this sum is included the special grant by the Council for the remuneration of the sub-editor and other expenses, as well as an allowance for honoraria to contributors, which latter the Committee find will be absolutely necessary to the maintenance of a really creditable magazine. This total expenditure the Committee trust the Council will see their way to sanction, although in excess of the anticipated revenue from the JOURNAL for the coming year.

All respectfully submitted,

J. H. PLUMMER, *Chairman*

Toronto, 9th September, 1895

THE PRESIDENT—Referring to the financial statement and the report of the Editing Committee, I think we are a thousand dollars poorer then we were at the beginning of the year.

MR. THOMAS—We have got to pay for the prizes, and the amount is larger this time.

THE SECRETARY—Last year's prizes are in this year's outlay.

THE PRESIDENT—At first we had an income much larger than our expenditure. We accumulated a surplus of \$4,000 at the very start. The only item in the expenditure of the year to which I wish to refer is that connected with the JOURNAL. I have nothing whatever to do with carrying on the JOURNAL, and all credit in connection with it is entirely due to the Editing Committee and the sub-editor, but I wish to explain on their behalf that they have this year avowedly spent money freely in order to make the JOURNAL what it is. A large part of this expenditure was caused by the publication of the history of the Canadian banking system written by Dr. Breckenridge. The report of the Editing Committee explains the circumstances under which its publication was arranged for. We thought it would be a work of less than 200 pages, but it turned out to be one of 353 pages, and we had to supply 300 copies in order that he could submit it to the Columbia College as his thesis. The

Editing Committee did not hesitate to spend the money, and even if it had cost a great deal more, there could be no doubt as to the wisdom of doing so.

MR. THOMAS—Looking over the Supplement of the JOURNAL I find that my bank is not as well represented on the list as it should be. I think that is a source from which the income might be increased; and to do that it would perhaps be desirable to give Associates more even than they have now. I think I heard some ask a year ago what they would get for their money. I am not prepared to say, but I think it would be desirable to consider in what manner, apart from the JOURNAL, the advantages of Associate membership could be increased.

MR. KNIGHT—You refer to the absence of the members of the Editing Committee. I am a corresponding member of that Committee, and I do not hesitate to tell you this, since you are on the question of ways and means. Probably the most important thing is as to what we will give the Associates. The Associate who obtains the magazine for one dollar is getting a great deal more than his money's worth. If you expect for the first year or two to make any paper or magazine, reserved for the use of bankers, pay, you are very much mistaken. We have already many subscribers outside of those interested in banking directly. It will become the accredited organ of the bankers, and in time will also be sought as a reliable guide with respect to crops and other matters of interest, by the commercial community. The bankers will be actually vouching for the accuracy of its statements. If the apparent loss of revenue, or the failure to make our expenditure come within our income this year, is due only to the publication of the magazine, I think we have nothing to regret. The JOURNAL may be the only thing we give, for the yearly subscription, to the Associates, but what more we can give them is beyond me, and I cannot see how the man who subscribes one dollar a year to this association can expect more value for his subscription than is represented in such a magazine.

MR. THOMAS—Of course, I did not intend to speak disparagingly of the JOURNAL; quite the contrary. The question in my mind was: Could we do anything more for the Associates? I think it would be well if a record book were kept at our head office, containing a record of every Associate officer—the bank he is in, the position he occupies and various things about him. By that means bank officers residing in the other provinces would become known to the bankers of Ontario and Quebec and all through the Dominion. I don't know that it would be desirable to encroach on other preserves, but yet I do not see why young

fellows who are living in Nova Scotia, for instance, would not have some chance of being known to bankers throughout the Dominion.

I think we ought to be most grateful to the gentlemen who have taken the trouble to edit so excellent a magazine. A remark has been made about securing outside subscribers. Now, if we want to extend the circulation of the JOURNAL we must put something in it that will draw outsiders. You speak about the crop reports. These must not be kept for our exclusive information. In reference to agriculture in the Province of Quebec, there is a journal published by the Government which contains all the facts bearing upon it. These might be digested in reference to the hay crop and dairying and other things, and the facts inserted in our JOURNAL. When we want information we do not know exactly where to put our hands upon it, and I saw this *Journal of Agriculture* for the first time less than a month ago.

On motion of MR. KNIGHT, seconded by MR. McDUGALL, the report of the Editing Committee was adopted.

The PRESIDENT—We will probably have to spend more out of our surplus next year; and if in a few years we do not see our finances meeting, it will be time enough to consider the situation.

MR. THOMAS—It would be a good thing if each bank would supply its branches with a bound volume of the JOURNAL for each year.

MR. KNIGHT—The JOURNAL can be made to pay; but as many of us know, it has been thus far intentionally confined mainly to matters of interest to bankers, whereas my idea is that it can be made to take the place of a magazine for circulation among the merchants as well.

The PRESIDENT—Whenever that time comes we will have to have a paid editor who will attend to it and nothing else. I am not troubled so much about the expense as about having a first class journal, even if it costs more than now. So far, however, we have done what we could, and we have already a good many mercantile subscribers, as well as lawyers, private bankers in Canada and foreign bankers.

MR. KNIGHT—It is nearly self-supporting, and if all the banks would take an interest and encourage their officers to subscribe, we should have no difficulty in making it pay all expenses.

MR. WEIR—Mr. Chairman, I think it is due to the Editing Committee to pass a vote of thanks. I must say that having



some experience in the publication of a journal, I consider it has been very successfully edited; and when I hear the financial statement I am surprised it has not cost more. I must say, from my own knowledge, I think they have been very economical in the management, and I would also say that I like the JOURNAL very much.

Moved by MR. F. WOLFERSTAN THOMAS, seconded by MR. GEO. HAGUE, and

“Resolved, that the special thanks of the Members and Associates are due and the same are hereby heartily tendered to the Editing Committee and the Corresponding Committee of the JOURNAL for their continued and valuable services during the past year.”

In tendering this vote of thanks the Members and Associates congratulate the Committees on the extension of the Associate membership list, due so largely to the growing influence of the JOURNAL as an authoritative banking publication. They further regard with sincere appreciation the high standard of excellence of the papers admitted to its pages.

The meeting adjourned until 8 o'clock p.m.

---

#### EVENING SESSION

---

The proceedings were continued by the reading of the

#### PRESIDENT'S ANNUAL ADDRESS

The year or more which has passed since we met at Halifax has not been a very eventful one in the financial world, but it has made many changes among us as individuals. While we were meeting at Halifax, news reached us of the death of Mr. J. Murray Smith, well known in Quebec and Ontario, and doubtless elsewhere, as the manager at Montreal, for many years past, of the Bank of Toronto.

In December, James Stevenson, one of our honorary presidents, and the general manager of the Quebec Bank, passed away full of years and honors. He was not only the venerable teacher and adviser, but the genial friend and fellow sportsman of many throughout Canada. A graceful writer on all subjects, who even gave to the early history of banking in

our own country the charm of picturesque incident, we shall mourn him as a personal link in that history stretching back to the rebellion.

In March, Robert Henry Bethune, general manager of the Dominion Bank, one of the most active and successful bankers in Canada, died. At one time an officer under Mr. Stevenson, whose junior he was by a generation, his death in the prime of life, so shortly after his octogenarian friend and preceptor, startled us all. There were those, I believe, who knew that he was not as well in health as his firm bearing and cheerful speech indicated, but to most of us his death came as a sudden grief for which we were all unprepared.

We have also lost by retirement Mr. R. R. Grindley, general manager of the Bank of British North America, but we must hope that in his well-earned repose he will not forget the country in which he lived so long and his fellow workers in the business of banking. With strong convictions as to the usefulness and a clear view as to the future of the Association and its JOURNAL, his advice was always helpful to his fellow members of the Executive Council.

By the resignation of his position as cashier of the Banque du Peuple, immediately before the suspension of that bank, Mr. Bousquet also ceased to be a member of the Executive Council.

I hope it will not be thought out of place if one who was not politically a follower, also offers at this moment his tribute of admiration to the late Sir John Thompson. Without entering upon the qualities he possessed for which he will be remembered in history, I may safely assert that those who had to do with the various important measures of legislation in which banks were deeply interested, know how much we owe to his great ability and profound sense of right.

#### NEWFOUNDLAND

In December a financial collapse occurred in Newfoundland, serious enough to involve the credit of the island, and to cause the failure of a large number in the mercantile community, including the only two joint-stock banks existing there. As the statements of these banks have not been readily accessible to Canadians I subjoin copies of those rendered at the close of

their last fiscal year. Subsequent revelations have made these statements of little value except as an indication of the volume of the banking business of the island.

*Union Bank of Newfoundland*

LIABILITIES—	30th June, '94
Capital .....	\$ 456,000 00
Reserve Fund .....	320,000 00
Profit and Loss, undivided .....	7,319 79
Bank notes in circulation .....	616,080 00
Due by Bank including deposits at interest, payable Jan. and July on receiving fifteen days notice .....	3,015,305 59
Dividend No. 78, 6% for half year ending Nov. 30, 1893 .....	\$27,360 00
Dividend No. 79, 6% for half year ending May 31st, 1894 .....	27,360 00
Bonus, 3% for half year ending May 31st, 1894 .....	13,680 00
	<u>\$68,400 00</u>
Less Dividend to Nov. 30, 1894 .....	27,360 00
	<u>41,040 00</u>
	<u>\$4,455,745 38</u>

ASSETS—	
Specie in vault.....	\$ 196,974 82
Notes of other banks .....	517 00
Bills discounted, loans, etc .....	2 881,671 72
Balance due by banks and funds available in fifteen days....	1,360,581 84
Bank premises, safes, etc .....	16,000 00
	<u>\$4,455,745 38</u>

*Commercial Bank of Newfoundland*

LIABILITIES—	30th June, '94
Capital .....	\$ 306,000 00
Notes in circulation .....	527,911 00
Current accounts, deposit receipts, etc .....	1,813,620 00
Dividend, unpaid.....	13,770 00
Bonus.....	3,060 00
Reserve Fund .....	110,000 00
Profit and Loss .....	12,116 00
	<u>\$2,786,477 00</u>

  

ASSETS—	
Specie.....	\$ 138,234 14
Notes and cheques of other banks.....	10,382 41
Debenture bonds (water stock, Dominion and other securities, and interest due).....	341,865 13
Local bills discounted (bills of exchange and amounts due from other banks) .....	2,258,789 57
Bank premises, including safes and land adjoining with brick building erected thereon .....	37,206 93
	<u>\$2,786,478 48</u>

While it was evident that this was the natural result of a long period of trading and banking on an unsound basis, the readjustment of which will prove beneficial to the colony, it was unfortunate for Canada that there should be in the minds of many foreigners a doubt as to the political relations of the island to us. Although we owe them no duty, except the good will arising from geographical adjacency and a common ancestry, it will doubtless be remembered in our favor, when at some future time the question of the annexation of Newfoundland with Canada is again discussed, that at the hour of their severest financial trial three Canadian institutions, the Bank of Montreal, the Bank of Nova Scotia and the Merchants Bank of Halifax, stepped into the breach and aided largely in rehabilitating the commerce and the finances of the island. Many of the bankers here present are much better informed as to Newfoundland affairs than I am, yet all will be glad, I think, to hear that during the ensuing year we hope to have in our JOURNAL a very complete article, by a thoroughly competent writer, dealing with the commercial and political conditions of the island.

#### CANADA

It is with regret that we have to record the suspension of one Canadian bank during the past year, but as the period has not yet expired during which the institution is permitted by the provisions of the Bank Act to resume, it would not be proper for me to enlarge upon the event, deeply interesting as the circumstances surrounding it have been to all of us. Whatever there is in the history of the institution which is materially connected with the history of banking in Canada, will doubtless be recorded in the JOURNAL sooner or later.

It is probably inexpedient for the President of this Association to attempt to deal in his annual remarks with such conditions of banking in Canada as the present almost unparalleled plethora of money, but I hope that it will not be regarded as improper if I draw attention to the unfortunate degree of competition which appears more and more to be characterizing our relations with one another as bankers, and which is particularly to be regretted at a time when it would seem as if the dictates of self-preservation would induce us to co-operate in order to bring

about many reforms. We seem to be in very great danger of almost entirely losing the minor profits coming from inland exchange and similar operations, not simply by the constant cutting in two of the commissions charged, but by the wholesale manner in which these commissions are being waived in favor of the mercantile public. The same spirit of reckless determination to secure business at any cost is seriously affecting all branches of profit in banking at a time when the natural conditions are all adverse, and one would expect that prudence would cause us to jealously preserve all legitimate sources of profit.

## UNITED STATES

In this connection I wish to draw your attention to the very rapid growth of bankers' associations in the United States. The great federal body, the American Bankers' Association, was, if I remember aright, alone, or almost alone, a very few years ago, as a body of co-operating bankers. There are now local associations representing thirty States, in all thirty-two associations, one federal and twenty-nine State bankers' associations, and two savings bank associations. While at the present time these associations are discussing banking reform for the nation, the avowed purpose of many of them, and the distinct good many of them are able to perform, is in the direction of improving the practical conditions of banking in their own district, such as rates of interest and commission, and the profits of banking generally, provisions against fraud, and the avoidance of undue competition. There is also noticeable among all of them an admission of the benefit of actual personal contact, that is, they are beginning to feel, as I hope we are also beginning to feel, that by becoming personally acquainted with each other the desire for friendly co-operation is increased, while they are less disposed to enter into unfair competition with one another.

Financial events in the United States during the past year have mainly centred around three points of interest: (1) The position of the gold reserve of the Treasury, (2) The possibilities of the free coinage of silver; and (3) The reform of the currency and banking. And these three points may be said to be inseparable in any discussion of United States finances at the moment.

We noticed, in speaking on this subject a year ago, that the gold receipts at the Custom House in June, 1894, had fallen to less than one per cent. of the whole payments. By July there were practically no gold receipts, and by November another bond issue of fifty million dollars became necessary in order to replenish the Treasury gold reserve. This was offered to the public in 10-year 5 per cent. bonds (issued under an old Act), to be sold on the basis of yielding the buyer not more than three per cent. per annum, or at a premium of 116.008. Although these bonds were payable in *coin* and not expressly in *gold*, the entire issue went to one syndicate at 117.077, or a return of 2.878 per cent. per annum, showing that thus far the faith of Congress and the ability of the Treasury to redeem in gold was fully credited.

In December the Committee on Banking and Currency decided to report favorably to the House a bill looking to the reform of banking and currency, the main feature of which was the issue of bank-notes not secured by Government bonds, but resting on the general estate of the bank, in a manner avowedly copied to some extent from our own system. This proposal, commonly known as the Carlisle plan, differed in some details from that suggested at Baltimore in the preceding October by the American Bankers' Association, but both were the outcome of the same school of reform. But the bill was opposed on the one hand by the Republicans and most of the National banks, and on the other by the advocates of the free coinage of silver, and after much discussion, and the offer of many substitutes, by January it became evident that no action could be taken. Among the many who gave evidence before the Committee on Banking and Currency, I cannot forbear quoting the following terse statement from one of the ablest writers on financial subjects in the United States :

“ In respect to silver money, I assume that though the policy of increasing or diminishing its volume is still a seething question, yet it does not specifically concern the problem immediately before your Committee.

“ As to the system of note issues provided under the National banking laws, I shall take it for granted—as I think I safely may—that, among economists, practical bankers and intelligent

students of monetary questions, it is the largely preponderant conviction that the system has outlived any adaptation it may have originally possessed for satisfying the currency wants of the country ; the main grounds for that conclusion being :

“ 1. That the bond form of guarantee has been found incompatible with elasticity of issue ;

“ 2. That said guarantee leaves no sufficient margin of profit to the issuer, and consequently prevents issuing ;

“ 3. That the bonds themselves must, in a few years, mature and be retired ;

“ 4. That the Government's engagement to pay the notes is an illegitimate exercise of federal power ;

“ 5. That, owing to obstructive restraints, the volume of notes cannot be readily augmented to meet public emergencies ;

“ 6. That the arrangements for insuring current redemption of the notes fail of their purpose, thereby keeping the volume rigidly inflexible at the season when it should automatically contract or expand ; and

“ 7. That, for these reasons, the National bank circulation has shrunk to one-half its former volume, while the public requirements for money have been increasing.”

The Carlisle plan had many excellent features, along with others, in my opinion, not admirable, but it is clear that before any comprehensive legislation can be obtained the silver heresy must disappear, and many who are not advocates of cheap money must be educated out of unsound ideas born of the financial expedients of Andrew Jackson and Salmon P. Chase.

All this discussion at Washington of the shocking condition of United States finances, accompanied by the usual recklessness in statement by politicians, did no good, and while it was going on the Treasury was drifting into a terrible position. The gold received from the February and November bond sales amounted to \$117,000,000, but the withdrawals were on such a scale that the net balance when the last sale was concluded was slightly less than the figure of \$100,000,000, which the Treasury endeavors to maintain and the public has come to regard as danger point. Withdrawals continued, and towards the end of January the largest withdrawals occurred ever made

in one week since the Treasury was established. By the 28th the reserve was down to \$56,000,000, and in the next five days over \$14,000,000 went out, leaving less than \$42,000,000. While Congress refused to reform the currency the free-silver advocate caught the ear of the public, and aided by the great depression in business and a new species of illustrated economic literature, his opinions flew like wild fire again over many parts of the west and south. Another bond issue was absolutely necessary, but the faith of November was gone in January, and eventually a sale was negotiated so different in results from the sales of 1894 and surrounded by such pregnant facts that it will doubtless find a place in history for many years to come. President Cleveland was strong enough to enforce the repeal of the Sherman Silver Purchase Act, strong enough to enable the Treasury by bond sales to keep up gold payments, but he was not strong enough to enforce the passage of a comprehensive measure of currency and banking reform which would sound the knell of free silver and begin at once the relief of the Treasury from its intolerable obligations.

This failure to pass a banking and currency bill, accompanied by the clearest evidence that the free-silver advocates were still a power, and at a time when the Treasury had barely strength to stand the drain for a few weeks longer, greatly weakened the belief in the good faith of Congress to continue payments in *gold* of obligations made payable in *coin*, and it was for this reason that the President in his message of 28th January, appealed once more to Congress for power to make the forthcoming bond issue expressly payable in *gold* instead of *coin*.

Congress failed to act, and a bargain was made with a syndicate of bankers, representing in a large measure the wealth of Europe and America, by which, under power conferred by the resumption of specie Act of 1875, the Government bought from the syndicate 3,500,000 ounces of gold, paying for it in bonds. The practical result of this was that for \$62,317,500 of 30-year 4 per cent. bonds the Government obtained \$65,117,500. The price, therefore, in dollars was 104.49, yielding in interest to the purchaser  $3\frac{3}{4}$  per cent. p.a., about the price at which a first-class city can borrow money in America,



and an astounding price for the great Government of the United States to pay. Let us make sure that we understand the reason for such a transaction.

You will remember that in the previous November, as in the previous February, bonds had been sold to yield less than 3 per cent. Did any one in 1895 doubt the *ability* of the United States to pay the bonds when due, who had not doubted it in 1894? It would be absurd to suppose so—there was no doubt. But would they pay in the money of the world, in gold? The syndicate, in order to leave no doubt as to what the high rate of interest meant, offered to take 30-year 3 per cent. bonds at par if payable in *gold* instead of *coin*. Congress had expressed to the world its intention to pay in gold all obligations made payable in coin. Why not say so in the obligation itself? The President having obtained this option, as opposed to the terms already mentioned as those in which the sale was finally made, put upon Congress the responsibility of declining to authorize gold bonds, and thus causing an enormous loss of both money and credit. Congress, however, refused, and the direct loss to the country in excessive interest to be paid during the term of the bonds exceeds \$16,000,000, while the less direct loss by this wanton disregard of national credit is incalculable.

While the sale of bonds brought \$65,000,000 into the impoverished Treasury, it had become clear that the mere selling of bonds, even directly for gold, would not alone save the situation. There is no real relation between revenue deficits which have to be met by the sale of bonds and the requirements in gold of the public for export or for hoarding. It is to some extent an accident that the gold receipts from the bond sales of February and November, 1894, met the public's requirements, at the time, of gold for export. The real evil is the absence of gold in the receipts at the custom houses; and only confidence, and the stoppage of excessive gold shipments, will cure that.

For such reasons the Government came to an understanding with the syndicate, that the latter would, in supplying the gold referred to, bring one-half of it from Europe, and would "exert all financial influence and make all legitimate efforts to protect the Treasury of the United States against the withdrawals of gold, pending the complete performance" of the

contract, which has been generally understood to mean until the 1st October, 1895.\* So far as it enabled the Treasury to maintain its gold reserve for the time being, this part of the scheme has been successful. At the lowest point reached, 9th February, 1895, the gold reserve had fallen to \$41,393,212. By the bond sale it received \$65,117,500, and this addition would make a reserve of \$106,510,712. On the 1st of August the reserve was \$107,236,486, but during that month considerable gold was shipped, the syndicate, however, replenishing the Treasury sufficiently to have the reserve at 31st ultimo a trifle over \$100,000,000.

The syndicate being composed of the leading European and American bankers, and being bankers and not a government, were able to do many things not open to the Treasury to do. In order to avoid gold shipments they must supply the sterling or continental exchange necessary to take its place; and such is their strength they have been able to do this at a price exceeding the actual cost of shipping gold by an abnormal profit. The high price was made possible by creating a feeling against gold shipments so strong that ordinary bill-drawers did not care to incur the odium of creating exchange in that way. And of course there has been a strong desire on the part of prudent bankers to do nothing which would militate against a return of confidence. But great as is the wealth and credit of the syndicate, they could not issue an indefinite amount of exchange against nothing. No doubt they have used their credit to a great extent, but we are told that they have by their influence, and the improved feeling regarding American finances, sold securities abroad to the extent of over \$100,000,000. This statement is made by a leading financial journal, a list of the securities being given. Of the amount about one-third was

---

\* The New York *Tribune* of 14th instant contains the following authorized statement by the syndicate:

The impression has become general that the members of the bond syndicate entered into an agreement with the United States Treasury to maintain the \$100,000,000 reserve until October 1st, and that upon that date said obligation will cease. Such is not the case. The bond syndicate fulfilled all its obligations to the Government in June last, and has not since been bound in any way to the Treasury. It is true that it has, from time to time since last June, paid over various sums in gold coin to the Treasury, which have sufficed to maintain the reserve, but it has done so voluntarily, and will continue so to do in the same spirit, and from the same motive. It will continue to deposit gold until November 1st, and December 1st, and January 1st if necessary, and if existing conditions make it feasible to do so.

in United States Government bonds, presumably the European share of the syndicate purchase. That such a large volume of United States securities has been placed by the syndicate is not generally credited, and certainly of those sold a considerable proportion has already been resold and returned to New York. In any event it cannot be doubted that the syndicate has averted large shipments of gold by its ability to place a very considerable amount of securities abroad.

