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## EXCHEQUER BILLS AND EX- CHEQUER BONDS.

An exchequer bill is a piece of paper engraved by the government purporting to be an engagement to pay a given sum of money. Sometimes the amount issued by the British government is very large. In time of war it has reached over forty millions sterling. According to the prevailing rate at which the government can borrow, at the time exchequer bills are issued, they bear varying rates of interest, from 1½d. to 2½ a day on £100. They serve as a medium by which the daily transactions between the Bank of England and the government are carried on; and it is upon this form of security that the advances of the bank to the government are made. They form a favorite investment for English bankers, by whom they are preferred to any other kind of stock, notwithstanding the low rate of interest they generally bear. One reason for this preference is that exchequer bills are not liable to depreciation; that the treasury pays precisely the same amount for them on redemption that it sold them for.

The theory of the exchequer bill is that it affords a means of anticipating the revenue of the current year. Exchequer bonds are issued at a longer date. There are now current exchequer bonds that bear only 2½ per cent. interest. In 1853, a small amount of such bonds was issued to bear, for the first ten years 2½ per cent., and for thirty years after the expiration of this period, 2½ per cent.

The question has sometimes been asked whether one or other of these forms of security could not advantageously be issued in Canada. Exchequer bills would be readily taken, at times, by banks as a means of investing their surplus cash; and for that purpose they would form a great convenience. But it is obvious that the government could issue them only in case it could rely upon a certain fixed amount

being kept out. At least this would be the rule; to which there might be occasional exceptions, when the government desired to anticipate the current revenue or a loan which it intended to make. The demand of the banks for this kind of security would be more or less of a fluctuating nature; and it is a question how far it could be depended upon to remain constant, or what the minimum amount that could be kept out would be. It would not suit the purpose of the government to be called upon, at short dates, to redeem securities of any description whatever. The exchequer bond would seem to be better suited to the purposes of a government such as ours, in a country where it is not reasonable to suppose any given quantity of exchequer bills could at all times be kept out; but they would have to be drawn at comparatively short dates and the amount would have to be strictly limited; otherwise they might be overtaken by serious depreciation.

The rate of interest would, of course, not be higher than the government could borrow at, in other forms. To make it higher would be wilful waste; to make it lower would be to court failure. It might have been foreseen, one would imagine, that English exchequer bonds, which were to bear interest at the rate of only 2½ per cent. after ten years, would not be readily taken; and this proved on experiment to be true. Success could have been hoped for only on the supposition that the rate at which the government would be able to borrow, in future, would be less than 2½ per cent.

There is one possible use to which one or other of these forms of securities may be put, it case in be decided, on the renewal of the bank charters, that the note circulation shall in future rest on some specific security. At present, it seems as if things would tend in that direction. The fact that one bank had, at one time, less than four thousand dollars in coin and Dominion notes, and that it would have met the requirements of the existing law if these combined amounts had sunk to three dollars, is an admonition which prudence counsels us to not disregard. For this purpose the exchequer bond, drawn at a short date—say ten years—would seem to be the more available security. But the time has not come when this question has to be determined; while the question of issuing exchequer bills will be in order, from the moment the government again finds it necessary to borrow in one way or another.

It is undeniable that this new form of security would be floated chiefly by diverting a part of the floating capital from the purposes to which it is now applied. To a small extent, it might lessen the necessity

for reducing the amount of bank stock, over and above what may prove to have been lost and what has been paid up by bank loans. In any case, the suggestion that the government should try this form of security is worth the consideration of the Minister of Finance.

## THE CANADIAN FAILURE LIST.

More particular enquiry and calculation show the failures in Canada for 1878 to be nine per cent. less in amount and over fourteen per cent. less in number than those of 1877. The totals are respectively seventeen and nineteen per cent. smaller than those of 1875, be it remembered. Leaving Newfoundland—which is not in the Dominion—out of the list, though its figures were included in last year's comparison, and collating the returns of the Mercantile Agency carefully for each Province, we reach the following totals. In 1877 there were 1,889 failures, with debts reaching \$25,466,000. In 1878, the failures numbered 1,615, and the debts \$23,152,000. In the last four years the average has been over thirty millions of dollars; about one-fifth of the amount involved in the failures in Great Britain last year, which was £32,542,774 stg. We present the figures for each Province:

	1877.		1878.	
	No. Failed.	Amount Liabilities.	No. Failed.	Amount Liabilities
Ontario..	968	\$11,573,550	785	\$9,743,045
Quebec..	637	11,014,780	502	9,265,074
N. Scotia.	116	1,186,403	168	2,077,663
N. Bruns- wick...	139	1,384,634	138	1,517,372
P. E. Is'd.	23	240,975	17	520,998
Manitoba	6	65,797	5	28,110
Total....	1889	\$25,466,139	1615	\$23,152,262

In the Maritime Provinces there is an increase over last year in the amount of failures, while Ontario and Quebec correspond remarkably in their diminished figures. The average liabilities of each failed trader or firm are, however, increased from \$13,481 in 1877 to \$14,084 in the following year. Instead of 1 trader failing in every 33 doing business, as in the previous year, only one in 35 failed in 1878. Assuming the number of people in business to be the same in the two years compared (56,484 was the number reported as in business in 1877), the percentage of failures in the whole Dominion was last year 2.85 against 3.34 the year before. This tendency of the failures to involve larger amounts may be expected to continue during the current year; though the amount will probably not much exceed that of 1878. The following calculations for the six Provinces will be found instructive: