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THE SITUATION.

As the Bank of England no longer controls the rate of discount in London, the reduction of its rate from 6 to 5 per cent. was expected to be followed by lower figures outside. And this soon happened, 60 and 90 days' bills being done at 3½. The Paris rate is 3, but that of Berlin is 5. Before the reduction of the bank's rate, the reserve, having £2,000,000 added to it in a week, looked as if it might soon reach £19,000,000. Part of the reserve, it should be borne in mind, is fictitious, £4,500,000 having been borrowed, and will have to be repaid. The trade of the country was grateful for the relief afforded by the lowering of the rate. The decline outside may cause reaction, and stop an increase of the reserve, even if it does not lead to withdrawals of gold.

A loan of \$2,000,000 from the banks to the City of Toronto has been necessitated by the temporary impossibility of either selling or borrowing on securities in the open market, owing to the monetary disturbance in connection with the condition of the house of Barings, who were financial agents of the city. The money was obtained, not without some difficulty, at current rates. This amount, we are told, will enable the city to pay its way till the first instalment of taxes comes in, July 1, next year. But most of the amount is a matter of capital, and the gulf cannot be permanently filled by revenue. The ordinary expenditure will swallow up the ordinary revenue. There will still be a necessity for a loan. The city's securities are good value, and in ordinary circumstances readily bring high figures. This incident, unpleasant as it is, ought to be turned to account. There is too large an amount which the city is liable to be called on to provide, both in the form of capital and of revenue, over which it has no control. The local improvement expenditure is the largest item in the uncontrollable total; it is an item which demands capital and is not paid out of revenue. The time has come when a change ought to be made, and local improvements be paid for in bulk, at the time they are made, by the property responsible. It is an

unknown amount which no certain estimate can cover, and if the capital be advanced by the city, necessitates a continual borrowing, a process which, in the long run, would not be found conducive to the corporate credit.

It is seldom safe to trust American telegrams about Newfoundland, their inaccuracy having so often been proved. A dispatch dated Halifax assumes that the negotiations between Lord Salisbury and the French Government have failed, of which there is no proof. M. Hawley, Prefect Apostolic on the west coast of Newfoundland, is made to say that something terrible will happen in the spring; the people on the French shore being determined to assert their inalienable rights and defend their homes and property with their lives. It is difficult to see how rights which were given to France by treaty can be said to be inalienable in British subjects. The people of the west coast, the dispatch adds, are in favor of joining Canada, while the east is opposed. Canada can have no motive to desire the island for a political partner, much less a part of it only, until the present difficulty is settled. The west coasters are said to have petitioned the Queen to be allowed to join Canada, and they have somehow got the notion that annexation would tend to a solution of the French problem. It is too soon to despair of the success of the negotiations going on in Europe for a settlement of the question: and if diplomacy should fail here, Canada could not help it materially so far as we can see.

A decision on bonding privileges seems to be expected at Washington before long. The Port Huron elevator owners are said to be apprehensive that it will be adverse. Any executive decision can only be in assumed accordance with the law under the Treaty of Washington. But of course there is a legislative resource behind; the presentation of the question in Congress could at least show that it has two sides; that, while Canadians are in possession of bonding privileges in the States, Americans enjoy the same privileges in Canada. If the principle of reciprocity on which the arrangement is founded be withdrawn, on one side, its support will be gone, and the party to renounce the agreement cannot claim, in right or equity, what it is no longer willing to give. Congress, which has power to make or perhaps to withhold bonding regulations, under the Treaty of Washington, will scarcely decide without a full survey of the whole question. In truth, it is as much the interest of the United States as it is of Canada, that the mutual bonding privilege should be preserved. The real aggressors, in this matter, are certain western railway managers who aim at a monopoly. When the McKinley bill passed, monopoly was apparently at a premium, but the rude awakening of the electorate has called a halt. Apparently neither the President nor Secretary Windom has heard the call.

There is a disposition in some quarters to attach to Mr. Chapleau's declaration in

favor of reciprocity in trade a significance which it does not in terms or apparently in intent convey. He declared "for the freest intercourse of products of land, sea, and forest between Canada and the United States, but upon an equal and just basis." This programme contains nothing new, from a Government standpoint, since it excludes manufactures. When Mr. Colby blundered out something against even this limited form of reciprocity, people concluded hastily that he was speaking for the Government of which he is a member. Mr. Chapleau merely corrects the false impression, and does not go beyond the limits of the old reciprocity treaty, which is not destined to be revived. If Mr. Paradis, whose candidature he supported in Napierville, be an unrestricted reciprocity advocate, the fact may or may not possess significance; but it would be unsafe to conclude from this incident that the Government is going to make a complete change of front on this question. The support of Mr. Paradis may have arisen from causes unconnected with the trade question, though it can scarcely be expected to pass without exciting or causing people to ask what way the wind is blowing.

The relief of Irish distress appears by common consent to have been left to the Government. The reason for abandoning collections in the United States was to leave the money available for Irish election purposes. Now the administration of this political fund has become involved in the revolt against Parnell's leadership. The Irish priests appeal to the British Government for means to relieve Irish distress, and a British vessel of war goes on an errand of mercy conveying food for the hungry. Without responsibility for the distress, the Government has not the less volunteered to afford the necessary aid, in various ways. Urgent cases are met with supplies of food; in others, threatened danger is met by providing means of employment on public works. An appeal to the United States was not necessary, and it is best that it should not have been made.

We have not heard the last of the "Little Machine" in connection with the Federal Bank. Mr. Nordheimer, who paid all the direct loss to the bank which the operation of the "Little Machine" was shown to have occasioned, now seeks to recover \$25,000 each from two fellow-directors. The amount paid by Mr. Nordheimer was \$75,000, and this sum would be equally divided if, in consequence of equal responsibility, two other directors had to pay \$25,000 each. The responsibility must turn on a matter of proof, and it remains to be seen whether this will be forthcoming.

Now that the Toronto Street Railway is to be taken over by the city, it is desirable that all unbusinesslike proposals connected with it should be voted down. If the city is to make anything out of the franchise, if it is to avoid the danger of loss, the road must be run on business principles. And as to granting privileges to any company to run a new road in opposition to the inter-