Whatever criticisms may have been made regarding the large profits of the syndicate in this transaction, it is, I think, probable that the profits are not out of proportion to the services rendered by the syndicate to the Government, and therefore to the people of the United States. The general public are not apt to understand the extent of the financial peril in that country at the moment when the transaction was entered into, and they are also not apt to understand, as bankers will, the amount of skill, courage, resource and confidence in the future, shown by the leaders of the Syndicate, in practically carrying such a great country through the past four or five months. The Treasury has now passed safely through the summer, and the export of the country's products will doubtless avert heavy gold shipments for some months. The rapid advance in the prices of all commodities which began practically in May, has so stimulated business that the silver advocate may not be able to charm much longer, and confidence may return and American securities go abroad in quantities sufficient to put off the evil day. But this is uncertain, and apparently there can be no financial rest for that country until new measures are adopted, based upon what the majority of the world regards as honest and free from political truckling to silver miners.

MR. FARWELL—Before proceeding, Mr. President, we should express our appreciation of the address which you have given, and ask that it be printed in the JOURNAL. I have much pleasure in moving, if it is the customary practice, that some recognition, at all events, be made of the very able address which you have given, and of the very clear manner in which you have reviewed the affairs of the past year.

The motion made by Mr. Farwell was seconded by Mr. Fyshe.

MR. THOMAS—I quite join with these two gentlemen. It is undoubtedly an address with which we should be well satisfied, and should feel proud before the country and before the world that we have a gentleman presiding over us able to produce such an address.

The motion was carried unanimously.

The meeting here confirmed the action of the Executive Council in extending the Associate year from 1st February to 30th June, and making the Associate dues payable on the 1st of July in each year.

The PRESIDENT again read the Report of the Executive Council, for the benefit, as he said, of those who had not been present at the morning session.

A discussion arose with reference to that portion of the report relating to the issue of a legal tender note to be used by the banks exclusively, and it was decided, on motion of F. Wolferstan Thomas, that the Executive Council should be called together by the President at 9 a.m. on the 12th inst., to consider the matter of the Special Legal Tender Notes.

A letter was here read by the Secretary from the Cashier of the Citizens State Bank, Council Bluffs, Iowa, respecting competition from express companies.

MR. THOMAS—I do not know whether what I am about to say is in order; but the Bankers' Section of the Board of Trade in Montreal has under consideration this question of the competition brought to bear against us by the express companies, who issue cheques payable at different points and are stepping in to take the place of banks, which should enjoy the profits arising from such transactions. I think, Mr. Chairman, it might be a means of introducing a general discussion of the competition existing now in the Dominion. There is no doubt that the public are benefiting at our expense. There is a profit in connection with inland exchange, which should belong to the banks, and of which we, with our injudicious competition, allow ourselves to be deprived. If we could come to some decision and bring some power to bear upon all the banks to have them fall into line, it should be done. I have not estimated what we lose, but I should not be surprised to find, if an estimate were made, that a great portion of the expenses of running a bank would be paid, if we had our fair share of inland exchange. This is just as live a question as that of the reduction of interest. The two questions bear very strongly upon our profits. We are all

aware that the profits of the banks have been diminishing year by year. The public perhaps have become better trained in the understanding of banking; every little merchant or storekeeper in the country knows what is the rise and fall of the money market; they see what money is ruling at in England or elsewhere, and they think that if money is quoted in the banks in England at 2 per cent., it is absurd that they should be charged 6 or 7 per cent. for money. They view it only on their own side. Then, from the folly of our own competition, we allow a vast quantity of exchange business to be done for nothing. I would therefore propose that we take up the whole question and go into it with a view, if possible, of determining upon some basis by which the sacrifice of our own interests can be done away with.

MR. FARWELL—In my bank we only cash these express orders upon payment of the regular commission; but the question is: Have they the right to carry on a banking business?

The PRESIDENT—This question of competition is an extremely difficult one. There can be no doubt that every one of us would like to improve our profits in this direction if we knew how to do it. I would like to have the views of the Association as to whether we should appoint such a committee. It will entail considerable labor, take some time, and it may all come to nothing. I rather think, however, considering the present position of bank profits, that if we ever can do it we can do it now.

MR. HAGUE—I do not need to waste a minute's time to impress upon all of you that this is a very live question, and one that is engaging the attention of every banker in the country. Now, the difficulty is that we are all afraid of one another and do not like to lose business. Local managers cry out against other local managers, and so the affair goes on festering and festering month after month and year after year. It is far easier to talk about this matter than to devise a remedy that would work. I would like to hear an expression of opinion about these express companies. It does seem absurd to be playing into the hands of our rivals; and we should come to some agreement to remedy this state of things even before we separate on this occasion. That is a plain practical point upon which we might agree. With regard to the other and larger question, it will require a great deal of consideration, but it is high time we gave it consideration. I can remember the time when the inland and foreign exchange of a bank was expected to meet, and often did meet, the expenses of the office. I think it would be a good idea to appoint a committee and let them go seriously to work about this and see if anything can be done. We must at once take up the matter of

express orders. I do not know whether we can stop it as a matter of legality, but we can say that we will not cash them for nothing.

The PRESIDENT—It would require an agreement to be signed by the banks.

MR. HAGUE—That kind of an agreement should be arrived at easily.

MR. FYSHE—In regard to the question at hand I may say that we have long ago made a beginning in that direction in Halifax. We have an agreement among the banks there covering a part of the ground to which Mr. Thomas refers, and particularly the commission on cheques from the outlying districts throughout the province, and also the commission on bills discounted. I do not see why similar arrangements might not be made in Montreal and Toronto, and other large centres throughout the country. I cannot give you the details of the arrangement; but the principle is that we will not cash cheques for less than a minimum charge, and we have no difficulty in getting it. The arrangement has been in existence for two or three years, and it also covers the rate at which we sell sterling exchange.

MR. KNIGHT—Strange to say, the only little grievance which we have originates with the banks north of us in their objection to paying us as they should for services rendered. Owing to your absurd reciprocal arrangements, by which one bank consents to do for another all sorts of business for nothing, we find that when we ask a very small fee for transacting business for them they throw up their hands and say: "You don't know anything down there. We can get this done for nothing in such and such banks." Now, if you can succeed on the question of interest, you can succeed in this; and if the committee appointed to deal with this will settle the question of reciprocal arrangements between the banks, we will hear no more of these complaints.

The PRESIDENT—I quite agree with what Mr. Knight says. I might say a good deal on the subject, but I hope it will reach the stage of going to a committee, where it will be thoroughly threshed out. The trouble does seem to be owing mainly to our reciprocal arrangements.

MR. WEIR—There are two questions with regard to the charges on collections. There are the charges between the banks, and the charges which the banks make to the public. If we were to raise the charges between banks it would be an advantage to some and a disadvantage to others. We would

not get much money out of it ourselves. I suppose a class much interested are the large threshing and mowing machine manufacturers, who send collections all over the country and expect to have them made for nothing. We, however, have declined to do that, and we charge now. It is just throwing our money away, taking the trouble to send collections to these farmers for these mowing machine manufacturers. We might come to an understanding at once with regard to outside collections. It is a matter which can be dealt with, and I think it is one which interests the whole of us at our branches. We should charge each other one-tenth or one-eighth on small drafts. We have to pay postage. If we charged in all cases, there would be more justice in it than to have some of the banks doing a great deal of work for some of the others. I know that our agents complain a good deal of the rates which we have fixed for other banks. It is sometimes discouraging to us. I would be glad to see a higher rate placed. Some of us would lose and some would gain, but I think it would be fairer to us all if we had some arrangement. I would be glad to come to any arrangement, if the committee would fix upon a rate.

MR. FARWELL—I think it is desirable that some uniform rate should be established; and while our friends in the Maritime Provinces have a satisfactory arrangement, I think at the same time if they came in and assisted in arriving at some uniform scale it would be beneficial to us all. There is great reason why they should, because they extend their branches into this section of the country, and whatever business they do here, of course it is on the same scale as the other banks are doing. With reference to the collection of these small bills from manufacturing companies, I would say that so far as our bank is concerned we always make a charge on them whether we collect them or not. We do the same work, and even if they are returned uncollected we exact a charge for them, and I think we are entitled to it.

In addition to the collection charges on bills and drafts, I think the committee should take into consideration the practice which prevails to a great extent of crossing customers' cheques payable at a central point at par, or giving customers the right to do it. That is doing their collection business for nothing, and it should be covered by this arrangement. I think it would also be well to look into the question of charging a minimum rate on any collections returned unpaid, or for procuring acceptances. As to the express companies exceeding their powers in issuing money orders, it would be well to have that inquired into, and see if they have the power to do this. If they have, it might be possible to introduce some amendment to prevent them from continuing.

MR. COULSON—The fact of the matter is we have been the chief sinners ourselves, and have brought it upon ourselves simply because we would not consent to pay other banks for doing our business. We want everything done for nothing in these days. If you have to send to a man ten miles away, you are supposed to do it for nothing. It is not the public; it is ourselves who are to blame, and it remains with ourselves to remedy it.

MR. McDOUGALL—Mr. Coulson's idea is that we should commence by altering our own reciprocal arrangements, and then agree on rates between ourselves.

MR. COULSON—With reference to the express companies the banks with whom they keep their cash accounts might cash them at par, but the other banks should not.

The President having referred to a communication from Mr. E. D. Arnaud, of Annapolis, bearing on this question of rates,

It was then moved by MR. HAGUE, seconded by MR. WILKIE, "That a Committee of Banks be appointed to consider and recommend to the Executive Council regarding the whole question of minor profits in banking, looking to reforms of practice, the committee to be appointed by the Executive Council for the ensuing year." Carried.

MR. LASH, Counsel for the Association, here reported on matters in regard to which he had been consulted.

Moved by MR. THOMAS, seconded by MR. HAGUE, "That the Editing Committee and Corresponding Committee of the JOURNAL be re-elected for the ensuing year." Carried.

The meeting adjourned to the 12th September.

---

At the opening on the 12th, the President explained the amendment which had been made to the report of the Executive Council relating to the issue of legal tender notes by the Government.

The adoption of the report as amended and entered in the minutes of these proceedings was moved by MR. HAGUE, seconded by MR. WILKIE, and carried.

The President also explained that the Executive Council had unanimously agreed upon the text of the proposed note, and



had appointed a committee to see that legislation is obtained if such is necessary.

The election of officers for the ensuing year was then proceeded with. On motion a ballot was cast by the Secretary, after which the scrutineers reported the following elections :

HONORARY PRESIDENTS

Hon. Sir Donald A. Smith, K.C.M.G., President, Bank of Montreal  
Geo. Hague, General Manager, Merchants' Bank of Canada

PRESIDENT

Thomas Fyshe, Cashier, Bank of Nova Scotia

VICE-PRESIDENTS

B. E. Walker, General Manager, Canadian Bank of Commerce  
Duncan Coulson, General Manager, Bank of Toronto  
D. H. Duncan, Cashier, Merchants' Bank of Halifax  
G. A. Schofield, Manager, Bank of New Brunswick

EXECUTIVE COUNCILLORS

E. S. Clouston, General Manager, Bank of Montreal  
F. Wolferstan Thomas, General Manager, Molsons Bank  
H. Stikeman, General Manager, Bank of British North America  
D. R. Wilkie, Cashier, Imperial Bank of Canada  
Thos. McDougall, General Manager, Quebec Bank  
W. Farwell, General Manager, Eastern Townships' Bank  
J. Turnbull, Cashier, Bank of Hamilton  
Geo. Burn, General Manager, Bank of Ottawa  
M. J. A. Prendergast, General Manager, Banque d'Hochelega

Messrs. E. Stanger and A. D. Durnford were named as Auditors for the ensuing year.

It was moved by MR. HAGUE, seconded by MR. THOMAS, and resolved :

“ That the Executive Council take up the subject of extending the obtaining of crop reports to the provinces generally.”

MR. Z. A. LASH, Q.C., read a paper on “ Dissolutions of

Partnership," and on motion of Mr. HAGUE, seconded by Mr. PRENDERGAST, it was resolved :

"That a very warm vote of thanks be tendered to Mr. Lash for his valuable paper just read, and that he be asked to permit its publication in the JOURNAL of the Association."

MR. LASH consented to its publication.

MR. FARWELL, Manager of the Eastern Townships Bank, read a paper entitled "Deposit Stock."

The following discussion arose with reference to the subject matter of Mr. Farwell's paper :

MR. HAGUE—Would you propose that these stockholders should have any part in the governing of the bank ?

MR. FARWELL—No, they would have no voice in the management of the bank. The advantage which they would have would be that they would get an increased rate of interest without any double liability.

MR. HAGUE—The banks would have to have some Act of Parliament to authorize them to do that ; and we do not want to increase the rate of interest in one shape or other. How is the demand of payment to be made, if you say there is to be an exemption from the necessity of keeping a reserve ? These deposits must be demanded at some time or other, and I don't see how, if they are to be deposits at all, and demandable, the obligation or necessity of keeping a reserve against them can possibly be obviated.

At this point Mr. W. C. Cornwell, delegate from the New York State Bankers' Association, entered the room and was introduced to the members by the President.

MR. FARWELL—I think in my paper I point out that they are not subject to withdrawal. You may sell your deposit share the same as you can sell your bank stock ; and it is but reasonable to suppose that if \$61,000,000 of stock is marketable here in Canada, that this other amount is also marketable. In fact, the stock of the banks is sought after at rates which will only pay an investor about four or four and a half per cent. Why would this stock not be also saleable ?

MR. HAGUE—It would practically be a sort of issue of bonds.

MR. FARWELL—No, because a holder of deposit stock, if he had 10,000 shares, could realize on a thousand or a hundred.

MR. WILKIE—The suggestion of Mr. Farwell is not an

original idea. I mean to say it did not originate in England, because in Toronto the building societies, the loan companies, have followed this identical plan for several years. The Canada Permanent have a large issue of permanent stock, which is nothing more or less than deposit stock. The other loan companies have followed its example. Should the banks, however, enter on that class of business, would there not follow just what occurred in connection with the Australian banks? Then, again, would it not be an inducement to the best class of bank shareholders—those who represent estates, and people of means—to part with their shares in the bank and place them upon the market, depreciate the stock, put it into the hands of speculators, on account of the low rate of interest which they were obtaining upon it. The better the bank, the lower the rate of interest they now obtain upon their investment in stocks. Would it not induce the holders of stocks to dispose of them, and invest the money in this particular security? This, I think, is a point which should be considered if the plan was ever introduced.

MR. FARWELL—In answer to Mr. Wilkie I would say that I do not claim originality for my paper; I have given the source from which I got the idea. I was not aware that it was practised by the loan companies. This plan is, I think, upon an entirely different basis than that of the Australian banks. With regard to the bank getting rid of the stock, they can get rid of it by giving the depositor six months' notice, notifying him that they will cancel this stock. They could also notify him, if the rate of interest at which it was taken drops, that they would reduce the rate, and the depositor could refuse it, and the bank in the meantime would be prepared to pay the amount over to him.

MR. WILKIE—Do you think it would be attractive to persons to take that stock, if they had not the power to withdraw it at any time?

MR. FARWELL—It would be as attractive, and more so, it seems to me, than our present bank shares. The double liability at present no doubt deters a great many people from investing in bank stock; and certainly you are not allowed to invest trust funds in bank stock on account of the double liability. But this I would propose to make available for the investment of trust funds. These funds, as I point out, are now all drawn from the channels of business. Under this proposed scheme they would be left as an available part of the capital of the country, which is desirable.

MR. THOMAS—I question that it would be attractive unless

the holder of the stock had some sort of power, by giving notice, that he could get it back.

MR. FARWELL—If he chose to do so, he could have his money by giving the bank six months notice. Of course if a bank had an equal amount of its capital in this deposit stock, it would be a question whether the bank would notify all of its deposit-stock holders that it would reduce the rate.

MR. THOMAS—But a bank should not be able to declare preferences in favor of one over the other, I suppose. If there were a million dollars, the bank would not have the right to say to certain persons that it was desirable that they would withdraw their stock, and allow others to remain. You would have to do it ratably, and that would cause a great deal of difficulty.

MR. FARWELL—It would if the bank were insolvent. Then, the plan might be that you would notify all the depositors that you would reduce a certain amount on the whole of them.

MR. HAGUE—I don't know how you are to have persons who will be creditors and stockholders. The stockholders are the debtors and the depositors are the creditors. Now, how you are going to make a man a debtor and creditor at the same time I cannot see.

MR. FARWELL—It is done by Act of Parliament. When an Act of Parliament would state that it was legal for a bank to issue this deposit stock, it would make it legal.

MR. THOMAS—It seems to me we attempted something like this in connection with Molsons Bank some years ago. I think it was a more attractive scheme than yours even. We issued a deposit receipt with a coupon attached, bearing four per cent. interest semi-annually, and with the expiration of the time for which it was issued it became due and payable. We tried it for a year or two, and I suppose we got in about thirty or forty thousand dollars. It did not seem to take with the public, however, and we gave it up.

MR. FARWELL—During the whole of that time it did not meet the difficulty. You are obliged to hold just as much reserve against that class of deposits as you are to-day. It goes into your returns as so much on deposit, while this would go into your returns as deposit stock.

MR. THOMAS—You are assuming a fixed reserve. Any banker keeps a record of all his deposits whether they are time or otherwise, and he can have a reserve to meet them.

MR. FARWELL—That would be all right so far as the banker is concerned, but not so far as the public is concerned.

MR. THOMAS—One of the greatest safeties is that the bankers know that they must pay their debts, and that if they do not they must close up.

MR. HAGUE—It seems to me to be a scheme of issuing bonds. It comes practically to that, and the only possible practical form would be to authorize the banks to issue bonds. I would like to ask Mr. Cornwell a question with reference to the amount on deposit with the American banks which is free of interest. Do not the American banks have a much greater amount free of interest than we have?

MR. CORNWELL—I can only speak advisedly about Buffalo. I am sorry to say in Buffalo we have two or three large savings banks which pay a rate of interest which compels the banks of discount to pay a similar rate. The result is a great deal of competition for money at interest, and I fear the banks of Buffalo have probably a very large proportion of interest-bearing money. I imagine that the proportion is very nearly two-thirds of their deposits and possibly three-fourths. As to what the general rate is throughout the United States, I am not sure. The rate paid in Buffalo is from three to four per cent., which is about the Canadian rate.

MR. THOMAS—Is it not the case that in some of the Western States they even pay a higher rate for money on deposit?

MR. CORNWELL—Yes, in the very far West. There the rate they can obtain for money is something phenomenal at times, and consequently they pay higher rates than we do.

MR. THOMAS—I must say Mr. Farwell's scheme does not strike me with a great deal of favor, yet we ought to be exceedingly grateful to him for the suggestion, and it would be well to refer it to the Executive Council to discuss the matter later on.

The PRESIDENT—I think we have had a good deal of discussion regarding Mr. Farwell's paper, and we owe a great deal of thanks to any one who puts a paper before the Association which creates profitable discussion. I am sure the value of his suggestions has not been lost upon any of us, and the proposal has been made that the matter be referred to the Executive Council, of which Mr. Farwell is a member, and at any time during the year the matter may be discussed again.

MR. FARWELL—Before closing, I would say that I brought forward this matter with a great deal of diffidence. I had no expectation that it would be adopted; but it really strikes me as something we might consider, and later on it might recommend itself to our Association.

On motion, the subject of Mr. Farwell's paper was referred to the Executive Council for later consideration.

Mr. Knight proposed that the incoming Executive Council take into consideration the question of members of the Association applying to the solicitor of the Association for legal opinions on points affecting their interests or of submitting legal opinions obtained from their individual solicitors, and of setting aside a certain portion of the funds of the Association as compensation for the services which the solicitor would thus render.

The President said that if the Association approved of Mr. Knight's suggestion, it might be well for the Executive to consider the relations existing between the solicitor, Mr. Lash, and the Association. He did not consider they were on an equitable basis at present, and the Association no doubt trespassed a good deal on his good nature.

It was moved by MR. WEIR, seconded by MR. WOLFERSTAN THOMAS :

"That it be a recommendation to the Executive Council to name a sub-committee to interview the Dominion Government with a view to obtain a reduction in the rate of interest paid on Government and Post Office Savings Bank deposits to three per cent." Carried.

The President laid on the table a telegraphic code for the special use of bankers, prepared by Mr. Snyder, of the Traders' Bank, North Bay, Ont., and suggested that the Executive Council name a committee to examine the code.

It was decided that the Executive Council should name a committee to consider the advisability of adopting or otherwise dealing with the cipher code submitted by Mr. Snyder.

MR. WILKIE—The sad duty has fallen to me, though I am quite unprepared for the task, of moving a resolution of condolence to the family of the late Mr. Stevenson, and of appreciation of his services to this Association and the banking interests of Canada, and also, I might say, to the people of Canada. He served this country in various capacities for a number of years. He was a volunteer during the Rebellion. He was an officer connected with the Commissariat Department. He was a public servant in Ottawa; and as a banker he has had, I think, more to do in framing the banking ideas of this country over a long period of years than any of us here have had the oppor-

tunity of doing. Moreover, he has had in his hands during his lifetime the training of many men—I am speaking now from what I had an opportunity of seeing myself. He did it with a most laudable object—that is to say, he did it with a view of improving the employee himself. He had the interest of the employee at heart at all times. He would go out of his way with a junior clerk to assist him in writing a letter, in expressing himself properly, and he was always ready with his pen, his library, and his house, to assist those who were under him in educating themselves, not only in banking, but in literature generally. I can speak also of his hospitality, which extended at all times to not only those who were immediately in his own circle, but to strangers wherever they might come from. As a banker we know his success. I have a vivid recollection of the first day he became manager of the Quebec Bank in 1865. The banks in this country at that time were not in the same position as they are to-day. They had not the extended ramifications which they have to-day; they had not the large reserves which they have to-day; and they had not the liberty of action which they have to-day. Mr. Stevenson took hold of the Quebec Bank when it required a strong hand, and he brought it to the position which it occupies to-day as one of the most successful institutions in the country. I was fortunate in being in Quebec last November, and in visiting him a few days before his death, not thinking at the time that he would be removed from us so suddenly. Although lying on his back suffering pain, he was then busy writing out a history of one particular stage of banking in this country. I hope he was able to conclude these labors; for it seemed to be the ambition of his life to conclude these labors before being called away. Although he was conscious of his danger, conscious of approaching death, he was not aware it would come so suddenly. I may say, however, he was quite prepared for whatever might happen. Although death was written on his features at the time, yet he faced it nobly; and I am quite sure that if we follow in his footsteps we will be able to meet it as he did. I now move the following resolutions:

“That the Members and Associates in annual session have great cause to deplore the death of James Stevenson, Esq., General Manager of the Quebec Bank, who, for a short season held office as an Honorary President of the Association:

“That the Association regards the lengthened career of the deceased as affording a worthy example of a life made useful not only in his own professional sphere, but in the community at large:

“That his character and high attainments present a model

for our imitation, and that in condoling with the relatives of the deceased and with the directors of the Quebec Bank, this Association desires to testify, as well to its high appreciation of the value of the contributions of the deceased to the banking literature of the country :

“That his name be held in affectionate remembrance, and that a copy of these resolutions be transmitted to the family of the deceased and to the institution of which he was chief executive officer.”

