

## JOHN GRAY'S CURRENCY SCHEME.

A RESPECTED correspondent writes to us, over the signature of "Anti-usurer," complaining of the great loss sustained by merchants and manufacturers in a dull year like the present, when trade is bad, stocks heavy, and discounts high, through having to submit a considerable portion of their business paper to the shaving process of the bill-broker. He asserts that the rate of interest charged by these gentlemen, including other expenses, ranges from fifteen to twenty per cent., and very truly remarks: "that no business man can afford to pay this rate of interest for any length of time without coming to grief." He urges the old complaint that the Banks are unable or unwilling to furnish the trading community with sufficient means to carry on the trade of the Province, and adds, "would not a Joint Stock Discount Company, composed of merchants and traders themselves, who would understand, and could appreciate, the necessity of assisting the business man in bad times, be of the very greatest advantage under the present circumstances?" We can very well "understand and appreciate" the hardships to which merchants are subjected in bad times, but we really cannot see any benefit to arise from the establishment of such an institution as the one referred to. Discount companies are of considerable advantage in a country such as England, where there is plenty of capital lying idle in the hands of the well-to-do agricultural classes. Through such organizations the latent capital of a country is brought into play, and its effect upon commerce is of the most beneficial character; but, unfortunately, in Canada there is very little capital lying idle, and the money to be lent out, in the shape of discount, by such a company as our correspondent desires, would have to be procured from some other source than the farming classes of this Province. It is evident that a Discount Company, to be of any practical advantage to the trading community, would have to go outside of Canada for its capital, for which it would have to pay five or six per cent. When we take into consideration the fact, that the class of business which would come within the range of such a company's operations would be much more risky than that transacted by Banks, we question whether the rate of interest, which would have to be charged in order to cover the extra risks, would be low enough for a business man to avail himself of, to any considerable extent, without "coming to grief."

There is another point, however, raised by our correspondent which it may not be unprofitable to consider. It appears that, in times of pressure especially, a large number of respectable houses are absolutely compelled to store their surplus stock and lodge the warehouseman's receipt in the hands of the bill broker as collateral security before he will discount their paper, and this, notwithstanding the usurious rate of interest which he charges. Our correspondent says that "few houses, except those of the first order, can obtain discounts at the present time (from the brokers) without depositing, as collateral security, warehouse receipts representing goods, the value of which must be considerably above the amount of the bill submitted for discount."

It is certainly a great hardship if, in addition to paying exorbitant interest, houses in fair credit are obliged to resort to this mode of raising money in hard times, and still it is difficult to see how the present state of things can be remedied by any artificial mode of raising money.

Mr. John Gray, of Edinburgh, who started, a great many years ago, the most successful mercantile paper in Scotland—the *North British Advertiser*,—proposed a scheme for assisting merchants and manufacturers, which unfortunately was never put to the test: but, if practicable, might be of great advantage to the mercantile and manufacturing interests of this country at the present time. Mr. Gray, being a thoroughly practical business man, was well aware of the great difficulty of correctly gauging the imports and manufactures to the demands of trade. Experience taught him that the effect of a few prosperous years is gradually to increase stocks beyond their legitimate extent, and that, whenever a bad season arrives, it is an utter impossibility to realise upon those excessive stocks. From this very practical point of view he set himself to devise a scheme by which *cheap* money might be procured upon those over stocks, at a time when money is *very dear*, as is always the case during a stagnation of trade. Space will not admit of our going fully into this scheme, but it was something like this: to incorporate a company, with power to establish warehouses in all the chief cities of the country; as, for

example, Quebec, Montreal, Toronto, and Hamilton, in which to receive and store goods of every description, and to issue bills or promissory notes, representing and convertible into those goods, to be drawn at one to six months, and to pass current until the date at which they would mature, when the person on whose behalf they were issued, would be bound to redeem them in gold or the ordinary currency of the country: or if the goods were of such a description as would not deteriorate in value to any extent, he might have new notes issued upon them; failing this, the goods should be disposed of by the company to redeem the notes. He contended that such a currency would be perfectly safe, and that it could be issued at a low rate of interest, say three or four per cent., which would pay the company handsomely, as it would not entail any risk whatever, and would require but a small capital on which to conduct the business.

Now, however wild and impracticable this scheme may appear at first sight, when we consider the matter in a really practical manner, we cannot find any very great objection to it. Money-lenders, who, of all others, are the most particular about security, willingly advance their money on the security of goods, to two-thirds their value; and why might not a respectable and responsible corporation receive those same goods, have them properly valued, and issue receipts for them, in the shape of promissory notes, which would very well answer as a medium of exchange. Of course very considerable discretion would have to be exercised respecting the class of goods on which such current notes would be issued. Larger advances could be made on staple articles which would not be likely to deteriorate in value, and smaller advances on other classes of goods. If this scheme were found practicable, and it is the scheme of a very shrewd man of business, the currency of Canada might safely be increased, through this means, to the extent of two or three million dollars, which would be of very material advantage, because there can be very little doubt but our currency is several millions below its proper level at the present time.

