found that they and hundreds like them had simply been skilful and bold borrowers. When payment was absolutely necessary, and the arts of financing (or putting off the evil day, which is all that financing means to most people,) were entirely exhausted, they had to succumb to the inevitable. Their bills went to protest for hundreds of thousands, and the Gazette or the Court of Chancery saw the final end of them. Plenty of such men are to be found to-day working as clerks in London offices or salesmen behind Manchester counters.

Now, taking a calm and rational view of the position, is there not two much reason to believe that a good deal of all this is applicable to ourselves? Is it not the fact that what are called "lines" of discount have enormously increased during the last few years? Has not almost every man of business much heavier liabilities than he had a few years ago? Have not the liabilities of a very large number doubled and trebled? Of course it may be replied that if liabilities have increased assets have increased too. And many will contend that, although they owe three times as much as they did a few years ago, they have a larger surplus left when all their debts are paid. But nothing can be more deceptive than this mode of looking at things. Take the following figures as an illustration :—

Balance sheet of A. B. C. & Co., 31st Dec. 1869.

Assets.

Stock in Trade	$50,000
Bills receivable on hand	10,000
Open account	25,000
Total	$85,000

Liabilities.

Bills payable	$30,000
Open account	10,000
Total	40,000
Surplus	45,000
	$85,000

Here is a position which is perfectly easy and comfortable. The assets are of a kind readily available to meet liabilities. The stock in trade would pay all the debts after allowing 20 per cent off cost price for depreciation leaving all the open accounts to the good. But the firm has partaken of the general expansion of the last few years and the exhibit at the end of 1874 is as follows :—

Assets.

Stock in trade	$100,000
Bills receivable	20,000
Open accounts	50,000
Real Estate—	
(1) Business premises and surplus over mortgage	30,000
(2) Dwelling, surplus over mortgage	10,000
Wild lands	30,000
Lots	20,000
Share in business of X.Y.Z. & Co	25,000
Rent and machinery in manufacturing department	40,000
	$325,000

Liabilities.

Bills payable	$150,000
Open account, (including unpaid purchases money, rent, and machinery	50,000
Total	200,000
Surplus	125,000
	$325,000

Here is an apparent increase of capital from $45,000 to $125,000. Yet who that knows commercial affairs would not say that the first statement is a far stronger one than the last. In the first position the liabilities were in such moderate compass compared with the assets that a time even of heavy pressure could be tided over without difficulty. The liabilities maturing would not be more than $12,000 per month, and the assets accruing would far more than cover it. Then there were no means locked up. Everything was clear, clean and compact. The surplus was only $45,000 but it was *bona fide* and undoubted. But now the total liabilities are five times as much, without counting encumbrances on property, and instead of $12,000 per month, the firm has to find $60,000. Yet there has been nothing like a corresponding increase in available assets and more than the whole of the apparent increased capital is represented by most uncertain and treacherous items. A financial storm would almost certainly bring down a house in this condition, and the end of all the expansion and increase of business and so-called "wealth" would be fifty cents on the dollar. The business of many mercantile firms wants cutting down to proper proportions and the sooner a reform is set about the better.

Now the banks have been called on for more and more accommodation for years back, and the simple point is that the means out of which these loans were granted are being demanded in turn. Curtailment was inevitable unless all the banks wanted to court the difficulties which have befallen one or two of their number.

Much has been said as to their raising the rate of discount. All experience shows that this is the best method of curtailment. Make an article dear and people will use less of it. It is a law that applies to all commodities and to money as much as to any. Its operation is thoroughly understood in England; and it is just as actively in operation in Canada as anywhere else.

We therefore regret very much to see a respectable journal of this city giving currency to the insinuations of ignorant people to the effect that the banks may have combined to bring about this stringency in order to realize high rates. Nothing can be more mischievous than to spread such nonsense abroad. Bankers are generally possessed of some slight modicum of common sense, and a very little exercise of sense would prevent such an absurdity. But journalists, like other people, sometimes talk of what they do not understand. And sometimes the course of a journal, in discussing such grave matters as a financial crisis is so utterly thoughtless as to resemble nothing so much as the man who is described in a certain wise book as casting abroad arrows and firebrands and death, and saying—am I not in sport!

"A VILLIANOUS FRAUD" IN OIL LANDS.

A partial exposure of a gigantic oil swindle, which *The Monetary Times* took occasion to denounce when it was in progress, has been made in an English Court, presided over by the Lord Chief Justice. The action was brought by Charlton against Sir James Hay and other directors; and the question was whether they were parties to the fraud, which had originated in Canada, or whether they were themselves deceived by the men who got up the scheme. The Chief Justice, in summing up, said: "That the scheme was a villainous fraud on the part of the projectors there could be no doubt;" "that a prodigious fraud and swindle had been practiced by the vendors' agents in England," was very certain; but what the jury had to consider was whether the directors knowingly assisted in that fraud. He inclined to the opinion that they had acted in good faith. But this was the point on which the jury split—six against six, and there was no verdict.

What interests Canadians most in this case is the part of it which yet remains to be investigated: the number of persons in Canada who shared in the fraud and profited by it. One Prince, Harry Prince as he is familiarly called, and one Longbottom, were apparently the originators of the project to rob innocent people in England. In 1871, when these two worthies put their heads together, the English public had had one or two warnings of Canadian oil companies which ended almost as disastrously as this. This circumstance should alone have been sufficient to put people on their guard, and in fact "the city" proved wary, and when its gullibility was found to be at zero, the west end was tried and found