MR. McDougall—I will not add to the words said by Mr. Wilkie ; but as Mr. Stevenson's successor I desire to record my thanks for the manner in which he has spoken and for the resolutions.

Mr. Thomas and Mr. Hague followed with remarks eulogistic of the late Mr. Stevenson, and the resolutions were put and carried.

On motion it was decided to recommend to the Executive Council that the annual meeting in 1896 be held in the City of Ottawa during the last week of August or the first week in September, in any case prior to the close of the railway excursion season.

Moved by MR. FYSHE, seconded by MR. PRENDERGAST, and resolved :

“That the thanks of this meeting be and they are hereby tendered to the Quebec bankers and citizens, to the President and Committees of the Union and Garrison Clubs, to the Quebec Amateur Athletic Club, to the Commodore and Committee of the Quebec Yacht Club, and to the Rector and Gentlemen of Laval University for their united kind hospitality during our visit ; to the Hon. Mr. Chapais and other members of the Government for placing the Legislative Council Chamber at our disposal for the purposes of our meeting, and to S. S. Hall, Esq., Gentleman Usher of the Black Rod, for his kind attentions.”

MR. HAGUE having been asked to take the chair, on motion of MR. COULSON, seconded by MR. FYSHE, a hearty vote of thanks was tendered, all standing, to Mr. Walker, the retiring President, for his efforts to advance the aims and objects of the Association during his term of office, and for his able conduct in the chair.



MR. CORNWELL, delegate from the New York State Bankers' Association, added his congratulations, and after a short response from Mr. Walker, the proceedings of the Fourth Annual Meeting were declared closed.

---

### THE BANQUET

---

The Association's annual banquet was held under the auspices of the banks having their head offices in Quebec city, at the Chateau Frontenac, on Thursday evening, 12th September. The President, B. E. Walker, officiated as chairman, and among the guests, who numbered about 150, were the following: Admiral Erskine; Sir Napoleon Casault, K.C.M.G., Chief Justice of the Superior Court; Hon. Mr. Justice Andrews; W. C. Cornwell, delegate from the New York State Bankers' Association; Hon. P. B. Spence, United States Consul; Hon. Louis Beaubien, Commissioner of Agriculture; Hon. H. G. Joly; Hon. P. E. Leblanc, Speaker of the Legislative Assembly; Hon. L. P. Pelletier, Provincial Secretary; Sir A. P. Caron, K.C.M.G.; Hon. Mr. Justice Routhier; Hon. L. O. Taillon; Hon. Mr. Justice Chauveau; Hon. T. C. Casgrain, Attorney General; Hon. Thomas Chapais, Speaker of the Legislative Council; Z. A. Lash, Q.C.; R. R. Dobell, etc.

Responses to toasts were made by the following gentlemen: Col. Spence and W. C. Cornwell, "President of the United States"; Admiral Erskine, K.C.M.G., "The Army and Navy and Local Forces"; Sir A. P. Caron and Hon. L. O. Taillon, "The Parliaments of the Dominion and Province"; Geo. Hague and Hon. L. Beaubien, "Our Material Resources"; Hon. Mr. Justice Routhier, "The Learned Professions"; Hon. T. Chapais and Dr. Stewart, "The Press."

A transcript of these responses is available only in three instances. These three, however, were important and

well considered utterances, and a report of them is here given :

“THE PRESIDENT OF THE UNITED STATES”

SPEECH OF MR. W. C. CORNWELL

It is rarely that a speaker is so happily fitted with a subject as I feel myself to-night to be, for if there is one toast above another that a banker and a business man from the United States would rather speak to at this time it is “The President.” I say “at this time,” for for two years past the fortunes of the entire community have hung upon the courage and wisdom of the Executive, and all eyes have turned to him to see that the honor of the nation was preserved and that the delicate commercial fabric was held aloof from complete destruction.

I speak to-night entirely outside of politics, although myself a Republican. In the clear sunlight of business, politics become cobwebs.

During the eventful period since the panic times of '93 two great crises have developed in the United States, and in both of these Mr. Cleveland proved himself to be fully equal to the demands made upon him. In the first, sturdy determination and staying courage were needed; in the second, prompt decision, skilful financiering and aggressive bravery of action.

The period during which the silver purchase repeal was taken up was the turning point in the nation's career from bad to good finance.

The long, weary struggle of that time brought out in all its hideous proportions the dangerous unfitness of politicians to control the machinery of commerce. Wicked delay was protracted almost indefinitely by the stubborn selfishness of the Senate, when factory after factory was closing and hunger and winter were impending.

How stood the President then?

We who watched that struggle from day to day remember the terrific pressure brought to bear upon him to yield to compromise with the selfish interests of the silver men, and how bravely he withstood every wile, and how, through his manly insistence upon unconditional repeal, the enemies of honesty were at last compelled to surrender. Unawed by threats of enemies, unmoved by the entreaties of political friends, unbiased by fears of party dissolution, with mind made up as to what was right, he stood in the breach, almost alone at times. Had it not been for his indomitable will, who can say what the result would have been? When the happenings of those times have

crystallized into history, the name of Grover Cleveland will shine out clear as the hero of the hour, the man whose courage stemmed the tide of shifting compromise, brought to naught the craft of trimming politicians, and saved the cause of honest money.

From that time on the faith of the business men, irrespective of political preferences, was firmly fixed in the President.

Then came another emergency. The hard times of '94 were dragging slowly on. We had stopped buying silver, but the great mass already accumulated lay, a sodden weight, upon the delicate machinery of credit. One thousand millions of currency were depending for redemption upon a slender thread of gold, and with expenditures exceeding revenue, the eyes of the careful and wise were fixed upon the shrinking gold reserve. The President had declared repeatedly that the Government would redeem in gold every obligation payable in coin. But still the reserve sank. An issue of bonds for gold was made, but the gold was no sooner turned into the treasury than it began to pour out again as through a sieve. The demand for it came from hoarders at home and investors abroad. Europe was becoming distrustful. The free silver men were insisting that coin in the bonds meant silver—repudiation of fifty cents on the dollar of debt. They were breaking the credit of one of the richest nations in the world. Daily statements were published in the newspapers of the millions of gold taken from the treasury and shipped abroad. Another issue of bonds was made, but the gold from these went out faster than before. The President was struggling bravely alone—opposed vehemently by his own party—the opposite party glad of the rupture, and helping it along—the Populists and silver men doing their best to defeat honest money. Congress resolutely refused to accede to the urgent message of the President asking for bonds payable in gold.

In January, 1895, the situation became critical. Every day the balance of gold in the treasury had become smaller and the demand larger. There was a run on the treasury, and scarcely three days' supply of gold left. Unless help was promptly forthcoming, obligations must be dishonored. We were within 48 hours of slipping upon a silver basis—on the eve of a terrible panic, to be made deadly by the snapping out of circulation of six hundred millions of gold.

At this juncture the President's rare common sense and good judgment came to the front. He called to his aid two of the most able and powerful bankers in the United States, Mr. August Belmont and Mr. J. P. Morgan. Through Mr. Belmont the Rothschilds, the greatest bankers in the world, were interested. A purchase of 3,500,000 ounces of gold, to be paid

for in bonds, was made. By a stroke of financial genius the responsibility of making the bonds high-rate and low-priced if payable in coin, or low-rate and high-priced if payable specifically in gold, was thrown upon Congress. That body threw away the priceless advantages of the latter course, and in senseless anger disgracefully voted down a plain business proposition, which would have saved sixteen millions of dollars to the taxpayers.

But the transaction was completed. The honor and credit of the nation were threatened before the world, and had been saved by the President. Upon public announcement of the contract, withdrawals of gold ceased, and gold which had already been taken out was returned to the Treasury. The reserve was gradually restored, confidence began to increase, business slowly to revive and prices to advance.

And so once more our President proved himself the man for the hour.

When the silver heresy, which we all supposed dead when the purchase clause was repealed, began a few months ago to writhe and wriggle again, like a snake whose head has been crushed, but whose body continues to live till sundown—when this phenomenon exhibited itself Mr. Cleveland sounded once more the call to battle, defined the issue as one between the honest gold standard and silver monometallism, and sent his lieutenants west and south to pierce the body of the reptile. Three sturdy killing blows were those of Carlisle in Kentucky. The snake is now in its last gasps, and its carcass will be swept away in the rush of returning prosperity.

You are familiar with the history of trade in our country for the last few months, and how the efforts of the syndicate have restored confidence, and prosperity is coming. There has been some idea that October might mark the termination of the syndicate's good work, but there is no certainty of this. That President who made the splendid bargain of February can and will make (perhaps already has made) another equally good. Of this we are certain, that as long as God spares his life he will maintain the faith and honor of the country, and will buy all the gold of South Africa if necessary to do it; and so we are sure of the situation, not only until October, 1895, but until the 4th day of March, 1897.

Instead of the threnody of woeful idleness of a year ago, we hear to-day in our land the hum of whirring wheels—resurrected industry chanting the psalms of peace and plenty.

In Canada and in England you have crystallized in anthem that hope for the long life and prosperity of the grand woman who has for so many years upon the throne of Great Britain made sovereignty and womanhood both glorious—the hope,

which is the prayer of the people—"God save the Queen." In our own country there has grown up in the hearts of the community, and especially in the homes of the wage-earners, gratitude for work resumed and wages increased and happiness restored; gratitude to one man, whose firm hand and stout heart, divinely guided, have stayed the avalanche. And the gratitude has framed itself into a prayer in the hearts of the toilers of America—a prayer similar to yours; it is "God save the President."

### "OUR MATERIAL RESOURCES"

SPEECH OF MR. GEORGE HAGUE

In speaking of the resources of the Dominion of Canada, I must first endeavor to correct some well meant but much mistaken representations that have been made upon the subject—which representations, though apparently advantageous and flattering to our national pride, are capable of being used, and indeed are constantly used, much to our discredit and disadvantage. Nothing is more common in speaking of our resources, than to refer to the vast extent of our territory, and the immense number of square miles that each of its provinces comprises. This very Province of Quebec, for example, has an area larger than that of Great Britain. Ontario is bigger than the whole of France. While Canada as a whole is sometimes enthusiastically described as having far more territory than the whole of the United States. All of which is undoubtedly true, so far as mere measurement in square miles concerned. But taken by itself, and apart from further information and explanation, it only leads to very embarrassing questions and very humiliating conclusions. For if our territory is as large as that of the United States, and on the same continent; and if, as is true, the exploration and settlement of the two regions began nearly at the same period, the question inevitably arises: Why then have you made so little of all those resources hitherto? Why is your population only one-tenth of that of the United States? And how is it that your trade, commerce and realized wealth presents such miserable figures alongside your great neighbor? What is the matter with you? What has been the matter with you during the last 200 years? And an observer, especially from the United States, would be much inclined to one of two conclusions, or perhaps both. Either that we were a slothful, unenterprising, easy-going and non-progressive set of people, or that if not so naturally, these effects have been produced by the blighting influences of

monarchical institutions. And in truth this is very much the course of thought both on this side of the Atlantic and the other. It is a fixed conviction of the people of the United States that Canada is slow and backward; and one constantly hears it; people don't argue about it, it is a sort of axiom; it is taken for granted. And British opinion on the subject is very largely taken from the United States sources, besides which they have the evidence of the immense volume of trade with the one, as compared with the relatively small figures of the other. All which is founded upon these most irrational and misleading statements about the area of our respective territories.

Now, it will be evident on the smallest consideration, that statements about square miles of territory are absolutely valueless, unless the character of the territory itself, the nature of its soil, and capacity of production, are put prominently forward. Take for example what we see around us in this grand old capital city; a narrow strip of beautifully cultivated country stretches before us on looking northward, then arise a series of forest covered mountains, which mountains stretch away and away for scores and hundreds of miles with a mere fragment of arable or improvable ground, as far as the regions of eternal ice and snow around the Pole. Pursuing our course down the magnificent and expanding St. Lawrence, these mountains come to the very edge of the river, leaving not a single mile of territory susceptible of cultivation or habitation. A good deal of the same development is observable on the south shore; only a small, narrow slip is susceptible of cultivation, and you soon come to the region which must for ever remain in a state of wilderness and forest, inasmuch as it is incapable of being turned to any other uses. Yet all these vast stretches of uncultivable territory, mountainous and forest clad, where no industry can possibly be carried on but that of the lumberer, the trapper and the hunter, are included in any statistics of the extent of the provinces; and people taking these statistics, who are ignorant of the realities of things, make foolish comparisons, and say that we have so many square miles in Quebec, and so many square miles in Ohio or Illinois, and say if these States produce so many millions of bushels of wheat, corn, cheese, cattle, and what not, all owing to their energy and industry, what a miserable set of people they must be in Canada, who from the same area do not produce a tenth part of the returns. The same remark applies, also, to a considerable extent, to Ontario. There are enormous regions comprised under the name of Ontario that are uncultivated, and uncultivable, that must remain for ever a vast region of rock and forest. In fact, the greater part of the mere mileage of these older provinces represent what must for-

ever be a natural wilderness. And these remarks might be extended also to Nova Scotia, New Brunswick, to the Northwest, and to British Columbia. The enormous territory that some people so ignorantly speak of is only available in certain parts and to a certain extent.

I make bold to say, and I will challenge proof to the contrary, that Canadians have made fully as much, if not more, of the available resources of their territory so far, as the people of the United States. I say that of such regions, and they are very large indeed, that are susceptible of clearing and cultivation. We have cleared and are cultivating, and have developed out of what was wilderness within the memory of man, great regions covered with all the appliances of civilization. Roads, bridges and steamboats, and railways, farms, farm houses, orchards and gardens, villages, towns and cities, which we are not ashamed to put alongside of the same things either in the United States or in any country in the world. But it would be just as absurd to expect the mountainous region of the Adirondacks in New York to grow as much wheat and as fine crops as the best portions of Ohio or Illinois, as to expect the vast mountainous regions of our northern territory to become the houses of civilization, and exhibit all the developments of advancement and progress. Canadians cannot be twitted with being slow and unprogressive, and that our form of government has not been a blight upon our energies, can be demonstrated by a very brief statement of facts. The whole settlement of what is now Canada, and the only possible avenue of settlement up to the time of the conquest, was by the St. Lawrence River and waters bordering upon it. Instead of a great stretch of Atlantic coast running from Maine to Georgia, with scores of great rivers debouching up into it, and up which the tide of settlement flowed in vast quantities, we had simply the St. Lawrence river and the thin strips of land bordering the Gulf of St. Lawrence and the Bay of Fundy. Up to the time of the American revolution, about two hundred thousand people had come and settled on the edge of the waters, Montreal being then almost the farthest bound of civilization. The United States (comprising all New England, New York, Pennsylvania, Maryland, Virginia, Delaware, North Carolina, South Carolina, Georgia), more accessible, more productive, and up to that time far exceeding in natural resources, had come to have a population of about three millions.

Now, we will take that as a starting point, for that is the only fair starting point when comparing the commerce of the United States and Canada—3,000,000 of American people with all these enormous and valuable territories in their possession

started on a career of business advancement and civilized development, while far away to the north, these 200,000 people thinly scattered over regions infinitely more sterile and inhospitable also, commenced their existence under the auspices of the British Crown. One hundred and twenty years have elapsed, and what has been the fate of each of these companies of people? The three millions of United States people have become 60,000,000, the increase being twenty fold. The 200,000 of Canadians, partly French, and partly English in origin, have become 5,000,000, the increase being twenty-five fold. We have increased more rapidly in population. Instead of being slow and unprogressive, we have increased at a greater rate than our neighbors. It is impossible to make any comparison with regard to trade, commerce, value of products, or what not, for the same period, and I merely make the comparison in order to show the great folly of estimating our country by its mere mileage, and so laying ourselves open to most undeserved reproach. We have not the same kind of territory in many respects as our neighbors, but of such resources as Providence has given us, we have made the very best use. And to prove that we are not a slow, unprogressive and unenterprising people, but a people of rapid growth and extraordinary development especially during the last 50 years—I will put a few figures which are taken from statistics that can be relied on. I say that can be relied on, and I will try to make a right use of them. It was Lord Palmerston, I think, that once said that "nothing told so many lies as figures, unless," he added humorously, "it be facts." Now the figures and facts I am about to give you are reliable, and they demonstrate two things.

First: That Canada forty years ago had a large amount of undeveloped resources, and the next, that during that time we have developed them to a very surprising degree. We have had banking returns published by our Government for about 40 years. These returns are reliable beyond question. Now what do these returns tell us? They tell us that the whole of the savings of the people of Canada deposited in banks of all kinds amounted to \$15,000,000. These deposits now amount to \$270,000,000!—an astonishing development indeed, you will say. For bear in mind, that these figures are not swelled with enormous sums deposited by the people of England in our banks, as was the case with Australia. These \$270,000,000 belong to the people of Canada, and whence has it come? What has it grown out of? What has been the origin? The \$15,000,000 was all that the people had saved up to that time out of their labors in developing Canadian soil, Canadian forests, Canadian mines and Canadian fisheries. And now we



have pushed our cultivating of the soil, our clearing of the forest, our creation of farms, our development of mines and fisheries, and of manufactures, till the fifteen millions have grown to two hundred and seventy millions in forty years!—the whole increase representing what has been drawn out of this territory, which was once thought to be “only a few arpents of snow!” It is apparent that the increase in wealth in Canada has been more than ten times as much as the increase in population. Take another set of figures: the loans and discounts of the banks forty years ago were about \$30,000,000. They are now \$202,000,000. Now what do these figures represent? They very largely represent the stores and stocks of all sorts of merchandise, both imported and produced in the country, and being subjected to the processes of commercial development. The business of our merchants, traders and manufacturers has developed in forty years to such an enormous extent as is represented by the change from thirty millions to two hundred millions! Now, as the population has increased during the same period in nothing like the same proportion, it follows that the population of Canada now, man for man, woman for woman, is possessed of enormously more money than it was forty years ago, and does enormously more trade than it did forty years ago, all of which demonstrates that the people of Canada during the last forty years have not been slow and unprogressive, but have progressed at an astonishingly rapid rate, and their power of making money, accumulating wealth, and increasing business, in fact in developing to the very highest point the opportunities placed around them, in cultivating the soil, felling the forest, delving the mine, fishing in lake and sea, and turning every resource of the country, both natural and artificial, to the very best advantage. I say all this demonstrates a progression which, if ever paralleled, we should like to hear of.

There is, however, another aspect of this matter. In addition to the large expansion of the discounts of banks, which demonstrate an enormous increase in the mercantile business of the country, there has also been even greater development in the business of the companies who lend money on mortgage. Now, in nothing has there been greater misapprehension than in the bearing of these mortgages. They are supposed to be an indication of backwardness and of poverty. I will try to show you they are nothing of the kind. When landholders in a country like England, that was improved to its utmost development hundreds of years ago, borrowed money on their estates, as they often have done, to make up for the extravagant expenditure they have carried on, nothing can be clearer than

the fact that the mortgage is an indication of poverty. But it is entirely different in a country like Canada, where there has been a constant process of creating property out of a wilderness of woods and forests. Almost the whole of the work of turning these immense stretches of forest into farms and valuable remunerative properties, has been by borrowing money on mortgage, and the properties that have been created are well known to be worth vastly more than the money borrowed on them. I speak, of course, in general terms, making allowance for particular exceptions. It is well known that these loan companies never lend more than half, and in very many cases only one-third, of the value of the properties they lend upon. Taking that as a basis, let us see to what result it leads. The whole of the loans by mortgage companies forty years ago was about \$3,000,000. That would represent properties worth from \$6,000,000 to \$8,000,000. In addition to that I have no doubt that some of the bank discounts were at that time represented by real estate, probably \$4,000,000 or \$5,000,000. That would make a total of about \$8,000,000 loaned on properties and representing a value of about \$20,000,000. What is the condition now? According to the latest returns of the companies they have loaned on property the sum of \$110,000,000, which represents a value, all created during the last forty years out of the wilderness of our forests and woods, of \$250,000,000. The surplus, over and above encumbrances, of these properties forty years ago, was about \$12,000,000. The surplus now is \$140,000,000, all of which is owned by the inhabitants of this country, as indeed is more than one-half of the money loaned itself. But putting that aside, it is evident from these returns of the mortgages, that properties to the amount of about \$250,000,000 have been created out of what was formerly a wilderness, an evidence of the truth of what used to be claimed of Canada, that it was a country of great future resources.

But now you are all wondering, doubtless, why nothing has been said about our great North-West. Well, a great deal of nonsensical talk has been indulged in about that, too. Some people have said, why couldn't Canada have occupied these vast prairie regions as soon as the United States did theirs? forgetting that the prairie regions of the United States were a thousand miles nearer than those of Canada are, that they directly adjoined the great cultivatable regions of the older Western States, and that the wave of emigration met with no obstacle whatever in going over from the cleared lands of Ohio, Indiana and Kentucky to swarm over the great plains of Illinois, Nebraska and Kansas. There was no obstacle whatever in the

way. But think of the obstacle in our way. Nearly one thousand miles of rock, woods and mountain, thoroughly impenetrable in former times. It used to take Sir George Simpson nearly six months to make the journey from Montreal to Fort Garry, where Winnipeg is now. How could any emigration, by any possibility, surmount obstacles like that? The country could only be opened up when the settlement of the United States approached the borders of our own territory, and when men could pass through by rail and river, proceeding from the older States through Minnesota and Dakota, to our own prairie regions. But we have got a Pacific Railway now, you will say. Undoubtedly we have. But all settlement of new countries proceeds in waves of population, and the larger the wave of contiguous population the larger the emigration will be, and *vice versa*. For it is a law of emigration that those who are already settled in a new country are the persons who draw others after them. Now, for the last twenty years you have had a drawing power exercised by forty or fifty millions of people against the same power exercised by four or five millions. That is the real reason why a settlement of our North-West has not been more rapid. But don't let us delude ourselves by estimating progress merely by the growth of population. There cannot possibly be a greater fallacy. Taking the development of production, there has been as great a growth in our North-Western prairies as there was in the prairies of which Chicago is now the centre in former days, and as it has been demonstrated that the country is one capable of almost every kind of agricultural development, and as there are millions and millions of acres of it in the state of nature at present, one may forecast, without claiming to be a prophet, a development in the future on quite as remarkable lines as has been seen in the past.

