

of the shareholders in July of a profit of over £142,000 on the twelve months' business; and after congratulating those for whom they were acting on the prosperity of the past, suggested the expectation of yet greater things in the future. All this time the Directors either knew, or ought to have known, that the bank was insolvent; that its resources were locked up in unrealisable securities, or had been squandered and lost; that advances had been made on a colossal scale in bolstering up tottering firms, and that some of their own number were in this very black list. About a million sterling had been advanced in this way to four members of the Board, whose estates will not, it is feared, yield five shillings in the pound; and upwards of six millions had been given to ten firms, not one of which ought to have been trusted beyond a few thousands at most, if even that. Can those men be held guiltless who, through a system gambling ventures wholly alien from every principle of sound banking, have brought crushing disaster and grinding poverty upon the unhappy shareholders who put their simple faith in their honour and prudence? It is not our business to anticipate the courses of the law; but justice will not be satisfied until the misery and terrible suffering brought upon hundreds of formerly peaceful and contented Scottish households are avenged upon those who have been their real cause."

The Pope is in want of more money—not a new thing under the sun—not new even in the experience of popes. But this time it is not on account of personal extravagance, for Leo XIII. is by no means of luxurious tastes, but he feels bound to carry out the architectural works inaugurated by Pius IX. English Catholics promise to respond well to the appeal the Pope has made; but the American Catholics promise to respond much better, for an American prelate has written to Rome to say that the Catholics on this continent are willing and able to supply all the money His Holiness may need. There is money yet in the midst of us.

The Afghan difficulty is growing. The Ameer has said to England, "You may do your worst; the issue is in good hands." He seems to have no prudent regard for the future, that Ali Shere. For in any case, and whatever alliance he may have made, the fortune of war must be against him. The Ameer is rushing to his fate. But what is England likely to make out of it? The fact that she has an "Imperial policy"—that is all.

EDITOR.

#### "FACTS AND FANCIES" DRAWN FROM "THE CITY OF GLASGOW BANK FAILURE."

The recent disastrous failure of the City of Glasgow Bank, though touching Canada lightly, if at all, strikes deep into many a Scottish heart, and will change the whole outward tenor and surroundings of many a life. Men's sympathies are deeply roused, and their whole being quivers with horror as they read some tale of shipwreck, railway accident, or mining explosion, and picture to themselves the direful scene of agony and despair. These appeals to our physical senses, any, even slight, injury to which we feel so keenly ourselves that we cannot but dread it for others. Yet death is but a momentary pang, and the God of Nature has not left her without a provision that deadens consciousness of suffering when the last hour has come. Even a death by violence almost invariably leaves the features stamped with no impress of pain or anguish. If, however, sympathy with the victims be somewhat modified by such a train of thought, let it not die too, but flow out all the more strongly to the survivors who need it, whose sole joy in life is perchance suddenly taken from them—who, alone and unaided, have to face the battle of life without that strong hand whose one purpose and practice it was to defend them from all the roughnesses of life's pathway. It is by these that sympathy and help is needed, and, thank God, who has put it into the hearts of those who love Him to love His brethren also, it is readily afforded.

Viewed from this stand-point of results, such a financial crash as the failure of the City of Glasgow Bank does not largely differ from some overwhelming physical disaster. Life has become altogether changed—made undeniably bitter—to many a man, to many a household. There is perhaps none of the ills of life in this age so hard to bear as poverty to those who have been accustomed to affluence. Men—even Christians—sink almost into apathy and despair at the loss of loved ones taken away from them out of this present evil world into that other which they profess to believe is all happiness and peace. This at best is utter selfishness, or selfishness at least in its milder form of an inflated self-confidence which has more faith in its own power to make this world joyful, useful, and mirthful to them, than in God's power and willingness to make them even more so in His more immediate presence. This is folly or worse, and most un-Christian. But when a man has laboured long and suffered much to care for and protect from the hardships of life the family entrusted to him, suddenly finds the means of support on which he had trusted swept away from him, and stares, for the first time, ruin in the face, it tries his faith, his courage, and his manliness, as nothing else can do. This life, and the things of this for self and those he loved—perhaps more for those he loved than for self—were all he was consciously contending for. The sudden ruin of all his hopes is to him far worse than death. Even though, like Job, he resist temptation to "curse God," yet unless he has confidence in God for this life as well as the next, and is able to perceive that the same laws of being apply to man and his condition in either world, he can hardly stifle within himself the irrepressible longing "to die" and end it all in hope of peace for ever. Yet courage to live will come if he will but try. The burden of a delicately nurtured wife and gently reared children, thrown entirely on his own right hand or active brain for support, deprived as these are of all aid for the future, from capital or credit, which at first seemed greater than he could bear, will be lightened if he but struggle to carry it. It will bring with it an added love and sympathy from wife and children, and from many a friend besides whose

admiration of his courage will grow into love and ripen into helpful deeds. Even if he has to alter his position in life and go down among the lower masses of mankind, of whom he has perhaps hitherto known but little, he may find there how mistaken he has been in his estimate of them, how much purer, truer, grander their friendship is than any he had ever known before. His views of life, his sympathies with his fellows, may thereby be broadened and brightened till he finds that after all he has not *sunk*, but *risen* to a higher plane of being.

