

# The Monetary Times

## AND TRADE REVIEW,

With which has been incorporated the "Intercolonial Journal of Commerce" of Montreal, the "Trade Review" of the same city (in 1870), and "The Toronto Journal of Commerce."

ISSUED EVERY FRIDAY MORNING.

SUBSCRIPTION—POSTAGE PREPAID.

Canadian Subscribers.....\$3 a year.  
British ".....10s. sterling a year.  
American ".....\$2.50 U.S. Currency

### BOOK AND JOB PRINTING A SPECIALITY

Office—Nos. 64 & 66 Church St., Toronto, Ont.

EDWD. TROUT, MANAGER.

TORONTO, CAN. FRIDAY, OCT. 13, 1882

### THE GENERAL MONETARY POSITION

Every borrower of money has recently been made acquainted with the fact that there is now less money to lend than there was a year or two ago. Many who could borrow with ease at that time, find it difficult to do so now, and some who could certainly have borrowed at some price then, cannot do so now on any terms. Offers of a higher rate from such people will not tempt lenders, for those who have money can get a higher rate for it from satisfactory borrowers, and on the best possible security. The banks, which are the depositories of all the available lending money of the country, have been compelled to defend their lessening supplies by repeated refusals to some, and by putting up the rates to others. The force of competition, and a sort of conservative unwillingness to disturb standing arrangements have prevented the latter operating in all cases. But the general tendency has been strong in this direction for some time back. There has been a reason for this, and it will be apparent enough if we come to study the following figures:

Excluding monies due by Canadian banks to one another we find that in August, 1880, the united banks of Ontario and Quebec had in available cash resources, \$45,200,000. In August 1882 the same banks had only \$31,000,000. Their money on hand then has gone down \$14,200,000. But while their available cash has been thus going down, how stand their liabilities?

Banks have heavy liabilities constantly impending, and they can no more lend all the money in their safes than a merchant can sell all the goods in his store, as he could not carry on business without getting in new supplies. A bank could not carry on business for a day without a large stock of money on hand. And the stock required to be kept depends largely on the amount of liabilities.

What then are these liabilities?

Excluding again what the banks owe one another, we find the following as what they owe in general:

In August 1880, their liabilities were \$98,000,000; in August 1882, they were 131,000,000. Thus then, with a heavy increase of liability, amounting to no less than \$33,000,000, the banks find themselves, in two years, with \$14,000,000 less cash resources to meet them.

If their cash resources had increased in proportion to their liabilities, they would have to-day nearly double the amount of

money they have. Now, granting that in 1880 they had a larger amount of loanable funds than they needed, and that they could prudently have lent a large amount of money beyond what they did, it is tolerably clear that the amount at their command now has shrunk to far too small dimensions, and that they have lent more than it has been prudent to lend.

How they have been pushing out their funds during the last year or two will be evident from the following:

The discounts and advances of the banks, of all descriptions were:

In August 1880.....	\$102,276,000
" 1881.....	124,943,000
" 1882.....	158,712,000

A rapid expansion indeed! Let us analyze this a little and separate the operations of the banks of Ontario from those of Quebec. Take the Ontario bank first.

The advances of all descriptions were:

In August 1880.....	\$38,939,000
" 1881.....	48,551,000
" 1882.....	64,989,000

An increase of nearly 70 per cent. The same for the Quebec banks is:

In August 1880.....	\$64,337,000
" 1881.....	76,392,000
" 1882.....	93,723,000

An increase of 45 per cent.

Here is clearly indicated where the chief seat of expansion is to be found. Where there is the greatest expansion, there we may undoubtedly look for the most imprudent development. And it is there that there is most need for wise measures of retrenchment. Now when we add that out of a total available cash of \$31,000,000, they show the utterly inadequate sum of \$8,300,000, it is surely evident that it is time for somebody to consider the position.

We give the facts. They speak loudly enough. We hoist a little preparatory storm signal. It is for those who are concerned to give heed to it.

### GAMBLING CONTRACTS.

Light is breaking in upon the gambling transactions that take place at Corn and Stock Exchanges; and perhaps we are even now getting a glimpse of the way in which the form of gambling consisting of bets on future prices, will come to an end. These transactions are almost everywhere illegal; but this fact would not prevent their being indulged in, if it were not unsafe to do so. A gambling debt is, in common parlance, a debt of honor, because the person who owes it is not under any legal obligation to pay. Many of the transactions which take place on Corn and Stock Exchanges are precisely of this character; and facts are beginning to show that it is not always safe to trust to the Corn and Stock gambler's honor.

By the law of Illinois, as of almost every other State and nation, this form of gambling bet is illegal; but it is discredibly common on the Corn Exchange of Chicago. At last, however, a number of the gamblers have repudiated their obligations, and appealed to the Courts on the ground that the contracts are illegal. In April and May last, Armour and Kneeshaw sold 100,000 bushels of July wheat, not yet in ear, at prices ranging from \$1.25 to \$1.28 a bushel. The

price of wheat was sent up much above these figures, chiefly it is alleged through the manipulations of Armour & Kneeshaw; and the sellers, A. M. Wright & Co. and T. W. Baker & Co. were called upon to settle. The Board of Trade, under a rule of the Corn Exchange, was called on to settle the difficulty. A committee of the Board decided that the price of No. 2 Spring wheat, in July, the time at which the bet was to be decided, was \$1.35. The committee decided that the defaulting firm should put up the difference between \$1.25 and 1.35.

The firms against which this decision went, refused to pay; and they appeal to the courts to protect them in their refusal. The complainants allege that the other party to the transaction bought 10,000,000 bushels more wheat than there was in the market, and by this "squeezing" process made it impossible for the former to fill their contract. They could hardly have been unaware of the extent of the gambling going on when they bought, or that there was in most cases no intention to deliver: that the whole transaction was nothing more nor less than a bet as to what the July price would be. The Board of Trade certainly puts itself in the wrong when it undertakes to decide how a gambling and illegal contract should be settled; and the courts must necessarily, one would think, decide that it cannot usurp any such power. No doubt everything will depend upon the intention of the parties, whether they did or did not intend that actual delivery of the wheat should take place. The fact, if it be a fact, that one of them bought 10,000,000 bushels in excess of the supply, must be decisive as to that firm.

A judicial decision was recently made, in Montreal, on a similar contract for stocks. The court held that the bargain was in the nature of gambling, and refused to enforce it; though if it had been shown that it was the intention of the parties to make a *bona fide* sale and purchase of stock, the contract would have been enforced. This decision is, we apprehend, based upon the English law, which attaches heavy penalties to any one who is in any way a party, either as principal or agent, to the sale of any stock of which the seller is not actually possessed. The English law, in the words of McCulloch, enacts that "contracts in the nature of wagers, or contracts apparently formed for the sale of stock, but really intended only to enable parties to speculate on contingent fluctuations of the market, without any stock being actually sold, shall be void, and those engaging in them are subject to a penalty of £500." This Act, at first temporary, was made perpetual by 7th Geo. H. c. 8. Any one selling stock, of which he is not actually possessed, is subject to the same penalty. This law being in force at the time of the conquest, is the law of Canada, and on it we presume the Montreal decision is based. It is quite certain that transactions take place on our Stock Exchanges every day which the law would not enforce—which are not real sales of stock, but mere gambling transactions. It is as well that people who make sham sales of stock should know the danger they incur. The way some of these transactions are conducted is a scandal and a disgrace, and it is quite time they were put an end to.