Now I think I have said enough regarding a great subject. One might make a speech about it as long as the Finance Minister's in introducing the Budget, but you cannot stop here until daylight. I have just indicated a few leading thoughts. Doubtless your own intelligence will enable you to follow them up. I think I have demonstrated two or three things: 1. That the development of this country cannot be measured with any sort of accuracy, by the extent of its mileage and the growth of its population. 2. That the development in the shape of savings and of increased business during the last forty years, has been simply phenomenal and in a ratio enormously in excess of the increase of population. 3. That we have made the very most of such resources as Providence has placed within our reach. 4. That we have all reason, in spite of all drawbacks, to be most hopeful about the future of our country.

## "OUR MATERIAL RESOURCES"

SPEECH OF HON. L. BEAUBIEN

Mr. President, permit me to tell you with how much pleasure we have heard you speak of what we all hold so dear—our traditions and our history. You have read the latter—and we are glad of it. More than this you freed yourself of the rigid form of the financier and spoke with a poet's inspiration. You have rendered homage to all the glorious traditions of this old city of Quebec, the cradle of our people. You appreciate them like us and with us. In a word, you are one of us both in the present and in the storied past. We welcome you to them all. You have the heart to understand, as well as the brilliant speech to express. The speeches this evening have been on broad lines. With representatives present from the Dominion, from Great Britain and from the United States, this could not but be the case. I am called upon to address you as representing this province. Pray bear with me then if I somewhat restrict the field of my remarks and speak only of matters relating to the province. I have to dwell on our material resources. I find them, gentlemen, described in your speeches, in your reports to your shareholders. I might content myself with quotations to show you that these resources are considerable, and that Providence has been generous to us in the distribution of her gifts. For the whole length of the majestic St. Lawrence we have the most fertile lands in the Dominion, without any disparagement to the great Province of Ontario. The chain of the picturesque Laurentian mountains furnishes us with those admirable pastures that will assure long success in our great dairy industry. Do you remember how, two years ago, when the storms of financial disaster beat on the shores of neighboring lands, and when we feared a like fate for ourselves, after scrutinizing with attentive eye the financial horizon, and consulting the resources of the country, you declared to us that we could face the tempest? What a splendid eulogy you then made of our material resources. Outside all gave way, inside all remained firm and upright. The dairy industry, said Sir Donald Smith, the President of our great bank, distributed wealth at an opportune moment through the country. The life-giving influence of cash business, originating in the humble dwelling of the farmer, gradually, surely and efficaciously made itself felt throughout the whole system, sustaining people's courage and assuring all transactions. Then, in your speeches and in your reports giving testimony to the truth, you declared one after another that our fifteen hundred butter and cheese factories had saved the situation, and your statements were

quite true. I would not thus express myself if I had not the opinion of others to back me up. We have then, in our dairy industry, an immense force and material resource. And how it grew as it enlarged all the time! It is now four years since, in 1891, we had in all 722 butter and cheese factories. To-day we have 1453, or over double that number. This year we will sell a million dollars worth of products of the dairy industry more than last year. The production of butter and cheese in 1890 and 1894 compare as follows :

1890		
	Lbs.	Value
Cheese made.....	23,626,950	\$2,362,595
Butter made .....	2,779,668	555,932
1894		
	Lbs.	Value
Cheese made.....	55,180,696	\$5,518,069
Butter made .....	7,704,172	1,540,834

An increase in value of \$4,140,376, in the production of 1894 over that of 1890. As the operations become more remunerative the farmer makes improvements. Everywhere old methods are being discarded and meetings are being called to discuss the best methods of instruction. But figures again, for that is what is necessary to prove to you that in the province people have effectually embarked in the way of progress. Public men, bishops, curés, and even the people of the cities, all wish to take part in the movement. Four years ago we had 73 agricultural societies. To-day we have 600. Then we had 7,000 subscribers to our agricultural journal, now over 50,000. Then we had hardly 20 pupils in the agricultural schools; now we have 125. The clergy itself has undertaken to find pupils, and is doing the good work well. Already two immense meetings, presided over by His Honor the Lieut.-Governor and by the Archbishop of Montreal and the Bishop of Three Rivers, have been held to urge the farmers to send their children to the agricultural schools. On all sides the appeal meets with a glad response, and now, praise be to God, agricultural instruction is quite *a la mode*. There is no encumbrance in the noble profession of farming. There will always remain the generous soil for our young people—always an assured quiet and happy future on the soil of one's country. There will be no more emigration, no more exile, the nation preserving all its strength. We are about to create another resource in the exportation of fresh butter. I will only have the official reports in the autumn, but I can already announce that, thanks to this system, our exports this year will be six times greater than during the corresponding season of last year. At first there was more than one incredulous scoffer at the attempt to encour-

age the manufacture of winter butter. The following is the result of the three years during which this article was boomed by the Quebec Legislature:—1893, butter made, 141,251 lbs., value, \$31,537; 1894, butter made, 255,868 lbs., value, \$60,094; 1895, butter made, 562,158 lbs., value, \$115,011, an increase in value of production of 1895 over that of 1893 by \$83,474. The bonuses paid last winter amounted to \$8,205. According to this rate of increase I would next winter have to ask our honorable Treasurer and Prime Minister for the sum of \$30,000. In this matter we are imitating the Danish agriculturists. They, for the greater part, send their butter to the London market, when the sun is at its zenith and the price is at its lowest. They produce more milk in January than in July, and for their winter butter they get the highest market price. In order to establish this good system in the province I sent two officers of my department to Denmark. Never will the voyage of any two men be more beneficial to our agriculture. See how the idea has taken and rapidly spread. We have now at least 15 butter factories which bravely face the winter with excellent results. Let me mention one fact. Last summer, at Nicolet, during a meeting of the Farmers' Club, at which I was present, I met two farmers who, by reading the *Journal of Agriculture*, had made themselves familiar with what was done in Denmark. These two gentlemen, I will give their names, for they deserve to have their spirit of enterprise made public, the Messrs. Houle, said that they would try winter butter, and began by making the changes necessary in their cattle. Having no butter factory working in Nicolet during the winter, they travelled nine miles throughout the cold season to carry their milk to La Baie du Febvre. One result of this was that although these gentlemen had to travel 18 miles a day, they made \$500 under the new system, exactly double what they had realized during the previous year. Another was that the parish of Nicolet will this year run its butter factory all winter. This practice will shortly become general, and it will be of the greatest benefit to our agriculture. The resources furnished us by our soil are boundless. Let me tell my fellow-citizens of Montreal here present, what an admirable, fertile and immense country they have in their immediate neighborhood at the end of this adventurous railway of the Chute aux Iroquois which has revealed to us a Quebec and Canadian Switzerland. What enchanting lakes! There is one for each Montrealer. Let him go quickly and share this beautiful country. Our English fellow-citizens have not got to be pressed, and are already making an English town out of the pretty and modest village of Ste. Agathe, where some time ago, alas, we found in the wanderings of our youth no shelter but the hos-

pitiable roof of the first settler. And what a territory is watered by these lakes—the valley of the Rouge, of the Mocassa of Lac Chaud, the valley of the Maskinonge, of the Kiamika, of the Lievre, where the wheat producing soil makes it the granary of the province, into which settlers are arriving in crowds. In all these valleys the soil is even, free from stones and admirably watered. While in the months of June and July the sun burns our pastures on the Island of Montreal, heavy mists rise at night from all these beautiful lakes which ornament their several localities like so many jewels. In the morning these mists spread graciously over the surrounding country, watering it almost as abundantly as if it had rained. And the hillside slopes are always green no matter what the heat of the sun. It is a true kingdom, the country of the dairy industry. I indicate its advantages to our entire agricultural population, and to all you other gentlemen who seek a retreat where you may spend in peace a well earned holiday. A finer and more agreeable country resort than that which may be enjoyed by the side of these fine waters, I cannot possibly wish you. To farmers, to workers, I will say, that soil is good and easy to work. It has given me pleasure to see it, and I believe that properly developed it would mean millions for our Province and our Treasury. Farmers, for the sake of your sons and of your families, go and see this splendid territory with your own eyes. Gentlemen, these are our Quebec resources and we have reason to be proud of our inheritance. We are prospering, Mr. President, and I am going to give you the proof taken from a source that you bankers, more than all others, will appreciate. I have no jealousy of the great Province of Ontario. I wish it with all my heart all possible success. But if I can believe the figures that I am about to submit to you, I am forced to the conclusion that we are progressing more rapidly than it does, although we had a longer road to travel. Savings banks deposits have always been considered as denoting the degree of national prosperity. I submit with a satisfaction that I have no desire to conceal the following statement based upon information drawn from official sources: Amount of deposits in the savings banks other than chartered banks:

Ontario, June 30th, 1894 .....	\$18,581,848
"    "    1890 .....	16,883,777
Increase .....	\$1,698,071
Or 10.05 per cent.	
Quebec, June 30th, 1894 .....	\$17,262,801
"    "    1890 .....	14,656,060
Increase .....	\$2,606,741
Or 17.78 per cent.	

During this space of time our progress has been 17.78 per cent., while that of the Province of Ontario has only been 10.05 per cent. Thus establishing our progress, our welfare, our prosperity and our inexhaustible resources, I will say in conclusion that we have a thousand times reason to be contented with our lot. We desire no change. We live happily under the flag that you—Admiral—good servant of your noble Sovereign, bear so bravely on the seas. We have known another flag, Mr. President, which we loved and to which we were faithful, as we now are to that beneath the shadow of which, at the present time, we live happy and free. The majority is in the full enjoyment of all its rights under the rule of our gracious Sovereign. Nobody suffers, nobody complains. The minority is happy and treated with generosity. May the same conditions prevail throughout the entire Dominion and the prosperity of our great country will be assured.



# THE CAUSE OF THE DECLINE IN THE VALUE OF PRODUCTS, AND ITS EFFECT ON THE GENERAL WELFARE OF CANADA

BEING THE ESSAY IN COMPETITION I. TO WHICH THE FIRST PRIZE WAS  
AWARDED

UPON looking at the prices of commodities during the present century, a continuous decline in the average price of nearly all staple articles from the beginning of the century until the year 1849 will be observed. An upward change then took place, lasting with few variations until the most recent culmination of high prices, that of 1873. Since then, and until the present time, the decline in prices has been both steady and rapid; during a period of twenty-two years the decline, as is shown by the tables of "Index Figures" prepared by authorities using English prices, amounted to from 35 to 40%.

To this latter epoch, 1873-94, attention is especially drawn, as the causes producing the great and unexpected decline during this term have differed largely from those experienced previous to this period, and have left the present prices of almost all products at the lowest average of the century. Manufacturers, agriculturists and merchants have alike met with many unpleasant surprises, especially during the last few years. At a time when prices were thought to be at the bottom—they were at the bottom of other years—further reductions were made that were previously thought impossible. One well known and experienced grain dealer in Minnesota said when asked his opinion as to the future of wheat, "I have no opinion to give on the matter; the wheat market is in a condition that renders useless all my experience." It has been so with other commodities; cotton, wool, iron, steel, petroleum and copper are some of the products which have suffered so severely that experienced dealers in them are at a loss to know what the future may have in store of further changes in their values.

One noticeable feature of the decline in prices is the manner in which it has affected all civilized countries at nearly the same time and degree, the two great Republics of the United States and France having suffered most severely, although Great Britain, Germany, Russia, Italy and other countries have keenly felt the decline.

That severe depressions of all business should accompany this general lowering of prices is most natural; in fact the former introduced and was partly the cause of the latter. A revival of trade set in about 1882, but did not last for any lengthened time.

The following table will show the trend of prices on a number of staple articles of daily use selected generally. The prices are those given by the *Economist* of London, Eng., an authority generally recognized.

Jan. 1st	1873	1883	1892	1895	%
	\$	\$	\$	\$	
Scotch pig iron ton .....	30 90	11 60	11 43	10 13	D 67
Steel rails, ton	27 98 (1879)	26 76	20 38	17 64	D 37
Copper "	450 16	343 03	234 81	210 48	D 53
Steam coal "	5 83	2 31	2 43	2 31	D 60
Canadian Pine, load .....	20 68 @ 25 54	17 03 @ 24 33	18 25 @ 24 33	22 50 @ 27 98	
Leather, lb ..	0 42 @ 0 47	0 36 @ 0 65	0 28 @ 0 69	0 24 @ 0 61	
Raw silk, lb..	3 28 @ 6 20	3 28 @ 3 77	3 16	2 37	D28&62
English wool lb	0 47	0 24	0 24	0 22	D 53
Petroleum, gal.	0 45	0 14	0 10	0 08	D 82
Coffee, cwt ..	20 19 @ 21 40	8 27 @ 10 95	21 04 @ 23 11	19 46 @ 22 38	
Congou tea, lb.	0 18 @ 0 22	0 10 @ 0 18	0 10 @ 0 13	0 08 @ 0 15	D32&55
Brown sugar, cwt .....	6 32 @ 7 30	4 01 @ 4 87	3 04 @ 4 01	1 82 @ 2 68	D63&71
Wheat, bush..	1 71	1 24	1 12	0 63	D 63
Prime beef, lb.	0 14 @ 0 15	0 14 @ 0 16	0 14	0 13	D7 & 13
Silver, oz ....	1 21	1 02	0 88	0 56	D 54

In this table it will be observed that out of the fifteen articles enumerated, twelve have decreased in price during twenty-three years from 7 per cent. to 82 per cent. The prices have been converted from sterling into currency for greater ease in comparing. Many other articles besides those in this list have declined largely in price, while some few have recorded an advance.

Another table which is submitted will show the average fall in prices. These are the "Index Figures" before referred to, compiled by the *Economist* and Mr. A. Sauerbeck, an eminent English statistician. A word or two as to the construction of these "Index Figures." The *Economist* represents the average price of each of twenty-two selected commodities for the period 1845-50 by 100, and their total average price is therefore 2,200. Mr. Sauerbeck represents the combined price of forty-five articles in the same way by 100. The increase and decrease from these figures will give the mean value of all the products included, not of course making allowance for the difference in importance of the various articles :

<i>Economist</i> , 1845-50—2200	Year	<i>Sauerbeck</i> 1867-77—100
2947 .....	1873 .....	110
2723 .....	1877 .....	94
2538 .....	1880 .....	88
2342 .....	1883 ..	82
2230 .....	1888 .....	70
2236 .....	1890 .....	72
2224 .....	1891 .....	72
2133 .....	1892 .....	68
2120 .....	1893 .....	68
2082 .....	1894 .....	63
1923 (1st Jan.).....	1895 .....	(1st Jan.) 60

It will be observed that the above figures given by the *Economist* show a reduction in general prices of 29 per cent. from 1873 to 1894, and to January, 1895, of 35 per cent.; those of Sauerbeck a reduction to 1894 of 43 per cent., and to January, 1895, of 45 per cent. The decline in prices during the past two years has been most marked, but there are at the present writing indications that the figures for the whole of 1895 will be much higher than those above given for January.

Different reasons have been given for so general a falling off in the values of such a large proportion of products of daily use. One reason that has been urged is that the general standard of all values, gold, has appreciated because of its scarcity, and, by reason of the demonetization of silver, the greater amount of service that is placed upon the stocks of gold now held. There are several conditions which disprove this theory. One is that all goods have not equally declined in value, while some have advanced, nor can it be demonstrated on any reasonable basis

that this uneven alteration in prices is due to other than natural causes, such as those which will be discussed further on. Again the production of gold is now in increased quantities every year, and it must be borne in mind that it is not the *increase* of the annual production but the *total* annual production of gold that is added to the world's stock of that metal, less the amount required for use in the arts. The average production of gold throughout the world for the years 1871-5 was 5,600,000 ounces, the average for the years 1891-4 was 7,450,000 ounces, an increase of 1,850,000 ounces, equal to 33%. Instead therefore of gold having become scarce, recent years have witnessed the greatest annual production the world has ever known, and, as noted by Mr. Preston, Director of the United States Mint, "the value of the gold product of the world in 1893 was only 8.77 per cent. less than the average aggregate value of the gold and silver product of the world in 1861-5." Moreover in these later years when the use of business and private bank accounts against which cheques may be issued is so general, and when the use of bank notes is so universal, the existing stock of gold is being freed almost entirely from the small transactions of daily life, and thus possesses greater power for its legitimate work, such as bank and National reserves and clearings. The resources of gold production appear to be almost exhaustless. Competent judges estimate that gold to the value of over a billion of dollars can yet be taken from a strip of land about eleven and a half miles long in the Witwatersrandt mining district in South Africa, while the whole district has a length of about fifty miles. All gold producing countries are steadily increasing their output of gold, and there is every reason to believe that, not only will the present rate of production be maintained, but will be greatly exceeded. "If there is scarcity of gold now, when was there plenty of it?" The consensus of opinion among most of the first thinkers of the day is clearly against this proposition of the depreciation of goods being caused by the appreciation of gold.

The principal causes of the lowering of prices are to be found in the following conditions: over-production, the immense capacity for production that now exists owing to the greatly increased use of machinery, new inventions and discoveries, and cheapness of freights.

It must, however, be remembered that the past two decades have been almost revolutionary with regard to methods of production and manufacture. The invention of Bessemer for making cheap steel was an immense forward step in the world's progress, making possible the production of steel rails at less cost than iron rails. (Iron rails were quoted in 1882 at \$45.50 per ton; steel rails were quoted in New York *Journal of Commerce*, March 2nd, 1895, at \$22 per ton.)

Wheat is raised by modern methods on large ranches, and transferred 1,500 miles on land and twice that distance on the ocean from the northwestern prairies to London, and sold in February last at 19s. 10d. per quarter, although when Edward Atkinson in 1887 spoke of 25s. as a normal figure, his predictions were hardly received. The opening of new lands to agriculture, the adoption of new methods of doing farm work on large tracts with modern machinery, the invention of new machinery and methods of manufacture which economize both time and material, have all combined to enormously increase the world's production during the past two decades.

The large number of swift steel freight steamers of modern construction that plough the waters of the ocean, the network of railways that stretch through all civilized lands, and the almost perfect systems of cable wires that now connect the continents, enable the surplus of one country to quickly supply the lack of another, and enterprising merchants and speculators watch with eager eyes for shortages of goods and higher ranges of prices in near or distant markets, that supplies may be forwarded and profits made out of higher prices than can be obtained at home. This perfection of communication permits the keenest competition, thus causing every possible advantage to be taken of cheaper methods of production and distribution.

That these new methods and conditions of production may be more clearly understood a short review of the recent history of some of the leading products will be necessary. The space at hand will not permit a review of many, nor of those at great length, but fully sufficient for this purpose.

WHEAT—The production of wheat throughout the world has rapidly increased during the past few years. To show this

more clearly, a list of the production since 1883 is appended (for which *Bradstreets* is the authority), and to which is added the price per bushel in London and New York.

	Thousands of bush. 000 omitted	London Jan. price	New York Jan. price
1883 .....	2,008,000	\$1 24	\$1 12
1884 .....	2,200,000	1 18	1 10
1885 .....	2,048,000	98	88
1886 .....	2,128,000	92	92
1887 .....	2,312,000	1 07	94
1888 .....	2,216,000	93	94
1889 .....	2,137,000	92	1 03
1890 .....	2,254,040	91	86
1891 .....	2,378,480	99	1 05
1892 .....	2,404,560	1 12	1 02
1893 .....	2,457,760	78	80
1894 .....	2,506,400	81	67
1895 .....		63	60

The average production for the four years 1887-90 was 2,232,000,000 bushels; we may therefore assume the total consumption for that period to be not more than 2,250,000,000 bushels per annum. Estimating the annual increase of consumption to be 16,000,000 bushels (*Bradstreets*) the average consumption for the period 1891-4 would be 2,290,000,000 bushels. On this basis (a conservative one) a constantly increasing surplus is observed. An economic rule stated by Mr. D. A. Wells is that, when there is an actual surplus above requirements for consumption of any article, the price which this surplus will command in the open market will govern and control the price of the whole, and the competition among holders to sell this surplus will speedily reduce its price to a point where profit will be almost or entirely nil. The immense production of wheat in recent years is by many authorities considered a sufficient reason for the lowered price. It is not long since the Argentine Republic commenced adding large quantities of this cereal to the world's supply. In 1884 their exports were but 60,000 tons; during the decade since that time it has averaged 100,000 tons; in 1893 the figures were 1,000,137 tons; and for the first six months of 1894, 1,029,546 tons. An export of upwards of 35,000,000 bushels may be expected yearly from this source, on an estimate of over six millions of acres in wheat, and a recent writer assures us that but five per cent. of the area of the Republic suitable for the growth of cereals is at

present under cultivation. This wheat is largely grown within 100 miles from deep water harbors, thus saving much of the cost of land freight. The Argentine wheat growers also are satisfied with a much smaller profit than can be accepted in North America. In 1881, Dakota in the United States raised no wheat for sale. In 1887 its crop was estimated at 62,553,000 bushels and the estimate for 1894 is 65,000,000 bushels. Russia, Austria-Hungary and India also add immense quantities to the stock. The growing of wheat on large ranches has contributed largely to its reduced cost of production. In California and elsewhere plowing is done by steam power and gang plows, and seeding by special machines. Senator Peffer, of the Special Committee on Agricultural Depression in the United States, says the cost of producing wheat has been reduced to thirty-five cents per bushel in the Northwestern States, and twenty-two cents in California, although these figures can hardly include interest on the cost of the land. Edward Atkinson says, in a recent paper, that since 1873 a reduction of 27s. 4d. per quarter (say 83c. per bushel) has been made in the cost of growing, milling and moving wheat from Dakota, Minnesota, Kansas and Nebraska, averaging over 1,500 miles from the seaboard. These items of enormous production and reduced cost of raising, milling and moving, have been the factors which have brought the price of wheat to its present exceeding low figure. One writer includes his whole argument on the cause of the low price into the terse words "too much wheat."