These are but words, however, and deeds are wanted. Let this Dominion wake up to the fact that new homes, new spheres of usefulness, are within her power to offer to several at least of these ruined householders, and do it practically. There is room enough in this vast territory for men who are prepared by experience to face and conquer hard facts, if only we can find the right niche for each. Individual effort is more effectual than Government emigration schemes. Let us put it forth wisely and well.

But do these remarks apply only to Scotland and the sufferers by the City of Glasgow Bank? Has Canada no such men in like circumstances to-day? If we have avoided Bank disasters here, we have not been able to prevent the outraged laws of trade from bringing forth their fruits in loss and ruin to many a home, and—the end is not yet.

Our Banking system, as a whole, is sound, as can be seen by the latest returns, which show about 28 per cent. of available assets, of which 14½ per cent. nearly is held in Gold and Provincial Notes. These resources are undoubtedly ample in the aggregate to meet and conquer any general attack on credit. There is some reason to believe, however, that in the case of individual banks there has been too much concentration, too little regard had to that judicious spreading of risks which is the greatest safeguard of a banker.

There is no occasion from this remark for any of the SPECTATOR readers to assume the position either of "alarmists" or "the alarmed." Still, there are some elements of danger. Folk point to the possibility of some stock to complete confidence in our banking institutions. This, if it does come to any, is likely to be only local, and not widespread in its effects on kindred institutions. It is in hope of allaying any unreasoning alarm which might ensue from some individual bank failure that it may be advisable to point out the causes which might lead to such possible disaster, and the nature of its effects.

The Lumber Trade has been in a very depressed condition for a series of years, and prospects even yet are not much brighter. Such transactions are large and largely dependent on banking facilities. From the very nature of the trade the securities dealt in cannot be readily transferred absolutely to the control of the bank advancing the capital. The securities held for advances, therefore, partake largely of the nature of one-named paper, and every banker knows that where such is the case it becomes almost impossible, and appears almost suicidal, to force sales. The temptation to carry over is strong, and that, of course, involves further loans. An idea of the magnitude of some of these transactions may be gathered from the fact that in one instance, more than a year ago, one bank had nearly three-fourths of its paid-up capital invested with one such firm. It is quite problematical whether the amount has decreased in the interim. Probabilities of the trade point rather to an increase. It is only fair, however, to state that any firm enjoying so large a share of banking facilities is likely to be able to show a strong position as regards assets. These may be greatly in excess of liabilities; still, from the very nature of the business, these assets will consist chiefly of timber-limits, mills, buildings, and the various kinds of "plant" needful to the trade, and are of a nature almost totally unrealizable during a general monetary stringency. It is in this "lock-up" of available funds that the element of danger lurks. Notes held for such advances, being simply one named paper, become quite unavailable for rediscounting with other banks. The mere fact of offering them at once shakes confidence in their intrinsic value.

In commercial circles also there exists a mitigated form of the same "locking-up" process. Adjoined to the other and more dangerous kind of advances above referred to, it might add seriously to the danger of any bank, though in itself not likely to produce sudden disaster. It is this, the granting of too large a line of credit on customers' paper to one firm, thus allowing its trade connections to develop abnormally. Any single firm with \$1,000,000 under discount is, in this country, simply a monstrosity. It implies that said firm does an annual turn-over of \$2,000,000 if the business is sound; and, in view of the fact that almost every description of goods purchased by such firm is bought on longer or shorter credit, this calculation allows six months on the average to realize on sales, the stock being carried on the credit from first hands, and the margin of capital, whatever that may be, remains over for extra accommodation to customers peculiarly situated as regards the necessity for long credit. Now, it is more than doubtful if any house in Canada does that amount of trade annually, yet it is the case that more than one has that amount under discount. The inference is plain—that there is considerable unsound business—that accounts are carried on from year to year, and *paper*—not *goods*—turned over, without a basis of anything but accumulated stock withering on the shelves of supply accounts. Nor need it surprise us much that in an amount so large as a million a Bank Manager should feel but slight anxiety at one or two \$30,000 amounts, one or two of \$20,000, and say half a dozen of \$10,000. Taking two of the first, two of the second, and six of the last, it would only aggregate about one-fourth of the total amount. Yet, should it suddenly become necessary for a bank carrying such an account to contract facilities, these items, thus suddenly strained by their supporters, might produce the evanishment of the capital to which such firm had made pretension, and at the liberal figure of 50c on the \$1 entail a net loss to the firm of \$110,000. If such large supply accounts do exist, there are likely to be smaller ones of the same kind which have escaped notice, from their comparative insignificance. It will be almost self-evident that securities of this kind held by a banker are neither readily re-discountable nor realizable in times of financial pressure.

The City of Glasgow Bank, it is true, has little or no direct connection with Canada. Indirectly, however, as the results begin to show, it might bring to pass further disasters among British bankers, which would check the drawing facilities of our lesser financial institutions here. This brings us to another complexion of the situation,—the Grain trade. Our exchanges are mainly