## SPECULATIVE IDEAS.

THE Canadian *Quarterly Review*, a magazine published in Hamilton, C. W., urges the establishment of a National Fire Insurance Company,—national not in name only, but in fact, that is, conducted and supported by the Government. The reason he gives for the introduction of such a scheme is the high rates of insurance at present, and the only basis he has for assuming that a national institution would lower the rates is, that Proprietary Insurance Companies charge much more for insurance than Mutual ones. Now this is a manifestly bad basis on which to make a calculation of so important a nature. Mutual Companies take risks almost solely in the country parts, where buildings are detached, and where the policies cover barns, outhouses, stables, &c., where no fire is ever lit, and no candles or lamps or matches are used. The bulk of the risks taken by Stock Companies is, on the contrary, in cities, where the chance of fire is greater, and the losses much heavier. We do not deny that Mutual Companies are cheaper, and growing in favor; but they have not yet been generally extended to the cities, and, when they are, the average of their premiums must become much higher than at present. The *Quarterly Review* should not forget that several Companies which have done business in Canada have been unfortunate. Notwithstanding the fact that their premiums were high, their losses exceeded their net receipts for several successive years. The Quebec Fire Office, too, having unwisely refused an opportunity which was offered it some years ago of extending its business to this and other cities, has been a heavy loser. Fire Insurance is not, as the *Review* imagines, all profit to the Companies. Mutual Companies have, moreover, one great advantage which Stock companies do not equally enjoy, and of which its proposed National Company would be altogether destitute. There can, unfortunately, be no doubt that a large proportion of the losses by fire occur through incendiarism on the part of the owners of property, who, when hard up for cash, try nefarious means to obtain the amount of their insurance. Now a Mutual Company has agents who investigate the cause of every fire; and if there are suspicious circumstances, even though they cannot be proved, are able to compromise for a portion of the whole loss. This a Stock Company can do with difficulty, but Government could not do it at all. Alas for poor human nature! Government cannot safely engage in any en-

terprise which depends on the honesty of those who contract or bargain with it! It can grant annuities terminable at death, because people cannot then cheat it by killing themselves. It cannot assure lives, because, as a matter of certainty, all the consumptive and dropsical people in the province would be found assured in the Government office. So with Fire Insurance,—if we could prevent arson, or invent an infallible method for discovering incendiarism, then, and not until then, could our friend up West be allowed to carry out his project.

## THE POSITION OF THE BANKS—1864.

IT may be interesting to add, to the tables we gave last week in reference to this subject, a statement of the proportion of landed or other property, and of government securities held by the Banks. For every \$100 of reported assets, the Banks have:

	Government Securities.	Landed or other property.
Bank of Montreal.....	\$14.80	\$2.16
Bank of British North America	12.79	2.57
Banque Nationale.....	7.09	1.46
Niagara District Bank.....	7.09	1.91
Eastern Townships Bank.....	6.71	0.96
City Bank of Montreal.....	6.47	1.51
Banque du Peuple.....	6.38	2.23
Banque Jacques Cartier.....	5.74	0.28
Commercial Bank.....	4.95	3.22
Quebec Bank.....	4.78	2.76
Molson's Bank.....	4.63	2.60
Ontario Bank.....	4.45	2.64
Merchants Bank.....	4.43	.....
Bank of Toronto.....	4.19	2.85
Gore Bank.....	4.10	1.97
Bank of Upper Canada.....	2.56	15.11
International Bank.....	.....	.....

The Bank of Montreal holds Government securities, because of its connection with the Government, and the loans it makes to the Province when the Bank balances of the Government run down. The Bank of British North America holds a considerable amount, because its charter does not allow it to issue small notes of \$1 and \$2, and it has to act under the Free Banking system, and hold Government securities as a basis for issuing bills of those denominations. The other Banks, we presume, hold them as investments, and if bought prudently they are, of course, the very best. Real estate is, on the other hand, one of the worst possible kinds of property for a Bank to hold, and it is a pity the Bank of Upper Canada, which holds the least Government securities in proportion to its means, should still be obliged to hold the most real estate. This is a relic or legacy of the old management which, we trust, will not long hamper the Bank in its legitimate operations.

It may be instructive to compare our circulation with that of the United Kingdom. The latest return we have in our possession—one issued near the close of last year—gives us: Bank of England notes in the hands of the public, £20,240,000. Specie held by the Bank—issue department—£12,390,000.

This shows that *sixty-one per cent.* of specie was held by the Bank of England for the redemption of its notes. In Canada, the average amount held last year was *fifty-three per cent.*, so that the Banks of this country do not compare in this respect at all unfavorably with the great monetary institution of England.

Adding to the Bank note circulation of the Bank of England, that of the private Banks in the three Kingdoms, we have, as the circulation of Bank notes at home, about \$175,000,000, or \$5.83 on a population of, say 30,000,000. Here, our average circulation last year, was \$9,447,980, or \$3.23 on a population of 2,881,000.

## Gold.

Shipments of Gold on the way from Australia:

	Ounces.
Dec. 15th, Per White Star.....	3,869
" 21st, " Scottish Chief.....	4,713
" " " Asiatic.....	8,672
" " " Kosciuszko.....	13,877
Jan. — " Anglesey.....	8,506
" 16th, " Great Victoria.....	14,446
" " Mediator.....	2,000
" 21st, " Yorkshire.....	5,886
Ounces.....	64,557 £258,000 stg.

## Exchange

On England, rather lower, 9 per cent. and under for cash, sixty days' sight; and 10½ to 11 per cent., credit. Private, none offering. Drafts on New York, 31 dis. Gold in New York, 145½ to 146.