IRON AND STEEL—In 1870 the output of pig-iron in the United States was 1,670,000 tons; in 1894 the production was 6,657,000 tons, an increase of 298%. The output of Great Britain increased during this period from 5,960,000 tons to 6,950,000 tons, an increase equal to 17%. In Germany the increase made from 1870 to 1893 (the latest figures to hand) was from 1,390,000 tons to 4,953,000 tons, or 256%, or assuming Germany's production of 1894 equalled that of 1893, the increase of these three countries—by far the largest producers in the world—during 25 years was nearly 106%. (The population of these countries increased from 1870 to 1890, 34%). The production of Bessemer steel has increased at even a higher rate, the increase throughout the world being

324% during the 15 years from 1878 to 1892. These enormous increases are due not to a greater number of furnaces, but to improved methods of production. The *London Iron and Coal Trades' Review* states the case as follows: "The capacity of the 713 blast furnaces in the United States in 1876 was about 5,500,000 tons; the capacity of the 519 furnaces in January, 1894, was not less than 16,250,000 tons; in other words, with nearly 200 fewer furnaces there is three-fold increase of capacity." The sixteen Bessemer converters in the United States in 1876 had a capacity of 500,000 tons; the ninety-five converters in 1894 had a capacity of 7,750,000 tons. The cheap surface ores of the Messaba district, that can be mined and loaded by means of a steam-shovel, and the erection of furnaces in Alabama, where coal and ores are in close proximity, are of note in their effect in reducing prices and increasing production. In a recent address delivered before the American Foundrymen's Association, it was stated that at the works of the Thomas Iron Company, in the United States, the cost of fuel per ton of pig iron produced fell from \$10.07 in 1869 to \$3.48 in 1892, the cost of ore from a maximum of \$14.21 to a minimum of \$5.34, the cost of limestone from a maximum of \$1.30 to a minimum of 33 cents, and the cost of labor from a maximum of \$8.06 to a minimum of \$2.04. The present price of steel rails is about \$22.00, but a recent writer to the *Iron and Coal Trades' Review* stated that at the present prices of American labor and raw material, Mr. Carnegie could produce steel rails "at a good deal under \$20.00 per ton," while in 1884, \$20.00 to \$21.50 was the price quoted in *New York Commercial Bulletin* for No. IX Foundry Iron. The *American Manufacturer*, in a recent issue, says of iron and steel, "a day's work of a man with modern machinery will in some cases give ten to twenty times the output of ten years ago." It is reduced labor cost, the result chiefly of new methods and improved machinery, that has reduced the cost of production, not only improved machinery to do what machinery did a few years ago, but to do what labor did at that time. This seems to be the key to the position with regard to these products. The resources of production are so enormous that not higher but lower prices may still be looked for.



WOOL—The growth of this trade and the increase of production have been very great. The imports into Europe and America of colonial wool in 1872 was 743,000 bales, valued at £19,690,000, or say £26 10s. per bale. These imports amounted in 1894 to 2,152,000 bales, of a total value of £24,748,000, or say £11 10s. per bale. The wool clip of the United States was 264,000,000 pounds in 1880, which increased to 364,152,000 pounds in 1893, and prices in United States of Ohio wool declined from about 38 cents in 1884 to 16½ cents per pound in 1895. These heavy reductions in price have been chiefly due to the large production which has for some years past left an increasing surplus on hand. New countries have been opened up within comparatively recent years for sheep farming; the Argentine Republic increased their stock of sheep during the thirty years ending 1886 from 16,000,000 to 90,000,000, at present showing an annual average clip of four pounds of wool per head. The export of wool from Natal is 300%, and from Cape of Good Hope 33% more than in 1875, and Australasia increased her wool output 232% since 1870. Ocean freights and modern ranch methods of wool-growing, accompanied by economies in the care of sheep and the preparation of the wool for the market, have greatly reduced the actual cost of production. There is little doubt that the production of wool is in excess of the world's requirements, such as they have shown themselves in recent years, and the general knowledge of this acts in a depressing way on the wool market.

COPPER—Mr. A. Sauerbeck estimates by his "Index Numbers" the decline in the price of copper from the average of 1867-77 to 1893, to be 41%; the increase in production from 1870 to 1893, was 223%. The *Economist* figures show a reduction in price from 1873 to 1895 of 53%, or from \$450.16 per ton to \$210.48. The production of the United States increased from 12,650 tons in 1870 to 159,686 tons in 1894. We have also here again to note the effect of modern invention and ingenuity in reducing the cost of working. At the Quincy mine in the Lake Superior region, the cost of production per pound of copper was, in 1870, 14.90 cents, and in 1894 5.68 cents. (During the same period wages increased 9%). A few of the many

causes of the reduced cost of production are high explosives, machine drilling, modern stamps for crushing, reduction in smelting expenses and cheaper transportation. A large sale by the Calumet and Hecla mine at nine cents per pound was quoted in September last. The discovery and operation of new and rich mines in the United States and Canada have without doubt contributed immensely to the increase of production, while the rapidly increasing demand for this product for telegraph wires, cartridges, &c., has also been a cause for its development.

SUGAR—SILVER—PETROLEUM—Have each suffered enormous declines in price from increased capacity for, and newer methods of production. The reduction in price from 1873 to 1895, according to the *Economist*, has been about 67%, 54% and 82% respectively. Sugar production increased from 1872-3 to 1885-6, 68%, and from 1887-8 to 1894-5, 63%. It is a notable fact that while the increase of production of sugar from 1887-8 to 1894-5 was 63%, the increased production of *beet root sugar* during this period was 106%. This doubling of the production of the latter variety of sugar was almost entirely due to the bounty system. In nearly all the continents and in the islands of the sea sugar products have received State aid in either growth or export, and recent advices inform us that the State Council Committee on Agriculture in Germany has voted for an increase of bounty and of the internal duties on the amount consumed, and in France and Austria propositions have already been made to prevent the increased import of German sugar, which will be encouraged by the enlarged bounties. The effect of the artificial stimulus to production is readily seen. Prof. Wiley, writing in the *Engineering Magazine*, estimates the world's consumption of sugar at about seven million tons. The production for 1894-5 was estimated at 8,100,000 tons. If Prof. Wiley's figures are correct, ample reason is at hand for the decline in price of this product. Added, however, to the over-production as a cause of reduction in price is decreased cost of manufacturing, as an example of which it may be stated that nearly one-half more sugar may now be obtained from the same weight of beets than in 1876. The German Government re-

turns show that for the manufacture of one pound of raw sugar in 1860,  $12\frac{3}{4}$  pounds of beet root were required, in 1871-7, 11.82 pounds and in 1892-3, 8.35 pounds.

The production of silver has trebled within twenty-four years, the output of 1871, 52,466,433 ounces, having become 161,170,242 ounces in 1893, and say 149,100,000 in 1894. This coupled with improved methods of production and refining and at immensely decreased cost, has brought the price at the present time so low, but yet at present low prices (the lowest the world has ever known) there is a margin of profit to the producer. The rash attempt of the United States Government to keep up the price of silver by purchasing 54,000,000 ounces per year for coinage purposes, failed to alter the action of natural laws of value and price, supply and demand, and the price has gone steadily down, the price in New York this year being about sixty cents per oz., which is higher than the average of 1894.

The production of crude petroleum in the United States in 1873 was 9,893,786 barrels, in 1887, 28,249,597 barrels, and in 1893, 48,412,666 barrels, an increase in twenty-one years of 389%. The production in Russia also has grown rapidly, amounting to 33,104,126 barrels in 1893. The product of no other one country reaches a million barrels. No other commodity has declined in price to the extent of this, the decline being 82% since 1873. This decline in price was undoubtedly due to the enormous production in excess of demand, the stocks on hand in 1884 amounting to 38,000,000 barrels, more than a year's production of the American wells. The Standard Oil Co. in obtaining entire control of the American product, contributed largely to the decline in price by cheaper methods of production and transportation, the latter by means of lines of pipe through which the oil was run hundreds of miles at small expense, and by specially built cars and steamers; cheaper barrels, boxes and cans, cheaper freights, all permitted lower net prices. Newer methods of refining brought down the price of refined oils faster than the already rapid decline of the price of crude. The consumption is certainly rapidly increasing, a most encouraging sign of which is the fact that Great Britain's importations increased in the past two years 49%. The stocks

on hand in America have in April of this year been estimated as but little over 2,000,000 barrels, so rapidly has the consumption overtaken the supply, and the price in response has increased 200% since the beginning of the year.

Other commodities, mostly of minor importance, have been reduced in price, principally by the same causes as have brought about a reduction in the price of the articles above mentioned. Cheaper labor has been a large factor in reducing the price of many kinds of goods ; but it has not been as a rule on account of lower wages paid the workmen, but of increased product from their labor. (A report to the United States Senate in 1893 gave " Index Numbers " which indicated an average increase of wages from 1870 to 1890 of 23%, and the United States census of 1891 showed an increase of wages in the various manufacturing industries of that country of 40% for the ten years preceding that date.) The manufacture of furniture will illustrate this. The wood out of which it is made is as high in price as it was some years ago, and in many lines much higher on account of the growing scarcity of good material, yet the lower grades of furniture are much cheaper now on account of the increased amount of work that can be done by machines. In shoes also, although the price of leather is much lower than in 1873, it is higher than in 1845-50 ; their cost of manufacture has been greatly reduced by the many machines recently invented. A good shoe can now be made throughout its different processes entirely by machinery.

In the cotton districts of the United States, while opinion is divided, it is considered possible to raise cotton at five cents per pound, this of course on very large ranches. In the manufacture of cottons reductions have also been made, the spindles revolving twice as fast as formerly, and many improvements have been added to the machinery. A revolution in cotton manufacturing is imminent in the United States from the increasing competition of the South with the old-established mills of the North. Mr. Coolidge, an authority on the subject, says that in the South coal can be had at from 80 cents to \$1.50 per ton ; in Lowell, Mass., the price is \$3.50 to \$4.50 per ton ; the southern cost of labor is 30% less than in Massachusetts, and the mills in the South run from an hour to an hour and a

half per day longer. The effect of these economies on the price of the manufactured cotton can readily be seen.

Besides the causes mentioned in the foregoing review of specific commodities, there are other causes which act generally on all products. It will be observed from the "Index Numbers" of the *Economist* that the average decrease of prices from 1st January, 1894, to 1st January, 1895, was 7.64%, a greater percentage than has occurred in any one year since 1878, and the latter being part of the rapid decline from the abnormally high prices of 1873. It would appear then that some special cause must be looked to for the large decline in 1894. That year was a most disappointing one to those who looked for much revival of trade. The Australian collapse in 1893, followed by the general depression of trade and the failure of so many banking, financial and commercial institutions in the United States, made that year a memorable one. It was hoped that that year had sounded the bottom of dull trade and low prices, but such was not to be. For nearly eight months the United States Congress and Senate dallied with the tariff question, entirely regardless of the necessity there was for a speedy settlement of the question, and that their delay necessarily held trade down to the narrowest borders; they persistently declined to take any step towards protecting their paper money, while the heavy drain of gold from the United States treasury gave rise to grave doubts as to their ability to maintain gold payments, thus causing American securities to be distrusted in Europe. This serious crippling of the trade of the United States could not but seriously affect the trade of the world. This is seen in a comparison of the exports of Great Britain to the United States—their largest customer. These declined in 1893 from the figures of 1892, 9 $\frac{3}{4}$ %, and the decline of the year 1894 was about 21 $\frac{1}{2}$ %, the decline in two years being over 29%. In Australia too, things have not gone well. Some of the banks there are finding that their hastily arranged schemes of reconstruction are more burdensome than they can carry, and with some of them an appeal to their depositors for lower rates of interest and longer time for repayment seems certain. The decrease of exports from Great Britain to Australia was 16 $\frac{1}{2}$ % during the two past years. Large numbers of unemployed men have been recorded

in both these countries, thus largely curtailing consumption of all but the bare necessities of life. At one time last year it was estimated there were a million workmen out of employment in the United States. The depression was also considerable in the various States in South America, as also in Europe—all this reducing the market for goods and inviting the closest competition and cutting of rates, until profits were very small, indeed sometimes almost, if not altogether, nil.

Another cause of reduced prices for commodities is to be found in the larger employment of women and boys in many factories. These do and can work much cheaper than a man can afford to, and are to be found in large numbers in the cotton and shoe factories, confectionery manufactories, corset factories, book binderies and other smaller lines of trade.

Nor can the effect of the larger retail stores on the prices of many commodities be ignored. Mammoth establishments conducted on the pattern of Wannamaker's (probably the best known in North America) have been started in nearly every large city, and these establishments carrying on a number of departments or lines of business under one roof, buying direct from the manufacturers, ignoring middlemen wherever possible, frequently controlling smaller establishments for the manufacture of goods expressly for them, and doing a large cash business, not only in their own city, but by means of the post and express offices throughout the surrounding country, are in a position to place goods before the consumer at a price much below that which is possible for smaller houses to do.

Cheaper freights have already been mentioned, and it has been said in a journal lately that it costs no more to send a barrel of flour hundreds of miles by train, than to have it carted a mile through the city. The keen competition between the various lines of railway for business keeps the rates for, at least, "through freights" at the minimum. The present facilities for the transportation of commodities undoubtedly prevents great loss in shipment, and thus reduces the cost to the consumer. Refrigerator cars will now take strawberries, peaches and other fruits, and fresh meats, hundreds of miles in perfect condition; elevator charges for transporting grain are much reduced; modern invention has enabled steamships to travel faster at a

less expenditure of coal and reduction of other expenses, thus permitting reduced carrying charges. The enormous increase in carrying power of the vessels of the world has beaten down their charges also, and this has been brought about largely by the increased use of steamships in place of sailing vessels. In 1860 less than 7 % of the world's vessels were steam, in 1888 over 41 % were steamers. In 1870 the carrying power of these was 25,100,000 tons, and in 1888, 48,800,000 tons.

Science is teaching men in these days to be less wasteful. The garbage of the cities is carefully raked over by those searching for waste products that may be utilized. Although these are the smaller economies, they all figure in the final count. Tin cans, boots and rubbers are melted down or in some way utilized; the former waste from gas factories now produces the beautiful dyes, which take the place of more costly materials. Competent men have recently said that 400 tons of guano and 145 tons of fish oil may be produced from 1,000 tons of the waste fish and offal from the salmon canneries on the Fraser River, representing a net profit of about \$8,150.

Two more examples of cheapened production may be mentioned. A new process has recently been discovered in France of bleaching cotton and linen by means of soluble glass and sodium silicate. It is claimed this new process does not injure the goods as did the old method, is much more expeditious and very cheap. It is told that at Chicago, hogs and cattle can be turned into pork and beef at a cost that would be covered by the value of the feet of the former and the tongues of the latter.

The general causes we have mentioned, it will be seen, have been the chief agents in the decline in the price of products. Specific or local causes have no doubt also contributed to the decline in price of some articles; but the causes affecting the products discussed are those which have been most instrumental in making the great reduction in prices experienced during the last two decades. The theory of the decline in prices being caused by the reduction of the volume of currency as a result of the disuse of silver, has so few first-class authorities to support it, and fewer arguments, that further consideration of it is un-

necessary. Many more instances might be given illustrating reduced prices as a result of the causes above described, but sufficient have been advanced for the purpose in view.

The Dominion of Canada is not in any way an isolated country. Though her population and trade are small in comparison with those of the nation adjoining her southern boundary, and of the nation of which she forms a colony, her commercial and financial interests are closely interwoven with those of these two countries, and to a lesser extent with others. The railway locomotive and the fast ocean steamship bind together the nations possessing these adjuncts of modern life with a network of social and business intercourse that makes them feel almost as one every change in the supply, demand, price or method of production of the great staples of commerce.

There is no doubt that the trade of Canada has suffered considerably from the periods of stagnation in business and general hard times that have visited all lands in the past two years and at previous times, and that the prices of commodities here have been affected by the decline in values throughout the world during the past twenty-two years. These two, the depression in trade and decline in prices, are so frequently bound closely together, each leading on the other, that it is not always easy to view them apart. The same causes are relative to both. Depression of trade produces keen competition, small profits and economic production among manufacturers and traders, resulting in reduced prices; reduced prices of farm products means lessened purchasing, thus tending to stagnation of trade.

A comparative review of the business of the Dominion during the past years will largely show the effect of these conditions upon this country. That our strong position was recognized elsewhere (despite the many attacks made upon Canada by the editor of the *Investors' Review*) is shown by the way the Canadian 3% loan of £2,250,000 was taken up in London last autumn, the offers being from £95 to £99 12s. 6d., which was higher than for any previous Canadian loan, and since then these same bonds have been quoted at over par.

From the manner in which our leading houses, commercial and financial, have stood the strain of the hard times, it is evi-



dent that these are under the management of men of sound sense and integrity, and conducted under thoroughly conservative rules, thus being prepared to meet almost any emergency. The failures of banks during the past decade have been very few, and none have brought even partial disaster to others than their stockholders; and during the past six years the failure of but one chartered bank, a small one in the North-West, was recorded; at the same time nearly all our large commercial houses stood firm. This is in distinct contrast to the state of trade in the United States, where hundreds of banks, loan and other financial institutions had to suspend during the terrible panic which prevailed there in 1893; nor is it unfair to compare Canada with the United States in such matters, that being the only country adjoining ours, and between it and Canada are such close social and trade relations, despite the protective tariffs of both countries.

The following table consists of a list of seventeen articles in daily use, with the wholesale price of the same in Toronto on July 2nd, 1873 and 1894, and the percentage of increase or decrease during that time. The prices are obtained from the *Monetary Times* list of prices current:

	July, 1873		July, 1894		
Coffee—Java.....	\$0 21	@ \$0 24	\$0 27	@ \$0 35	Inc. 37%
Rice—Arracan .....	0 04½	0 04½	0 03½	0 03½	Dec. 18%
Sugar—Yellow .....	0 09	0 09½	0 03½	0 03½	" 63%
Tea—Y. Hyson.....	0 60	0 87	0 13	0 55	" 53%
Copper—Ingot .....	0 26	0 28	0 10½	0 10½	" 61%
Iron—Pig .....	46 00	48 00	18 00	21 00	" 58%
Calfskins—Cured....	0 20	0 30	0 06	0 07	" 74%
Harness Leather ....	0 24	0 27	0 20	0 24	" 14%
Petroleum—Can. ....	0 27½	0 28	0 11½	0 12	" 57%
Spring Wheat .....	1 23	1 25	0 58	0 63	" 51%
Flour .....	4 75	7 25	2 50	3 75	" 48%
Butter .....	0 14	0 16	0 13	0 15	" 7%
Cheese .....	0 12	0 12½	0 09½	0 10	" 20%
Lard .....	0 10½	0 11	0 08	0 09	" 18%
Hams .....	0 12½	0 13	0 10½	0 11	" 15%
Wool .....	0 45	0 50	0 16	0 20	" 62%
Oats .....	0 38	0 40	0 39	0 40	" ....

It will be observed that of all these articles but one showed an increased price. These percentages of differences in prices do not agree exactly with the list previously given of

prices in London, local influences doubtless causing the variations. The articles above enumerated, however, show an average decline in price of about 34%. The President of the Toronto Board of Trade, in his last annual report, gave the reduction as about 33 $\frac{1}{3}$ %; Sauerbeck's index numbers for the same period show the decline to be 43%, and those of the *Economist* 29%, the average of these two latter being 36%. Some of the articles enumerated of our own production have shown a decided increase in price quite recently.

Some of the immediate effects of the present low prices on the condition of the people might be examined with profit. Except during a time of depression like the present, the rate of wages paid has not decreased but increased, and this being so, a larger purchasing power must be in the hands of the people, the wage earners, and this involves a higher standard of comfort. All of our native working people have a fair education, and can appreciate the many additional comforts and adornments now attainable through reduced prices, and one who can compare the homes of men of all classes to-day with what these were twenty or twenty-five years ago, will find a striking improvement. Everything within them will show an improvement in comfort, beauty or convenience, and in addition a much larger proportion of the men of Canada are now carrying life insurance than were doing so at the earlier date. In the case of the farmer the conditions are also improved, but possibly not exactly in the same way or to the same extent. The farmer is more isolated, and cannot therefore have many of the benefits which the city man enjoys, and as the price obtainable for his produce has been declining in some items very seriously, the reduction in the price of the goods he purchases has not given to him so large a net benefit as to others. Still, it is said "a bushel of wheat will purchase now as much as or more than at any former time," and most of our farmers are living in much more comfort than did their fathers, even if less cash passes through their hands. Owing to the use of new and improved machinery, they do not work so hard or so long as formerly, their children receive a better education, and their homes will be found to contain many comforts and luxuries not found there

twenty years ago, and if men of all classes are accumulating less money, it is not because less is earned, but because more is spent.

The year 1883 has been called the "banner year" of Canadian trade, for during that year the total of our foreign trade aggregated \$230,339,826, an increase of about 5½% over 1873, the latter being the year of high prices and inflation, and during which and the two years succeeding it our imports were without doubt very much in excess of demand. The total figures of 1883 have been exceeded during the last three fiscal years, the year 1893 now taking precedence with a total foreign trade of \$247,638,620, an increase over 1883 of 7½%, and this in the face of a decline in value of products of 10 to 20% during that decade. Our exports for the years 1890-4 exceeded those of 1875-9 by nearly 41%, and imports on the same comparison increased 21%. In contrast to this stand the figures of the United States and Great Britain, the former showing a decrease from 1891, their highest year, of about 17%, and the latter a decrease from the highest in 1890 of about 8¾%. A statement in a recent number of *Bradstreets* showed that the aggregate foreign trade of New South Wales had declined from £51,377,417 in 1891 (apparently their best year) to £36,379,314 in 1894, a decline equal to 29%. During the years 1882-3 a marked revival of trade was evident and a considerable measure of prosperity was experienced, but during the depression following that period our exports and imports fell away very fast, until in 1886 they stood at \$189,675,875. From that time onward the advance has been steady until the year 1894, when the advance was checked, the figures for that year, however, being about equal to those of 1892. The first eight months of the fiscal year 1895 continue to show a decline. Compared with the same period of the previous year a decline of 7½% is observable in the aggregate foreign trade, the larger part of the reduction being in the imports. The amount of goods entered for consumption in the fiscal year 1894 was nearly \$9,000,000 below 1893, the latter year being the highest since 1883. One cause of the decrease was the cautious buying of our traders in view of the general depression, but this will in the long run prove most beneficial.

In one department of the country's business, the railways, the effect of the decline in prices and stagnation of trade during the past couple of years has been most marked. Both of our two great lines, the Grand Trunk and Canadian Pacific Railway Companies have shown very heavy losses in gross receipts. Certainly one of the main sources of loss to these companies has been through their controlled lines in the United States. The Chicago and Grand Trunk experienced an exceedingly heavy loss of revenue on account of the commercial collapse in that country; and the Canadian Pacific had to lend \$1,853,000 to two of its controlled lines in the Western States to enable them to pay interest and other charges. The low price of farm produce has reduced the farmers' ability to purchase, and thus trains of cars that brought wheat and other produce from the North-West have had to be returned empty, and so causing outlay with no profit. The Canadian Pacific created quite a sensation lately by announcing that the customary dividend of 2½% could not be paid this half-year. This is the first omission of dividend by this road. The Grand Trunk is, however, a chronic non-dividend paying road, last year the earnings being not nearly sufficient to pay interest on the 4% guaranteed stock. Both of these companies have to meet keen competition from the United States roads, consequently the rates for freight are sometimes very low, thus seriously encroaching on the profits. The holiday travelling was also seriously curtailed owing to the general derangement of trade in the United States. When the present period of depression is past, the Canadian Pacific Railway will probably be enabled to resume its place as a regular dividend-paying road, although possibly at a lower rate of dividend; it is doubtful if the Grand Trunk ever will until very drastic means are adopted to remodel its finances. In the United States railway matters have been much worse, several of its large roads being in a state approaching bankruptcy, while the assignments of railroads during the past two years have aggregated \$80,000,000 of capital, and there has been default of interest on \$976,000,000 of bonds.

