

the universal standard to which the currency conforms, while gold will be a marketable commodity, worth more or less of a premium. When that day comes all who have debts due them in the United States may have payment tendered in notes which are at a heavy discount. The condition of things will be a repetition of that which prevailed during the war, when all Canadian transactions with the United States required to be carried on on a gold basis, and all calculations were complicated by the necessity of turning American currency into gold at the price of the day, whatever that might be. It is hardly conceivable that a great and wealthy nation like the United States will be persuaded so far as to incur all these risks, and that not under the exigency and necessity of a time of war, but simply that certain interests of the country may make a larger profit on their productions.

It is, however, one of those complicated financial questions which politicians find it convenient not to understand. And there are numbers who confidently assert that no such bad consequences as are indicated would follow. But all the financial authorities of the older States, and especially of New York, are a unit against this flooding the country with silver; and the New York Clearing House, which is the great financial support of the whole monetary system of the country, has long set its face with determined opposition against any measures of the kind. We, however, as being so contiguous to the United States, and so closely interwoven with them in business and financial matters, are vitally interested in the question; and all those who are creditors in Canada of parties living within the bounds of the Union will do wisely to take needful precautions.

The position in Canada is one demanding continued watchfulness. A heavy derangement of the municipal finances of our two leading cities was brought about by the events that happened to the Barings. The placing of loans was interrupted, and instead of further supplies of money from London, there will be a demand for repayment of moneys already advanced. The burden will thus be thrown upon the banks in Montreal and Toronto, and this, in addition to the ordinary requirements of mercantile customers, will undoubtedly tend to keep money scarce during the winter. It cannot be otherwise. Besides this, the outcome of our crops is disappointing—especially in Manitoba. The calculations of even sober minded and reasonable persons that were made respecting the outcome of the Manitoba crop will be far from realized. So much of the crop is of an inferior quality, that the general average price will be so largely reduced as to make a difference of millions in value for export. And this reduction will not be counterbalanced by any increase in other quarters. Nothing can be more clear than that a policy of prudent buying, a curtailment of imports and manufactures, is the only safe and reasonable policy to be pursued. If this be adopted matters will in time resume a healthy position. But in default of this we may expect a worse condition of affairs than prevails at present.

We append our usual summary of the Banking Statement, from which it will be seen that a heavy reduction in the resources of the banks took place during December. If this goes on, we may see some sharp spasms in our own money market.

ABSTRACT OF BANK RETURNS.
31st Dec., 1889. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in other Prov's.	Total.
Capital paid up..	\$ 34,453	\$ 17,710	\$ 8,127	\$ 60,290
Circulation	16,838	11,248	5,492	33,578
Deposits	67,253	49,485	17,237	133,975
Loans & Discounts	102,844	67,304	23,857	194,005
Cash and Foreign balances (Net) ..	16,871	8,168	3,602	28,641
Legals .....	.....	.....	.....	.....
Specie .....	.....	.....	.....	.....

31st Dec., 1890. [In thousands.]

Description.	Banks in Quebec.	Banks in Ontario.	Banks in other Prov's.	Total.
Capital paid up..	\$ 34,492	\$ 16,586	\$ 8,979	\$ 60,057
Circulation	17,055	11,892	6,059	35,006
Deposits	68,896	51,713	19,094	139,703
Loans & Disc'ts.	105,415	69,372	27,732	202,519
Cash & Foreign balances (Net) ..	16,798	8,049	3,174	28,021
Legals .....	.....	.....	.....	.....
Specie .....	.....	.....	.....	.....

AN INSTANCE OF THE WAYS OF BUSINESS.

While we cannot sympathize with the pessimists who have no faith in the future of this country, recognizing as we do that the elements of prosperity and greatness are here in our midst, we are compelled to the admission that there is much in the commercial and financial machinery of Canada that might be bettered. Credit is too cheap. The standard of commercial morality is too low. Business is often conducted with a shameless neglect of needful system. Goods, not paid for, are sold far under cost with a disdainful disregard of the rights of creditors: nay, they are sent to auction [rooms and slaughtered under the very eyes of the persons to whom properly they belong. We cannot congratulate ourselves on the state of business so long as these things are so. And that they are so, we need only cite, in addition to the instance given last week, another case:

The liabilities of Mackenzie & Hamilton, recently suspended, wholesale dealers in woollens on Colborne street, in Toronto were so considerable, and the proportion of assets, and indeed their whole statement, so unsatisfactory, that the creditors engaged accountants to look carefully into the firm's affairs. The report of these exports has been made to the inspectors of the insolvent estate, and lays bare a more culpable state of looseness than was before believed. A resume of what has been ascertained with respect to this firm's career will perhaps answer the present purpose.

The firm began business in 1882 without any cash capital. It is shown by the books that each partner intended to contribute \$2,800, but it is not shown that this \$5,600

was ever really put into the business. No personal account for the partners was kept for the space of two years, an omission which, whether intentional or not, is deserving of criticism and of censure.

In the years of 1882 and 1883 the firm bought goods to the extent of \$28,306; in 1884 they bought \$39,633 worth, and in the seven months of 1885 which preceded stock-taking, they purchased \$30,355 worth more—in all merchandise to the value of \$98,355.

In the period embracing above dates, namely, 1882 to 1885, they sold goods to the extent of \$94,605.

The expense of doing this business was \$6,577.45, as under:—

For interest and discount.....	\$ 730 00
" Expenses	1,254 00
" Bad debts	331 00
" T. C. Mackenzie.....	2,012 53
" Jno. Hamilton.....	2,249 92

\$6,577 45

It appears that stock was taken in 1885, but no stock sheets nor any inventory can be found. An entry in the books shows, however, the following:

Stock in trade.....	\$16,653 54
Outstanding debts..	11,335 51
Cash on hand.....	529 65

\$28,518 70

And, as per contra:

Bills payable.....	\$11,005 71
Other indirect liabilities.	11,374 59

22,380 30

Apparent surplus..... \$6,138 40

At this stage a merchandise account was opened, but the stock shown to be on hand by the entry mentioned was not introduced.

The next financial period investigated extends from August, 1885, to the end of 1888. No stock-taking appears to have been done between the dates here given. During these forty-one months goods to the value of \$268,578.17 were bought, and slightly more than this (\$270,383.50) were sold. Deducting the stock on hand at the beginning of this period, viz., \$16,653.54, from the stock on hand at the close of it, viz., \$44,005.67, we have \$29,112.46, indicating a gross profit of 10½ per cent. The expenses of doing business during this period were:—

For interest and discounts.....	\$7,381 63
" Expenses	8,522 90
" Bad accounts	3,262 32
" Partners' drawings.....	9,714 17

Total..... \$28,881 02

Deducting this total from \$29,112.46, we have an addition to capital of \$231 for the forty-one months. The drawings of the partners were not excessive at this time, being only \$1,422 per annum each.

In the third and shortest period, however, that from 1st January, 1889, to 20th October, 1890, the showing is the worst, in several respects. During these twenty-two months, or rather less, not only is no gross profit shown, but a loss of 21.5 per cent. on sales is ascertained. When to this is added the expense of conducting the business, \$84,878.69, the loss is increased to 20 per cent. on the \$196,687 worth of goods sold. This assumes that all the debts owing to the concern are good, which however is by no means likely to prove true.

There is one deficit, or rather discrepancy, of \$3,500, which the experts cannot