Referring now to the failures occurring during the past few years, we cannot make comparison with any other country than

the United States. According to *Bradstreets* statements it would appear that in Canada nearly twice as many failures occurred in proportion to the number in business as in the Republic during the past seven years, the proportions in the United States running from lowest 1% in 1892 to 1½% in 1893, and 1.22% in 1894. The lowest in Canada was 2.20% in 1890, and highest 2.44 in 1891, in 1894 2.36%. The heavy proportion of failures in Canada is largely attributable to lack of capital, the failures from this source being given as no less than 68% of the whole, just double the proportion from this source in the United States. It would seem as though the low prices obtainable for products had made it difficult for the small manufacturer to obtain a living. The large factories with their larger output are better able to make headway on the small margin of profit obtainable. This is partially borne out by the fact that the output of the Canadian factories, with an annual product exceeding \$50,000, increased from 49.6% of the whole in 1881 to 54.8% of the whole in 1891. In the proportion of assets to liabilities of those failed (including only those failing whose estates showed a deficit always) Canada showed a somewhat smaller proportion than the United States. The proportion of failures in 1894 from each of the other causes mentioned in *Bradstreets* is smaller throughout in Canada than in the United States. The proportion of those in business to population in Canada is about equal to that of the United States, so that the oft repeated cause "too many in business" must be used with caution, for if it applies to us it applies equally to the United States, and if it is true there are too many in business, it is equally true there is more wheat, wool and mutton being raised, and more books, shoes, cottons, steel, &c., being manufactured than ready sale can be found for. There must, however, be altogether too many persons starting in business in Canada with but very slender means. One thing in this connection is noticeable; the largest number of failures in Canada during the term mentioned is but 11% higher than the lowest record, while in the United States the same comparison shows 50% increase. This would clearly indicate that Canada had not been affected seriously by the severe crises that overcame the United States, Australia and other countries.

The life insurance business does not appear to have suffered any from the business troubles of the last two decades. The insurance carried by Canadians in 1874 was \$85,716,325, which by 1894 had increased to \$308,795,881, an increase of 260%, or about 12½% per year. The increase of 1894 over 1893 was \$13,173,159, of which \$10,153,069 was in Canadian companies; 57.46% of the amount in force in 1894 was in Canadian companies, an increase over 1893. Besides the above, there was \$67,711,270 in force in benefit societies in 1894. Five of our Canadian companies hold at present \$146,000,000 of policies in foreign countries. Taking it altogether these are satisfactory figures, and indicate that the people of Canada recognize a life policy as a sound investment, and also that they are and have been disposed to take and able to pay for this necessary provision for those dependent upon them.

The banking business of a community is considered a fair index of its progress. The banking business of Canada shows undeniable improvement during the past twenty-two years, an improvement which represents prosperity and increase of business among the people, and of standing and wealth among the banks. As we compare one year with another the month selected is unimportant. The figures shown are those of 30th September of each year, and are taken from the monthly Government statement of banks. The note circulation in 1872 was \$26,174,000; in 1877, a time of great depression in trade, this had decreased to \$21,923,000, but since that time the gain has been steady, until in the year 1893 it amounted to \$35,128,000. 1894 shows a decrease of about 5% from these latter figures, and a small further decline up to date has been experienced. The gain from 1872 to 1894 has been about 27%. The increase during the same period in the circulation of Dominion Government notes has been over 100 per cent., or a net increase in these two classes of notes which constitute nearly all the circulating money of the country, of about 50%. Even making allowance for the amount of Dominion notes held by the banks, the increase in circulation has more than kept pace with the growth of the population of the Dominion. (The population has increased 31.10% from 1871 to 1891.) That the rate of increase

has not been very much higher is due to the changed custom of the people, who do not hoard notes as formerly, but deposit them in the banks, the notes thus rapidly finding their way back to the issuing bank. Payments by means of cheques are now replacing cash payments so largely that this also materially reduces the handling of all kinds of money. The bank deposits during this period have increased about three-fold, and the discounts have about doubled. The banking capital has increased from \$43,248,000 in March, 1872, to \$61,687,571 in 1895, and the total Reserve funds from, say \$17,000,000 in 1883, till at the present time they amount to over \$27,500,000, equal to 44.65% of the paid-up capital. The banking business of Canada is surely in a highly satisfactory state of security.

One item of our manufactures that has shown remarkable vitality and progress despite a decline in price of 10% in the past ten years, is cheese. In 1872 we exported 16,424,025 pounds of cheese of our own manufacture, in 1882 50,807,049 pounds, and in 1893 133,946,365 pounds, of a value of \$13,407,470. This progress is almost entirely due to the uniform good quality of the Canadian-made article. From 1881 to 1894 the United States exports of cheese declined from 147,995,614 pounds to 55,834,000 pounds, this being clearly the result of exporting an inferior class of goods. The United States filled and adulterated cheese has been and is injuring their foreign trade to a large extent. Canada's butter manufacture and export shows signs of regaining part or the whole of its old place in the foreign markets, having increased about three-fold since 1889, but is still far below the aggregate of twenty years ago. Our people appear to be awaking to the fact that nothing but first-class butter will do for export; and with the aid recently given by the Dominion Government there should be nothing to prevent further large increases in our export of this important item of our dairy products.

The tonnage of vessels entered inwards and outwards at Canadian ports shows a heavy increase. The figures for 1873, exclusive of the coasting trade, are 11,748,997 tons, which had grown to 18,539,534 tons in 1893, an increase equal to 58%, and the total coasting trade from 10,300,939 tons in 1876 to 24,579,123 tons in 1893, an increase of 138%.

The fisheries of Canada have steadily increased in value, the total value of the 1893 catch for the Dominion being of the value of \$20,686,661, an increase over 1873 of 92%, while the capital invested in the business has increased in the past fifteen years 116%. The steady nature of the increase is shown by the fact that the largest increase in the past twenty-one years was from 1892 to 1893, \$1,745,000, and this was almost entirely owing to the enormous catch of salmon in British Columbia in the latter year. Owing to the constant care and supervision of the Government these fisheries are not likely to become exhausted for very many years, if ever.

The lumber business of a country is not one in which either large or rapid increase is desirable, as this would cause the speedy destruction of the forests. Judging from the export figures, Canada's lumber trade has been very steady. During the past five years little variation is shown; but an increase in exports of 35% is recorded from 1876 to 1893, the figures for the latter year being \$27,512,000, representing more than 23% of our total exports. Very much money was lost in this trade in the depression which followed the year 1882, on account of the overproduction, unsaleability and consequently low prices of that period. As a rule, however, it is a lucrative business, the year 1894 having been from fairly to highly satisfactory.

The Canadian cattle export business is one of growing importance. The exports of horned cattle in 1876 were valued at \$645,449, and for 1893, \$7,745,103. Previous to two years ago Canadian cattle went freely into Great Britain; since then the British authorities compel the slaughtering of all our cattle at the port of entry, asserting that a case of the dread pleuropneumonia had been discovered in one of our shipments. This embargo has stopped the shipment of "stockers," or lean cattle, which had been readily bought up and fattened for the market by Scotch and English graziers. This, it is generally thought, will ultimately prove of advantage rather than loss to Canada, as all the exported cattle will now be fattened here, thus bringing to Canadians the full profit of the trade. The low prices realized during the past two years have brought loss rather than



profit to our shippers, as the competition with other countries for the British market has been keen.

The export of our own agricultural products is not a creditable showing, the figures for 1876 and 1893 being \$21,139,665 and \$22,049,490 respectively. The insignificance of the increase is partly due to reduced prices, but is also largely to be attributed to the decreased export of barley to the United States since the McKinley tariff was enforced. The decrease in exports of barley and rye during this time was \$6,446,000. This trade will probably prove to be permanently lost, as the brewers in the Eastern States, for whose benefit the barley was obtained, are now apparently content to use the inferior barley grown in the Western States. This loss was fully made up by increased exports of wheat, oats, peas, hay, vegetables chiefly potatoes, and green fruit principally apples, in this department, and of animals, cheese, &c., in other departments. The decline in prices is very noticeable here as elsewhere, and most strikingly here of wheat. If the exports of our own wheat in 1893 were valued at 1873 prices, it would add seven or eight millions of dollars to the amount of gross exports of agricultural produce. The lack of increased farming population is however very evident. In this, a new country, the farming population should by all means be kept constantly increasing. During 1881-1891, however, the urban population had increased more than three times faster than the population of the whole Dominion.

A most discouraging feature of Canada is the slow increase of population. As before noted, the increase from 1871 to 1891 was 31.10%, or from 3,686,596 to 4,833,239. During the latter half of this period, 1881-90 inclusive, the total immigration was 1,616,781, or 470,000 more than the increase of population in twenty years. It is very evident that a large number of the young people have been leaving the Dominion, and it is well known that in all the large northern cities of the United States, Canadians are to be found in large numbers, drawn thither by the greater demand for labor and the higher wages paid. Even in this melancholy showing there are a few bright spots. On account of the recent commercial troubles in the United States, it is officially stated that about 8,700 families

have returned from that country to Quebec, and Father Paradis is now seeking financial aid for the purpose of bringing some 3,727 French Canadians to Nipissing District from the United States. The favorable report being circulated by the delegation of English tenant farmers, who at the invitation of the Dominion Government thoroughly inspected our country in 1893, should have a good effect in dispelling the prejudice against Canada which to a large extent exists in England, and in promoting an increased emigration. Certain it is, however, that on account of the low prices of wheat and other farm produce, we have not the same inducements to offer immigrants as in former years.

While we do not wish to be over-sanguine as to the present condition of Canada, and as to the effect of the recent economic changes upon her industries, we think business matters here are on the whole fairly satisfactory, and that the decline in prices has not brought to us either very serious or permanent injury. After such a severe business derangement as that of the past two years, experience has shown that a period of dullness and rearrangement is inevitable, and such a state is now upon us and other countries. Signs are not wanting, however, which seem to indicate that the present depression will not be so prolonged as those of the past two decades, *e.g.*, the unexpected increase in the price of several leading products, wheat, cotton, petroleum, meats, etc., during this spring, owing to an unexpected shortness of supplies. The continued advance in the value of our foreign trade (the decline of the past year cannot be regarded as permanent in the face of previous years) notwithstanding a decline in prices of about one-third, is a gratifying indication of our vitality, as is also the comparatively small effect produced by the McKinley tariff of the United States, a measure aimed to injure our trade, but having the effect of sending our products to other markets. Manufacturers and others are fairly facing the fact of lower prices, and preparing accordingly, by introducing modern machinery and economically working plant. Our farmers are holding their own and making some headway, our Government is watchful and helpful in finding new markets for our products, and in arranging treaties for encouraging trade with foreign countries, and with a splendid

banking system eminently suited to the needs of the country, better things may be looked for before long. With our enormous natural resources in forest and mine, in fisheries and soil, with a good and healthful climate (although the latter has been much maligned), and with shrewd and careful business men in charge of our large monetary institutions, the future would seem to hold out much that is bright for this Dominion.

May, 1895

R. J. GOULD

---

NOTE RESPECTING THE PRIZE ESSAY IN COMPETITION II.—The pressure of matter for the present number has rendered it necessary to defer publication of the Essay in Competition II., until the next issue.—ED. COMM.

## REVIEWS

---

The Editing Committee desire it to be understood that the "Reviews" appearing from time to time, even where not over a signature, are contributed, and are not in the nature of Editorial opinion.

---

### *The Canadian Banking System, 1817-1890.* SOME CRITICAL OBSERVATIONS.

DR. BRECKENRIDGE'S book on the Canadian Banking System is the first attempt to give an adequate and systematic account of the legislative development of Canadian banking. On this account, and because, on the whole, it is the conscientious and painstaking work of a well-trained and capable economist, it is likely to be accepted as the chief reference book on the subject both within and without our country. It were a pity, therefore, if such errors as it may contain should pass unnoticed or uncorrected, particularly in those parts of the work dealing with periods about which information is least readily to be obtained, and with reference to which, therefore, errors are most likely to occur, and least apt to be detected.

Dr. Breckenridge lays no claim to a special acquaintance with the economic environment of the Canadian banks, and although he does attempt here and there to give a brief outline of the commercial atmosphere in which the banks operated, yet these are commonly the least satisfactory portions of his book.

At the same time, even the legislative development of our banking system, not to speak of the place and influence of the banks in the commercial development of the country, cannot be confidently interpreted without a pretty thorough acquaintance with both the economic and political history of the country. Inasmuch as so little has hitherto been done towards an adequate presentation of the economic and social development of Canada, the necessary acquaintance with its economic conditions is only to be acquired by considerable practical knowledge

of the country and years of patient research among the raw materials of history, such as could not be expected from one in Dr. Breckenridge's position. Indeed it is matter for surprise that he has been able to accomplish so much and with comparatively so few errors, considering his situation with reference to our country and the rather restricted range of his subject.

It is not my purpose to make a detailed criticism of Dr. Breckenridge's whole work, for which indeed my own information is not yet adequate as regards some parts of the field which he has covered. For the present I shall confine myself to pointing out some errors both of fact and judgment into which he has fallen in the earlier portion of his work, and especially with reference to the beginning of banking in Upper Canada. These errors seem to be due partly to lack of information, which even at the best is rather scanty for that period, partly to an apparently hasty reading of what was available, and partly to an uncritical acceptance of testimony which was not at all reliable. Dr. Breckenridge's statement regarding the establishment of the Bank of Upper Canada, in the third chapter of his work, while perhaps admissible in an ordinary sketch of Canadian banking, is by no means sufficiently accurate for a work of reference. It gives a misleading idea of the sequence of events connected with the origin of the bank, of its relation to the Government of the time, and of the use of Government funds in getting it started. To give an adequate idea of the situation, however, would be to restate the whole matter. This I may attempt in another connection and apart from all criticism. Here I must be content with entering a caveat for what it is worth. As to the statement that the moving cause of the origin of the Bank of Upper Canada differed little from the old banks of Amsterdam, Hamburg and Italian cities, the comparison is not very felicitous when we think of the economic condition of Canada at this time. There was no practical difficulty at this time in Canada on account of a varied and fluctuating circulating medium, and none at any time from which the Bank of Upper Canada afforded an escape. The pressing difficulty at this time, and the one to which all the bank petitions referred, was the scarcity of a circulating medium of any kind after the withdrawal of the Army Bills.

In his treatment of the so-called "Pretended" Bank of Upper Canada at Kingston, Dr. Breckenridge is much more seriously astray, and this is the more singular in that the very sources of information to which he refers, with one exception, should have prevented him from falling into most of these errors. This one exception is a pamphlet published in Kingston in 1840 under the title of "Statement of the Affairs of the Late Bank of Upper Canada at Kingston. Taken from Authentic Documents." The documents given in this pamphlet of sixteen pages simply refer to the confusion in which the government of the time, the famous Family Compact, had involved the affairs of the bank in its interference with their settlement, and throw little light on the nature of the bank itself. These are followed, however, by some four pages of reckless and sweeping charges, involving not only the three persons on whom, with more or less certainty, the responsibility for bringing the bank to suspension may be laid, but many others, including the directors, the arbitrators and the House of Assembly. Dr. Breckenridge seems to have accepted without question or critical comparison with the other information at hand, this random statement, and even goes beyond it in his own sweeping condemnation of the bank and all connected with it. As his statements involve the honor of several prominent Canadian families, as well as seriously misrepresent the nature of the first bank in Upper Canada, we may notice them more in detail.

Passing over the anachronism which connects the forfeiture of the charter of the Bank of Kingston with the origin of a bank which was organized two and a half years before, we observe that Dr. Breckenridge's account of the origin of the first Bank of Upper Canada reads as follows:—"Nevertheless some ten residents of Kingston clubbed together in 1819, formed an association in direct violation of the law, invited persons to subscribe to the stock, and opened an office in Kingston as President, Directors and Company of the Bank of Upper Canada." I have before me a printed copy of the articles of association of the Bank of Upper Canada, dated 14th July, 1818, and of the seven persons whose names are there given, as in charge of the stock subscription book, only two were appointed on the first board of directors. Nor did this board

of directors afterwards remain a close corporation, for one or two changes took place while the bank was in business. These articles of association are practically the same as those adopted the year before as the basis of the Bank of Montreal. The Kingston Bank, however, was formed only after the effort to secure an act of incorporation had apparently failed. The promoters of the private Bank of Upper Canada were prominent among those who sought to obtain the first charter for the Bank of Upper Canada in 1817; and most of the directors of this private bank, after it had started business, were charter members in the Act passed by the House of Assembly for establishing the Bank of Upper Canada in 1819. What happened to that Act when it reached the Legislative Council is another story. It was because the first charter for the Bank of Upper Canada was reserved for the Royal assent, which was not forthcoming, that these Kingston merchants and others adopted the plan already put in practice by the Bank of Montreal, and established in 1818 the Bank of Upper Canada as a private partnership.

Again, when Dr. Breckenridge confidently accuses the "ten residents of Kingston" of having "formed an association in direct violation of the law," he is evidently not aware that their association was neither more nor less illegal than those of the Lower Canadian banks which he treats with considerable respect. There was no law in either Upper or Lower Canada against the formation of such banks, and no one thought of considering them illegal until the Family Compact, desiring to secure the banking monopoly of the province for their bank at York, hit upon the plan (employed also in other cases and constituting one of the grievances against them) of unearthing some old English statute which could be made to cover the case. In this instance they selected an old statute of George II (14 George II, chapter 37) directed against certain bubble schemes in the American Colonies. By applying this to the case of the Kingston Bank of Upper Canada at the time of its suspension, they declared it an illegal association, and therefore incapable of managing its own affairs or of resuming business. Hence the Government took the institution in hand for the benefit of the creditors, with what results need not be

detailed here. This is the only ground for the charge of direct violation of the law, and if there had been anything in it, it is quite obvious that the Lower Canadian banks were in the same position; yet no such accusation is brought against them.

As to the statement that the subscriptions of the directors were paid chiefly in stock notes, there is not the slightest evidence of this in the documents referred to by Dr. Breckenridge; while in other documents relating to the bank, which I have had the opportunity of examining, it is found to have been expressly stipulated that the stock should be paid in specie or Bank of Montreal notes. Here again our author has relied entirely upon the extravagant assertions contained in the latter part of the pamphlet of 1840.

When it is further declared that the directors had neither "honor nor honesty," it is clear that the author's sympathies have become so completely inverted towards all connected with the management of the bank, that he is prepared to believe them capable of almost anything in the way of fraud, and does not seem to feel it necessary to look well to his authority for such sweeping and serious statements. Except as regards Bartlet, Whitney and Dalton, there is no authentic ground for such an assertion; and even in the cases of the two latter, when all the facts are known, such language is too strong. Dr. Breckenridge's lack of acquaintance with the history of the country has made it easier for him to fall into such errors. The majority of the directorate of the bank were men who enjoyed, both then and afterwards, the confidence and respect of their fellow citizens, as shown by the positions which they occupied in the social, religious, political and commercial organizations of the town, the district and the province. Such men were Christopher A. Hagerman, at that time the representative of Kingston in the Legislative Assembly, and afterwards Chief Justice of the province; John McLean, sheriff of the Midland District, an important office in those days; John Cumming, afterwards member for Kingston; Captain Murney; John Ferguson, secretary of the board of militia pensions; and Patrick Smyth, Neil McLeod, D. Washburn and A. Richmond, all highly respected merchants, of whose honor and honesty abundant evidence is at hand. The only criticisms of the general body of directors made in



any of the reports of the various commissions appointed to investigate the affairs of the bank, were that they had been too economical in not appointing a more efficient staff of officers, and that they had trusted too much to the cashier, who supplied them with false reports of the bank's position, while he renewed notes and loaned money without the knowledge of the directors.

As to the story of the "shaving shop" and its connection with the suspension of the president, there is no authority for either beyond the pamphleteer of 1840. I have at hand, in the *Upper Canada Herald* for 1822-3, a contemporary account, official and otherwise, of the various stages of the dispute which resulted in Whitney's suspension, which was merely a formal matter required by one of the articles of association pending an investigation of the charges to be made. These records show that there is no truth in the account given by Dr. Breckenridge.

The next statement, with reference to Whitney's securing the £8,000 of redeemed notes in Montreal and using them for his own purposes, is quite misleading, but contains enough truth to make it too difficult to separate the truth and error without going into more detail than is here admissible. Suffice it to say that however wrong-headed Whitney's purposes may have been, they were promptly declared to the directors and the money promised to be returned when the affairs of the bank should be investigated, which promise was duly fulfilled.

The assertion that "note-kiting or reciprocity in endorsement had been practiced freely by the directors," is another statement lacking foundation. The evidence is all to the contrary. The report of the commissioners exhibiting a detailed statement of the bank's affairs, and printed as an appendix to the Journals of the Assembly for 1825, gives the list of notes held by the bank with the names of the endorsers. There are ninety notes in all, of which only eleven are from directors, and of these only four endorsed by other directors, but not a single instance of reciprocal endorsement among the directors.

Such are some of the errors in the historic parts of the work. Although there is no other portion of the book in which so many serious mistakes occur in treating of one period, or one institution, yet there are quite a number of mistakes of more or

less important character, from misleading references in the foot notes and inaccurate quotations, up to more serious errors of fact or judgment in assigning causes or tracing effects, often indicating simply an imperfect acquaintance with the atmosphere of the subject. These defects necessarily render the book, especially in its historic portions, of rather uncertain value as a work of reference. This is all the more to be regretted as there is certainly nothing else on the subject which, even with these defects, is at all to be compared with it.

I am well aware that the only adequate criticism of a work of this kind is a more accurate treatment of the subject without an explicit criticism of anyone. Dr. Breckenridge's book has, in many respects, made a more accurate treatment much easier than it was before, though in other respects there is entailed on the successor much more minute research. My object in the present critical fragment is merely to guard against a tendency to accept Dr. Breckenridge's book without criticism as an accurate and final statement, and to suggest the need for further investigation both along the special vein which he has opened, as well as along other lines in the economic field, all of which are of necessity organically connected with each other.

ADAM SHORTT

QUEEN'S UNIVERSITY, KINGSTON

*The Operation of Bimetallism in France.* BY H. PARKER WILLIS,  
in *The Journal of Political Economy.*

IN the monetary controversy for many years it has been the wont of bimetalists to cite the experience of France during the period 1803-1873, when her mints were open to the unlimited coinage of gold and silver at a fixed ratio, as demonstrating the possibility of maintaining by legislation a fixed price between gold and silver. Mr. Giffen has termed the argument the trump card of the bimetalist party, and in his *Case against Bimetallism* he has devoted a chapter to this particular branch of the subject, in which he has adduced figures to show that at one period in this epoch of so-called bimetalism in France, gold was at a premium, while at a later period there was a premium upon silver. Were Mr. Giffen's facts admitted, an argument based

on the experience of France would of course lose its entire force, but Mr. Giffen's accuracy on this point has been vigorously assailed, and bimetallists have not ceased to quote the example of the working of the monetary laws of France during this period.

In support of the views of Mr. Giffen we have now some valuable and very instructive statistics, which have been gathered by H. Parker Willis from official sources, and are published in *The Journal of Political Economy* for June. In Mr. Parker's article is presented a table setting out the imports and exports of gold and silver respectively in each year, from 1822 to 1875. The figures seem to establish beyond doubt that from 1822 to 1847 the value attributed to gold was greater than that set by the French law, as witness the fact that of the comparatively small volume of exports and imports of gold during this period, there was a net *export* of 61,000,000 fcs., while in the same period there was a net excess of *imports* of silver amounting to 2,051,000,000 fcs., each year without exception witnessing a net import. The figures become more striking still when the period from 1822-47 is contrasted with that from 1847-1870. Commencing with 1847, about the time of the first of the discoveries of gold in Australia and California, there set in a steady net *import* of gold, which continued during the 23 years, and amounted in all to 5,177,000,000 fcs., while down to 1865 there was a total net *export* of silver of 1,046,000,000 fcs., the export for the longer period to 1870, however, being reduced by the excess imports of the last five years to 556,000,000 fcs.

Mr. Willis furnishes further statistics showing that from 1795-1848 silver formed 77.1 per cent. of the coinage, and gold but 22.9 per cent., the corresponding figures for the last eighteen years of the period having been 89.1 and 10.9; while during the period 1848-1859 the percentages were: gold, 85.7; silver, 14.3.

There seems to be here conclusive evidence of the existence of a premium at one time upon gold and at another upon silver, in what is called the period of Bimetallism in France—as claimed by Mr. Giffen from quite different data; and this fact at least is established, that the action of France in keeping its

mints open to the unlimited coinage of both gold and silver at a fixed ratio of 15½ to 1, did not prevent the values of the two metals from fluctuating with changes in the relation between demand and supply.

*Defalcations by Bank Employees.—How they may be Averted.*

THE Guarantee Company of North America have issued to their patrons a very carefully prepared pamphlet on the above subject. It has been the company's experience in the many years since its establishment, that a very large proportion of the defalcations by bank employees has resulted from the employer's failure to observe one or more simple rules in respect to supervision and examination of accounts, and they now formulate a set of rules based on this experience, the adoption of which would be calculated to prevent or detect defalcations. The regulations proposed appear to be those generally adopted by banks in England and Canada, in which countries, we are interested to note, the company state the defalcations are exceedingly small as compared with the United States, where such rules are not, as a rule, enforced.

A perusal of the pamphlet could not but be profitable to bank managers in Canada as well as in the United States.

---

## CORRESPONDENCE

---

THE BANK OF NEW BRUNSWICK

*To the Editing Committee :*

DEAR SIRS,—On page 461 of the JOURNAL for June, in Dr. Breckenridge's article on the "Canadian Banking System," there is a mis-statement with regard to this bank. We are mentioned as one of six banks which "provided for losses incurred in their loaning business by reduction of capital."

In 1886 this bank reduced its capital, not on account of losses, but voluntarily and as a matter of policy, and the whole amount of the reduction was paid to the shareholders in cash.

This action the management have never seen reason to regret.

It is, I believe, a unique incident in the history of banking in Canada.

Yours truly,

GEO. A. SCHOFIELD,

Manager

---

## QUESTIONS ON POINTS OF PRACTICAL INTEREST

---

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

---

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

### *Notices to Obligants on Discounted Paper*

QUESTION 13.—It has become a custom of the banks in this Province (British Columbia) to send out notices of maturity to acceptors of drafts and makers of notes. Does this custom extend to bankers in other provinces? It seems to me that it is more or less unwarranted and should be unanimously discontinued, as it would be to the advantage of all banks in economy of labor and expense to do so.

ANSWER.—We believe that this is almost a universal practice, and it seems to have much to recommend it from all points

of view. It no doubt involves considerable expense in the way of postage, &c., but as a stimulant to the payment of the bills and a protection against forgery, it seems to be generally looked upon as worth all that it costs.

#### *Endorsements on Deposit Receipts*

QUESTION 14.—Do you, or do you not, think that the simple endorsement by a bank of any deposit receipts passing through its hands guarantees all previous endorsements? I think it does, but the point is often disputed.

ANSWER.—The endorsements on deposit receipts of the ordinary non-negotiable form are not endorsements in the sense of the Bills of Exchange Act, and do not necessarily involve the consequences which an endorsement on a bill of exchange carries with it. The practical effect of such an endorsement as described by our correspondent is no doubt very much the same. If a bank cashes its deposit receipt, which has come through the hands of another bank and is endorsed by the latter, it would have a right to demand a return of the money should it appear that the bank receiving it had, as against the owner of the receipt, no right to receive it. The depositing bank receives the money on the implied representation that it has a right to collect the amount.

Similar questions arise with respect to a cheque which has been paid by the bank on which it is drawn. Endorsements on cheques do not bring the parties under the contract of endorsement with the bank on which the cheque is drawn. The drawee is not a holder for value in due course when the cheque is paid, but a bank can recover the money from the party to whom it has been paid if, as a matter of fact, the party to whom it was paid had not a good title. His liability is not that of an endorser, but simply of a party who has received money under circumstances entailing upon him the liability to refund it. The case of *Ryan vs. Bank of Montreal* (12 Ont. Reports, p. 39, and 14 Appeal Reports, Ontario, p. 553) and the cases therein cited, contain much information respecting the principles involved.

#### *Endorsements by Rubber Stamp*

QUESTION 15.—Now that stamped endorsements are becoming so much used by large business firms and others, would it not be as well to have some definite understanding regarding them? The question might arise as to whether they are legally valid discharges. There does not seem to be any provision made for them in the Bills of Exchange Act, and there is evidently some doubt regarding them, as they are frequently guaranteed by bankers when sending documents endorsed in

this fashion, forward for collection. They seem to have come into use as a means of doing away with the old and more laborious way of writing the endorsements. Some banks are in the habit of taking letters from their customers admitting liability for such endorsements; but how about the drawer (in the case of a cheque)? Is he to be satisfied by a stamped endorsement? Cannot he demand a written discharge? Of course cheques endorsed in this way always come to the payee bank through the medium of another bank, and are usually endorsed "for deposit only," but I have noticed cases, more especially in cheques coming from American institutions, where they have not had even that clause inserted.

ANSWER.—Stamped endorsements put on with the authority of the party are quite as binding as written endorsements; and although from the point of view of the difficulty of proving their genuineness, the practice has some objectionable features, it has become altogether too common and too useful to be now withstood. As far as the banks are concerned, what we have said in reply to Question No. 14 above, as to the liability of the bank to which items are paid, applies in this case also, and this affords protection for the bulk of such transactions. The bank with which the item is originally deposited by the party whose endorsement is put on by means of a stamp, would naturally protect itself by a written agreement with its customer, such as our correspondent refers to.

As to the rights of the drawer of the cheque to be satisfied with the endorsement, we do not think that he has any ground for complaint. At any rate in order to prove that the bank had no right to charge the cheque to his account, he would have to prove the invalidity of an endorsement

*Cheque Presented for Payment by a Debtor of a Bank*

QUESTION 16.—The payee of a cheque drawn to order endorses it and presents it for payment. Can the bank rightfully apply the funds upon an overdue note it holds of the payee? What if payee claims that funds for cheque are not his own? Would the drawer have any grounds for objecting or legal remedy against the bank for so treating his cheque?

ANSWER.—The Committee have thought it well to refer the above questions to the counsel for the Association, Mr. Z. A. Lash, Q. C., and the following answer has been framed under his advice as to the law affecting the matter:

The questions involve some nice considerations. There are two aspects in which the matter may be viewed: first, the strictly legal one; second, the ethical one. Upon the latter opinions of course may vary, and there is no rule for decision.

We therefore refrain from expressing any opinion upon this branch, leaving each bank to decide for itself whether, under the particular circumstances which may surround the case, it would as a matter of ethics be justified in retaining the proceeds of the cheque.

With reference to the legal aspect, there appear to be no reported decisions expressly governing the case. The answer to the question as to the payee's rights against the bank, may, we think, be worked out in principle upon these lines :

Assume that the payee is the beneficial owner of a cheque. He presents it for payment. The bank accepts it in the usual way. This acceptance brings the payee into privity with the bank, and enables him to bring an action against the bank in his own name upon the cheque. If, therefore, instead of retaining the cheque and crediting the payee with the proceeds, the bank should hand back the accepted cheque to the payee and then refuse to pay it, the payee might bring an action against the bank for the amount. If he did so, what would be the bank's position? Clearly it could set off against such action the amount of the overdue note. If, however, the bank retains the cheque and claims to apply the amount upon the overdue note, what would be the payee's remedy? We think he could proceed in three ways :

(1) To sue in trover for the conversion of the cheque, or, speaking less technically, he could sue the bank for damages because he had been deprived of his property, viz., the cheque. The amount of his damages in this case would be the value of the cheque, and would clearly be limited to the amount of the cheque. He could have no further claim.

(2) If the bank had appropriated funds to the payment of the cheque—for instance, if the teller had counted out the money and had told the payee that it was the money for the cheque—he could probably sue the bank to recover the amount as money held by the bank for his use.

(3) He might possibly treat the possession of the cheque by the bank as his possession, and sue upon the acceptance.

If he took the last course, then the bank would, as above stated, have the right to set off the amount of the overdue note. If he took the second course the bank would have the same right, the demands in each case being liquidated. But, if he took the first course, the right of the bank to plead set off, as such, would be extremely doubtful, because set off can only be pleaded where the demand to which it is pleaded is a liquidated demand or one capable of being ascertained by computation as distinguished from a demand where the amount must be ascertained by assessment or valuation.



But the bank's right would not in such a case be confined to pleading set off. Under the practice of the Courts in Ontario, where a defendant is allowed in his defence to set up by way of counterclaim any demands against the plaintiff, the bank could in its defence to the action counterclaim for the amount of the overdue note. It would, of course, get judgment upon this counterclaim, and, even if the payee got judgment against the bank for the amount of the cheque as damages for its conversion, the practical result would be that the two judgments would be set off one against the other, and the only question involved would be one of costs.

If the cheque, though payable to the order of the payee, really belonged to some other person, it is, we think, clear that the bank would not have the rights above explained. It could not pay its own claim against the payee out of funds belonging to another.

Our space for this number of the JOURNAL will not allow us to deal with the other question, viz., whether the drawer would have any grounds for objecting, or legal remedy against the bank for so treating his cheque. We will allude to this branch of the question in our next issue, and explain also the rights of the payee against the drawer.

## LEGAL DECISIONS AFFECTING BANKERS\*

### NOTES

*“One-Man” Companies.*—The case of *Broderip v. Salomon*, known as the “one-man company” case, has attracted much attention in England, where the formation of companies under the Joint-Stock Companies Act, to carry on business for the benefit of a single person who is the true owner of the business, is of common occurrence. Such companies are by no means unknown in Canada; but they have not here the power to issue debentures which form a first charge on the assets of the company, except by the usual process of a mortgage or trust deed patent to all the world. This power, which exists in England, is usually at the root of the troubles which overtake such companies, or rather their creditors, there.

In dealing with this case both the Court below and the Court of Appeal took very broad and general grounds for impeaching the claims of the chief shareholder to be a preferred creditor as regards the debentures he held. The learned Judges in each Court were clearly desirous that the essence of the transactions should be considered rather than the mere form, and the clearness with which they set out the true status of the parties leaves nothing to be desired. The trial Judge found that the company was in effect the agent of the one stockholder, and that

---

\*[NOTE—We are under obligation to one of our subscribers for forwarding us copy of a communication sent to him in which attention is called to the reports of legal cases affecting bankers, decided in Canada, regularly published in an American journal. In view of the enquiry implied in affording us a perusal of this, and for the information of our subscribers generally, we think it well to state that the Editing Committee has access to the reports of all notable cases decided in England as well as Canada, and that the JOURNAL furnishes its readers with particulars of all cases which are considered of importance to bankers.]

We might add, as bearing on the value of the legal columns of the JOURNAL, that the Committee are careful to omit, or to refer to as of doubtful value, all judgments which in the opinion of counsel are not likely to be upheld.]

he should be responsible for the debts incurred for his benefit. Such a doctrine carried to the extreme might work great injustice, but in this case the conclusion to which it pointed was quite equitable. In the Court of Appeal the view was expressed that the relation of principal and agent was perhaps hardly applicable, and the company was likened to a trustee for its true owner, with the same results.

The case will repay perusal, and although our cases here are usually the converse of *Broderip v. Salomon*—that is, the company is sometimes formed to protect assets from the one shareholder's personal creditors, the principles involved may hereafter affect important decisions here.

This converse was dealt with in another case reported below, *Jeffreys v. Carey's Cycle Co'y*, where the assets were followed into the hands of the company, subject to the claims of the creditors of the company.

---

*Claims for Interest on Debts Proved against the Liquidator of a Failed Bank.*—A decision of some interest was recently rendered in the Court of Queen's Bench, Manitoba, in connection with the liquidation of the Commercial Bank of Manitoba. The liquidator applied for the direction of the Court as to whether interest should be allowed on the claims of the several classes of creditors other than shareholders. The Court directed that unless there should be a surplus after payment of the principal of the debts, all interest should cease from the commencement of the winding up; but that if there should be funds available for the purpose interest should be allowed as follows:

(1) Depositors whose accounts before the winding up were subject to interest, would be entitled to interest at the agreed rates, and in determining the amounts of their claims any dividends paid should be applied first in payment of the interest accrued, and then on account of the principal in the ordinary way.

(2) Depositors whose accounts did not bear interest, and general creditors, could only claim interest where demand for the same in writing had been made on the liquidators, and then

they would be entitled to interest at 6% from the date of such demand.

(3) Holders of drafts and bills of exchange issued by the bank, drawn on its own branches or on other banks, would be entitled, under section 5, sub-section 2, of the Bills of Exchange Act, to treat them either as bills of exchange or promissory notes, and could claim interest at 6 per cent. from the time of presentment for payment to the drawees under sec. 57 of the Act. The fact that the holders knew that immediate presentment for payment would be useless would not entitle them to interest from the date of the winding up.

(4) Holders of cheques drawn upon the bank by customers, and certified by the bank and charged to the customers' accounts, would be entitled to interest on the same conditions as depositors whose accounts are not subject to interest, as set out in paragraph (2) above. The certifying of a cheque by an "acceptance" stamp does not constitute an acceptance by the bank within the meaning of sec. 17, sub-section 2, of the Bills of Exchange Act.

---

*Dissolutions of Partnerships.*—The most important matter of a legal nature which has come to our hands this quarter is, we think, the paper read by Mr. Lash at the Quebec meeting. It deals in a very practical way with the various questions which arise with respect to the liability to a bank of deceased or retiring partners, and of guarantors for the indebtedness of a firm, in the event of a dissolution of partnership by death or otherwise. In consequence, however, of the length to which the report of the proceedings of the annual meeting has extended, it has been found necessary to defer publication of this article, as well as some other matter, until the next issue.

---

COURT OF APPEAL, ENGLAND

Broderip vs. Salomon & Co. L'd\*

Where a business is turned into a "private" limited company, the vendor retaining the entire pecuniary interest in and control over it, the com-

---

\*From the fuller report in THE TIMES LAW REPORTS.

pany is in the position of a trustee for him, and he impliedly indemnifies it against debts contracted in carrying on the business, and in the winding-up of such a company, when insolvent, debentures taken by the vendor to cover unpaid purchase-money will not be allowed to be set up in priority to the claims of unsecured creditors.

This was an appeal from a decision of Mr. Justice Vaughan Williams. Their Lordships substantially affirmed the decision of the Court below, but took a somewhat different view of the legal relationship between the founder of the company and his creatures. The appellant was Mr. Aron Salomon, who had sold his business to a company formed for the purpose. The respondents were the company and its liquidator. The material facts of this case as stated by Lord Justice Lindley, are as follows:—Mr. Aron Salomon carried on business as a leather merchant and hide factor and wholesale and export boot manufacturer and Government contractor in Whitechapel. Mr. Aron Salomon was desirous of forming a company to take over this business, and on July 20, 1892, an agreement was entered into with a trustee for the intended company. By this agreement the trustee agreed to buy the assets and goodwill of the business on the following basis: £7,500 for the goodwill, to be paid for in fully paid-up shares in the new company; £6,000 for the fittings and fixtures, also to be paid for in paid-up shares; £16,000 for the stock-in-trade, to be paid partly in shares and partly in cash and debentures; £6,782 for the bills receivable and book debts, the figure at which they stood in the balance sheet, to be paid for in cash; and £2,500 for the leases of the property on which the business was carried on, to be paid for in shares. The vendor further agreed to pay and discharge all the debts and liabilities of the business subsisting on June 1, 1892, from which time the purchase was to take effect. It was to be completed on August 4, 1892. In framing this agreement and in arriving at the sums to be paid by the company for Mr. Aron Salomon's business, no one acted on behalf of the proposed company. Mr. Aron Salomon's books were made up by an accountant employed by him; no one else had anything to do with the matter; and he, in fact, settled the figures and dictated the terms which are to be found in the agreement. The prices which the company was to pay were some £8,000 higher than the amounts appearing in the balance-sheet. On July 28, 1892,

the company was formed in order to carry out this agreement with such modifications, if any, as might be agreed to, and to acquire and carry on Mr. Aron Salomon's business. He was the promoter of the company. He and his wife and daughter and four sons signed the memorandum of association. The nominal capital of the company was £40,000 divided into 40,000 shares of £1 each. His wife and children held one share each. He signed the memorandum in respect of one share only; but he subsequently acquired 20,000 other shares. No one else ever had any share in the company. By the articles of association (article 50) each member was entitled to one vote for every share held by him. So that Mr. Aron Salomon could always outvote all the other shareholders and thus carry any resolution he chose at any general meetings of the shareholders. By article 57 the first directors were to be nominated by a majority of the subscribers to the memorandum of association. The directors had the usual general powers of management, with large powers of borrowing money and with an express power to issue debentures for any debts of the company. On August 2, 1892, the subscribers to the memorandum of association met and appointed Mr. Aron Salomon and his two sons—Emanuel Salomon and Salomon Salomon—to be the first directors. Mr. Aron Salomon was appointed managing director at a salary of £500 a year. The salaries of the two sons were £148 a year each. On the same day the three directors then appointed met. Mr. Aron Salomon was appointed chairman, and another of his sons, Mr. Asher Salomon, was appointed secretary; two directors were to form a quorum. The agreement for the acquisition by the company of Mr. Aron Salomon's business was adopted. It was further resolved that the stock-in-trade should be taken at the price of £16,000, and be paid for as to £6,000 in cash, and as to £10,000 in debentures, bearing interest at 5 per cent. and payable at the end of six years unless previously redeemed by the company. It was also resolved that a cheque for £6,782 19s. 7d. should be drawn in favor of Mr. Aron Salomon for the bills in hand and book debts, and that upon his executing a declaration of trust of the leases of his business premises, £2,500 cash should be paid to him. It was also resolved to issue seven shares to the seven

subscribers of the memorandum of association. On August 2, 1892, a formal agreement for the acquisition of the business was executed by Mr. Aron Salomon and the company. The arrangement which the company and Mr. Salomon undertook to carry out by this formal agreement of August 2, 1892, was based upon the preliminary agreement of July 20, 1892, and except in one respect the two agreements are alike. By the preliminary agreement of July 20, 1892, however, payment for most of the assets to be taken by the company was to be made in fully paid-up shares. This was modified by the formal agreement of August 2, 1892, into payment in cash and debentures. The effect was to avoid the necessity of registering any agreement for the issue of shares as fully paid-up as required by the Companies Act, 1875.

On September 5, 1892, debentures were sealed and ordered to be given to Mr. Aron Salomon, and on the same day 20,000 shares were allotted to him upon his application. The debentures here referred to appear to have been issued to him on January 26, 1893, but to have been cancelled on Feb. 3, 1893, and instead thereof debentures to the extent of £10,000 were sealed and issued to Mr. Edmund Broderip as a security for £5,000 lent by him to Aron Salomon, but which Aron Salomon himself lent to the company at ten per cent. interest. Mr. Broderip, not being able to get paid interest upon his debentures, gave notice requiring payment of the principal, and on October 11, 1893, he brought an action for the usual relief. This led to a winding-up petition, and on October 26, 1893, an order to wind up the company was made. Mr. Broderip was paid off by the company, and the £10,000 debentures issued to him were claimed by Mr. Aron Salomon to be a first charge in his favor to the extent of £5,000 and interest on the assets of the company. Were this claim established it would exhaust the assets of the company, and there would be little or nothing for the other creditors of the company. The unsecured debts of the company amounted to over £11,000, and there was an estimated deficiency of assets of over £8,000. The company, however, by its liquidator, impeached the validity of these debentures, and sought to set aside the agreement under which the company acquired Aron Salomon's business and to compel him to refund

to the company £29,257 which he had received in cash from the company under that agreement, or, in the alternative, the company, by its liquidator, sought to have it declared that Aron Salomon was bound to indemnify the company against its debts and liabilities upon the ground that the business carried on by the company was really his business carried on by him in its name. This latter view was adopted by Mr. Justice Vaughan Williams, against whose decision the present appeal was brought.

Lord Justice Lindley read his judgment, which, after reciting the facts, continued in the following language :

The case is one of great general importance. There can be no doubt that in this case an attempt has been made to use the machinery of the Companies Act, 1862, for a purpose for which it never was intended. The Legislature contemplated the encouragement of trade by enabling a comparatively small number of persons—viz., not less than seven—to carry on business with a limited joint-stock or capital, and without the risk of liability beyond the loss of such joint-stock or capital. But the Legislature never contemplated an extension of limited liability to sole traders or to a fewer number than seven. In truth, the Legislature clearly intended to prevent anything of the kind (see secs. 48 and 79). Although in the present case there were, and are, seven members, yet it is manifest that six of them are members simply in order to enable the seventh himself to carry on business with limited liability. The object of the whole arrangement is to do the very thing which the Legislature intended not to be done, and, ingenious as the scheme is, it cannot have the effect desired so long as the law remains unaltered. This was evidently the view taken by Mr. Justice Vaughan Williams. The incorporation of the company cannot be disputed. Whether by any proceeding in the nature of a *scire facias* the Court could set aside the certificate of incorporation, is a question which has never been considered, and on which I express no opinion; but, be that as it may, in such an action as this the validity of the certificate cannot be impeached. The company must, therefore, be regarded as a corporation, but as a corporation created for an illegitimate purpose. Moreover, there having always been seven members, although six of them hold only one £1 share each, Mr. Aron Salomon cannot be reached under section 48, to which I have already alluded. As the company must be recognized as a corporation, I feel a difficulty in saying that the company did not carry on business as a principal, and that the debts and



liabilities contracted in its name are not enforceable against it in its corporate capacity. But it does not follow that the order made by Mr. Justice Vaughan Williams is wrong. A person may carry on business as a principal and incur debts and liabilities as such and yet be entitled to be indemnified against those debts and liabilities by the person for whose benefit he carries on the business. The company in this case has been regarded by Mr. Justice Vaughan Williams as the agent of Aron Salomon. I should rather liken the company to a trustee for him—a trustee improperly brought into existence by him to enable him to do what the statute prohibits. It is manifest that the other members of the company have practically no interest in it, and their names have merely been used by Mr. Aron Salomon to enable him to form a company, and to use its name in order to screen himself from liability. In a strict legal sense the business may have to be regarded as the business of the company, but if any jury were asked, Whose business was it? they would say Aron Salomon's, and they would be right, if they meant that the beneficial interest in the business was his. I do not go so far as to say that the creditors of the company could sue him. In my opinion, they can only reach him through the company. Moreover, Mr. Aron Salomon's liability to indemnify the company in this case is, in my view, the legal consequence of the formation of the company in order to attain a result not permitted by law. The liability does not arise simply from the fact that he holds nearly all the shares in the company. A man may do that and yet be under no such liability as Mr. Aron Salomon has come under. His liability rests on the purpose for which he formed the company and on the way he formed it, and on the use which he made of it. There are many small companies which will be quite unaffected by this decision. But there may possibly be some which, like this, are mere devices to enable a man to carry on trade with limited liability, to incur debts in the name of a registered company, and to sweep off the company's assets by means of debentures which he has caused to be issued to himself in order to defeat the claims of those who have been incautious enough to trade with the company without perceiving the trap which he has laid for them. It is idle to say that persons dealing with companies are protected by section 43 of the Companies Act, 1862, which requires mortgages of limited companies to be registered and entitles creditors to inspect the register. It is only when a creditor begins to fear he may not be paid that he thinks of looking at the register; and until a person is a creditor he has no right of inspection. As a matter of fact, persons do not ask to see mortgage registers before they deal with limited companies, and this is perfectly well known to every one

acquainted with the actual working of the Companies Acts and the habits of business men. Mr. Aron Salomon and his advisers, who were evidently very shrewd people, were fully alive to this circumstance. If the Legislature thinks it right to extend the principle of limited liability to sole traders, it will no doubt do so, with such safeguards, if any, as it may think necessary. But until the law is changed such attempts as these ought to be defeated whenever they are brought to light. They do infinite mischief; they bring into disrepute one of the most useful statutes of modern times by perverting its legitimate use, and by making it an instrument for cheating honest creditors. Mr. Aron Salomon's scheme is a device to defraud creditors. Agreeing as I do in substance with Mr. Justice Vaughan Williams, I do not think it necessary to investigate the question whether the so-called sale of the business to the company ought to be set aside. The only object of setting it aside is to obtain assets wherewith to pay the creditors, and this object can be attained on sound legal principles by the order which he has made. In the event, however, of this case going further, I will add that I regard the so-called sale of the business to the company as a mere sham, and that in my opinion it might, if necessary, be set aside by the company in the interest of its creditors, although all the shareholders, such as they were, knew of and assented to the arrangement. They were simply assisting Mr. Aron Salomon to carry out his scheme. We have carefully considered the proper form of order to be made on this appeal, and the order of the Court will be as follows: This Court, being of opinion that the formation of the company, the agreement of August, 1892, and the issue of debentures to Aron Salomon pursuant to such agreement were a mere scheme to enable him to carry on business in the name of the company with limited liability, contrary to the true intent and meaning of the Companies Act, 1862, and, further, to enable him to obtain a preference over other creditors of the company by procuring a first charge on the assets of the company by means of such debentures, dismiss the appeal of Aron Salomon with costs; and, it being unnecessary to make any order on the liquidator's cross-notice of appeal, discharge the order directing the liquidator to pay costs of the counter-claim and give him those costs.

Lord Justice Lopes said:

“ This is a case of very great importance, and I wish shortly to state my reasons for concurring in the judgment just delivered. I do not propose to restate the facts so fully and clearly detailed by Lord Justice Lindley. I shall content myself with shortly stating the impression they have produced on my mind. The incorporation of the company was perfect, the machinery by

which it was formed was in every respect perfect, every detail had been observed ; but, notwithstanding, the business was, in truth and in fact, the business of Aron Salomon ; he had the beneficial interest in it ; the company was a mere *nominis umbra*, under cover of which he carried on his business as before, securing himself against loss by a limited liability of £1 per share, all of which shares he practically possessed, and obtaining a priority over the unsecured creditors of the company by the debentures of which he had constituted himself the holder. It would be lamentable if a scheme like this could not be defeated. If we were to permit it to succeed, we should be authorizing a perversion of the Joint-Stock Companies Acts. We should be giving vitality to that which is a myth and a fiction. The transaction is a device to apply the machinery of the Joint-Stock Companies Act to a state of things never contemplated by that Act, an ingenious device to obtain the protection of that Act in a way, and for objects, not authorized by that Act, and in my judgment in a way inconsistent with and opposed to its policy and provisions. It never was intended that the company to be constituted should consist of one substantial person and six dummies, the nominees of that person, without any real interest in the company. The Act contemplated the incorporation of seven independent *bona fide* members, who had a mind and a will of their own, and were not the mere puppets of an individual who, adopting the machinery of the Act, carried on his old business in the same way as before, when he was a sole trader. To legalize such a transaction would be a scandal. But to what relief is the liquidator entitled? In the circumstances of this case, it is, in my opinion, competent for the Court to set aside the sale as being a sale from Aron Salomon to himself—a sale which had none of the incidents of a sale, was a fiction and therefore invalid ; or to declare the company to be a trustee for Aron Salomon, whom Aron Salomon, the *cestui que trust*, was bound to indemnify ; or to declare the formation of the company, the agreement of August, 1892, and the issue of the debentures to Aron Salomon pursuant to such agreement to be merely devices to enable him to carry on business in the name of the company with limited liability, contrary to the true intent and meaning of the Companies Act, 1862, and, further, to enable him to obtain a preference over other creditors of the company by obtaining a first charge on the assets of the company by means of such debentures. I am inclined also to think that a *scire facias* would go to repeal the certificate of incorporation ; but I express no decided opinion on the point. The appeal will be dismissed with costs.

Lord Justice Kay also concurred.

## QUEEN'S BENCH DIVISION, ENGLAND

*In re* Edward Carey—*Ex parte* Jeffreys vs. Carey's Cycle Company, L'd\*

Where an insolvent converts his business into a "private" limited company, his assets may be followed in the hands of the company by his creditors, subject to the claims of the creditors of the company itself.

This was an application by Mr. Sydney Jeffreys, the trustee of Carey, to set aside a transfer by the bankrupt to the above company of his business and stock-in-trade, and it was the converse of the case of *Broderip vs. A. Salomon and Company*. Carey formerly carried on a cycle business in Blackfriars-road, as "Carey's Cycle Repository." In August, 1894, a limited company was formed under the name of "Carey's Cycle Company (Limited)," the first five subscribers to the memorandum being Carey, his three sisters, and his son. On August 16, 1894, Carey entered into an agreement with Charles May, on behalf of the company, for the sale of his business and stock-in-trade and effects to the company, in consideration of £1,500, to be paid in cash or bills, at the option of the company, and £1,500 in shares of the company and of Carey being appointed manager of the company for three years. None of the consideration was paid in money. On December 4, 1894, a receiving order was made against Carey, and he was subsequently adjudicated a bankrupt. On the same day as the receiving order the company passed a resolution to wind itself up, and a liquidator was appointed. On February 4, 1895, the liquidator sold the assets of the company to Messrs. Edwards and Flexman, both of whom were connected with the company, for £370.

Mr. Justice Vaughan Williams gave judgment for the trustees, and held that the assets of the company were part of the general assets of the bankrupt. There was no doubt a sale in point of form by Carey to the company, and the company was a legal corporation created in accordance with the Act of 1862. But, although this was so, still, in his Lordship's judgment, the business continued to be under the control and to be the business of the bankrupt. His Lordship found, as a fact, that Carey had adopted the course of forming a company to purchase his business because he was in financial embarrassment. And when a trader makes a transfer under such circumstances, retaining control of the business, it is not a true statement of the fact to

---

\*From the fuller report in THE TIMES LAW REPORTS.

say that there is a sale, because there is wanting that antagonism of interest in the parties which is a necessary element. There is not really a buyer and a seller; the vendor is, in fact, the principal and the company is his agent. There was really only one person in the transaction—the bankrupt himself—and the company was only another form he had assumed. But while the sale must be treated as a nullity as between the trader and the company, third parties who were not privy to the transaction must not suffer. As regards the creditors of the company the sale must be treated as a reality. His Lordship saw no difficulty in treating the sale as invalid for one purpose and valid for another. This was done both at law and equity in certain cases, as where a bill of lading was pledged. The creditors of the company were not, as Mr. Reed had contended, to come upon the estate of the bankrupt *pari passu* with the other creditors. The bankrupt had allowed the company to trade as if it had an independent existence, and as regards its creditors he was estopped from denying that such was the case. The trustee took the estate subject to the same rights as the bankrupt himself, and was also estopped in the same way. As the company was merely the agent of the bankrupt, he was bound to indemnify it against the obligations it had incurred on his behalf; and the creditors of the company stood in the same position as the company. They were entitled to be paid first out of the assets of the company in preference to the other creditors of the bankrupt; but they might, at their option, prove as ordinary creditors upon the general estate.

---

#### Deutsche Bank (London Agency) vs. Beriro & Company\*

Where a bank, through an error, advises a customer of the payment of a bill which had been left by him with the bank for collection, it cannot afterwards recover the amount where the customer, relying on the advice, has paid over the money to another party.

The facts of this case are as follows: A foreign bill of exchange for £104 odd was negotiated to one Jacob Rafael Benatar, by him endorsed to Beriro & Co., his London agents, for collection, who in turn endorsed it to the Deutsche Bank, and sent it to them for collection. The bill was payable at Brussels in January, 1895. In sending it to their Belgian agents the Deutsche Bank asked for a special advice upon its payment. The Belgian agents sent a reply to the effect that they had credited the Deutsche Bank with the amount of the bill on 4th February, and

---

\*From fuller report in THE TIMES LAW REPORTS.

on that date the latter advised Messrs. Beriro, in reply to their direct enquiry, that the bill had been paid, and sent them a cheque for the amount less commission. The latter thereupon intimated the same to Benatar, and credited the amount to him. On 8th February the Belgian agents informed the Deutsche Bank that the bill had been dishonored, and the Deutsche Bank communicated this on the following day to Messrs. Beriro, and made claim for recovery of the amount as money paid under a mistake of fact.

Mr. Justice Mathew, in giving judgment, cited certain cases as authorities, showing that the money could not be recovered from the defendants when they had nothing to do with the mistake, in addition to which he held that the defendants were entitled to judgment on the ground of estoppel. If the bank recovered the money the defendants would be left to recover it back from Benatar, to whom it had been paid on the strength of the representations made by the bank, and the latter were now estopped from denying the truth of the representation.

---

#### QUEEN'S BENCH DIVISION, MANITOBA

#### Confederation Life Association vs. Merchants Bank of Canada\*

Where a custodian of funds, acting upon an order of the owner of the same to pay them over to a third party for his credit in account, through an error makes an overpayment, he can recover from the party to whom the excess payment was made. [It would seem that this rule would not apply if the latter has, while in ignorance of the error and on the strength of the payment, prejudiced his position towards his customer. See *Deutsche Bank vs. Beriro* in the present number.]

The facts in the above were these: The Confederation Life Association agreed to lend Bell Bros., Brandon, a sum of money to be secured by mortgage on property in the town of Brandon, on which Bell Bros. were erecting a building. Bell Bros. signed an order on the Confederation Life Association directing them to pay over the mortgage moneys as they were advanced, to the Merchants Bank at Brandon. The amount of the loan was paid out by several cheques as the building progressed; but through an error of a clerk in failing to enter one of the cheques, for \$1,400, in the mortgage account, the

---

\*From the fuller report in the MANITOBA REPORTS.

Association in making the final payment on the loan issued a cheque for an amount \$1,400 in excess of the balance of the mortgage, which was sent to the bank as usual. It appeared from the evidence that the bank's manager suspected at the time of the receipt of the final cheque, that the Confederation Life Association was making an overpayment, and it seems that the bank did not permit its position towards its customers, Bell Bros., to be altered in any way by reason of this overpayment.

The Court gave judgment for the plaintiffs on the ground that the bank was in no better position than Bell Bros., who had no claim for the money on the Confederation Life.

---

SUPREME COURT, NOVA SCOTIA

People's Bank of Halifax v. Wharton et al.\*

The parties to a note which has been renewed may usually be sued where, for any reason not the fault of the holder, the renewal note cannot be recovered upon.

This was an action on a note for \$297, made 18th December, 1891, by John Wharton and William Butler to Alexander Nelson, and endorsed by him to the plaintiffs, given in renewal of a note dated 16th September, 1891, also declared upon, for \$397, made by Joseph Wharton, and endorsed by Alexander Nelson and William Butler. The defence was that the note of 18th December, 1891, was altered after signature by Wharton and Butler, by the interlineation of the words "jointly and severally," which was supposed to have been done by Alexander Nelson, who took it to the bank.

The Court held that because of the material alteration the plaintiffs could not recover on the renewal note, but that they could recover on the old note. The Court took the view that in negotiating for a renewal of the old note with the bank Alexander Nelson had acted as the agent of the other parties to it, and that the terms on which the bank must be understood to have consented to it were that the parties were to deliver to the bank for the purpose of such renewal a valid note to which they should be parties. Having failed to carry out this implied agreement, their liability on the old note continued to exist.

---

\*From the fuller report in the NOVA SCOTIA REPORTS.

## UNREVISED TRADE RETURNS, CANADA

(000 omitted)

IMPORTS			
<i>Year ending 30th June—</i>	1894	1895	
Free .....	\$46,139	\$42,432	
Dutiable.....	62,765	58,549	
	\$108,904	\$100,981	
Bullion and Coin.....	4,020	4,575	<u>\$105,556</u>
	<u>\$112,924</u>	<u>4,575</u>	

EXPORTS			
<i>Year ending 30th June—</i>	1894	1895	
Products of the mine .....	\$ 5,854	\$ 6,992	
"    Fisheries.....	11,305	10,798	
"    Forest .....	26,201	23,977	
Animals and their produce.....	31,905	34,712	
Agricultural produce .....	17,643	15,671	
Manufactures .....	7,743	7,639	
Miscellaneous .....	151	153	
	\$100,805	\$99,946	
Coin and bullion.....	1,839	4,276	<u>\$104,222</u>
	<u>\$102,644</u>	<u>4,276</u>	

### SUMMARY (in dollars)

<i>For the year ending June—</i>	1894	1895
Total imports other than bullion and coin..	\$108,904,914	\$100,981,415
Total exports " " " ..	100,805,798	99,946,428
Excess of imports .....	8,099,116	1,034,987
Net imports of bullion and coin .....	2,181,054	299,184

### IMPORTS

<i>Month of July—</i>		
Free .....	\$ 4,291	\$ 3,234
Dutiable.....	4,574	5,084
	\$8,865	\$8,318
Bullion and Coin.....	1,191	235
	<u>\$10,058</u>	<u>8,554</u>



## IMPORTS (Cont'd)

## Month of August—

Free .....	\$ 4,404		\$ 6,067	
Dutiable.....	5,417		3,345	
	<u>9,821</u>		<u>9,412</u>	
Coin and Bullion.....	1,701	\$11,522	1,616	\$11,028
Total for two months.....		<u>\$21,580</u>		<u>\$19,582</u>

## EXPORTS

## Month of July—

Products of the mine .....	\$ 429		\$ 762	
"    Fisheries.....	1,106		1,387	
"    Forest .....	3,491		3,915	
Animals and their produce.....	3,688		4,245	
Agricultural produce .....	810		430	
Manufactures .....	653		777	
Miscellaneous .....	15		0	
	<u>\$10,193</u>		<u>\$11,548</u>	
Coin and bullion.....	195	\$10,388	75	\$11,623

## Month of August—

Products of the mine .....	\$ 607		\$ 595	
"    Fisheries .....	1,317		969	
"    Forest .....	2,927		3,647	
Animals and their produce.....	3,789		5,316	
Agricultural produce .....	725		512	
Manufactures .....	727		700	
Miscellaneous .....	18		24	
	<u>\$10,113</u>		<u>\$11,765</u>	
Coin and bullion .....	172	\$10,285	64	\$11,829
Total for two months.....		<u>\$20,673</u>		<u>\$23,452</u>

## SUMMARY (in dollars)

## For two months, July and August—

	1894	1895
Total imports other than bullion and coin..	\$18,688,065	\$17,741,307
Total exports " " " ..	20,307,112	23,314,201
Excess of exports .....	1,619,047	5,572,894
Net imports of bullion and coin.....	2,524,352	1,712,011

STATEMENT OF BANKS acting under Dominion Government charter for the months of June, July and August, 1895, and comparison with August 1894:

LIABILITIES

	30th June, 1895	31st July, 1895	31st Aug., 1895	31st Aug., 1894
Capital authorized .....	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685
Capital paid up .....	61,701,007	61,704,458	61,704,548	62,189,585
Reserve Fund .....	27,083,799	27,083,799	27,083,799	27,166,850
Notes in circulation .....	\$ 30,106,578	\$ 29,738,115	\$ 30,737,622	\$ 30,270,366
Dominion and Provincial Government deposits.....	8,546,493	7,548,323	8,395,441	5,928,143
Public deposits on demand .....	66,382,630	68,175,704	67,386,516	66,389,701
Public deposits after notice .....	114,081,499	114,312,523	115,716,520	109,998,432
Bank loans or deposits from other banks secured .....	111,276	1,156,258	1,051,722	64,283
Bank loans or deposits from other banks unsecured .....	2,215,596	2,461,151	2,780,631	2,587,234
Due other banks in Canada in daily exchanges .....	129,381	185,036	144,655	184,251
Due other banks in foreign countries .....	196,388	186,338	206,473	96,806
Due other banks in Great Britain.....	4,605,104	4,261,095	4,027,049	5,163,386
Other liabilities.....	368,639	375,568	294,362	259,792
Total liabilities.....	\$ 226,943,664	\$ 228,600,132	\$ 230,741,064	\$ 220,942,480

ASSETS

Specie .....	\$ 7,471,967	\$ 7,578,217	\$ 7,375,298	\$ 7,968,955
Dominion notes .....	13,473,432	15,255,563	15,180,545	15,836,019
Deposits to secure note circulation .....	1,824,727	1,813,828	1,814,624	1,823,153
Notes and cheques of other banks .....	6,780,635	7,083,262	6,135,949	6,053,369
Loans to other banks secured .....	106,275	987,864	464,760	53,664
Deposits made with other banks .....	3,002,271	3,461,722	3,391,456	3,310,476
Due from other banks in foreign countries .....	21,391,104	22,968,798	26,565,856	19,904,605
Due from other banks in Great Britain .....	3,428,078	5,677,393	6,339,165	3,539,880
Dominion Government debentures or stock .....	2,647,191	2,720,014	2,687,044	3,133,480
Public municipal and railway securities .....	18,314,866	18,475,309	18,617,571	18,919,546
Call loans on bonds and stocks .....	16,763,622	15,889,213	16,766,317	15,282,727
Loans to Dominion and Provincial Governments .....	645,792	209,964	445,922	402,969
Current loans and discounts .....	205,497,946	200,697,210	197,526,285	199,908,340
Due from other banks in Canada in daily exchanges .....	170,512	162,831	173,182	185,299
Overdue debts .....	2,366,964	2,958,065	4,324,234	3,121,927
Real estate .....	1,128,558	1,110,382	1,134,046	934,671
Mortgages on real estate sold .....	590,325	591,456	621,721	618,759
Bank premises .....	5,529,349	5,559,439	5,636,046	5,444,965
Other assets .....	1,853,644	2,131,786	2,241,162	1,642,628
<b>Total assets .....</b>	<b>\$312,986,516</b>	<b>\$315,323,415</b>	<b>\$317,441,375</b>	<b>\$308,085,634</b>
Average amount of specie held during the month .....	\$ 7,677,886	\$ 7,448,550	\$ 7,499,086	\$ 7,832,980
Average Dominion notes held during the month .....	13,545,718	14,289,175	12,229,776	15,500,434
Loans to directors or their firms .....	8,396,491	8,159,067	7,687,676	7,973,633
Greatest amount of notes in circulation during month .....	30,622,195	31,483,859	31,781,850	31,088,196

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Toronto, and Winnipeg

(ooo omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG	
	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5
September	\$ 45,767	\$ 46,855	\$ 24,505	\$ 20,078	\$ 4,993	\$ 5,062	\$ 3,091	\$ 2,686	\$	\$ 3,975
October ..	47,266	55,730	25,264	25,750	5,489	5,452	3,227	3,155		6,786
November	47,291	51,838	25,997	25,214	5,158	5,021	3,150	3,093		6,607
December	45,108	47,351	25,398	25,700	4,884	4,874	3,747	2,834		5,199
January ..	42,796	48,376	27,267	27,961	4,931	4,997	3,687	2,831		4,007
February	35,478	37,793	19,209	20,493	3,981	4,118	2,671	2,461		2,721
March ...	45,715	42,464	22,894	22,332	4,745	4,174	2,739	2,462		2,929
April ....	40,942	41,906	21,473	21,961	4,468	4,414	3,078	2,611		3,093
May .....	45,586	51,969	24,174	25,668	4,871	4,964	2,978	2,794		4,156
June .....	44,704	52,353	21,965	20,772	4,471	5,090	2,753	2,913		3,805
July .....	45,223	51,902	23,763	26,838	5,492	5,739	2,682	2,972		3,570
August ..	44,383	49,314	21,779	23,235	5,407	6,264	2,546	2,736		3,937
	530,259	577,851	283,688	292,032	58,890	60,169	35,749	33,448		32,938

\*NOTE.—These totals do not include the Bank of Toronto.