

ESTABLISHED 1866.

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TORONTO, CAN., FRIDAY, NOV. 21, 1890

## THE SITUATION.

A financial disturbance of great intensity and far-reaching consequences has been barely escaped in England. After a few days excitement on the Stock Exchange, the fact that the great banking and financial house of the Barings was in need of assistance came upon the world as a real surprise. The Bank of England stepped into the breach and assisted in organizing a scheme of aid in which the Rothschilds and country bankers, English and Scotch, joined: The amount required is stated at £9,000,000. The pressure will react on the Bank of England, which is of course prepared to bear the strain. It will come in this way: the country banks keep their gold to a large extent with the Bank of England, and when they are drawn upon for purposes not included in the forecast of ordinary business, they in turn draw gold from Threadneedle street. The Bank borrowed £3,000,000 from the Bank of France, though it does not appear to have got any from Russia, as previously stated. The Russian Government had given notice of its intention to draw from the Barings, in instalments, £500,000; the position of the house, not in consequence of this, but everything being taken into account, had to be considered. The banks which make advances by way of aid to the Barings, are of course well secured. No bills drawn upon Baring Bros. since last Saturday will be accepted. The firm is loaded down with South American securities of uncertain value, but is reported to have a surplus, variously estimated from £1,000,000 to £4,000,000. It looks as if this great house, which has so long played an important part in the financial world, was about to go into liquidation. However this may be, the advances which it has received are expected not to be fully returned in less than three years. If it be destined to wind up, it is satisfactory to know that it has never deviated from the path of honor, either in the hour of its calamity or the days of its prosperity.

The general belief, not unmingled with some misgiving, is that by preventing a calamitous fall of the great house of the

Barings, in a hurricane of panic, confidence will be restored and things resume their ordinary course. But it can scarcely be said that all cause for anxiety is over. An immense amount of stocks and "securities" of the most varied kinds are held by companies that undertook to float them. These companies frequently guaranteed the "securities" which they agreed to issue. The guarantee caused large amounts to go into the hands of the public, and if anything goes wrong, a heavy pressure will fall on the guarantors. This underwriting was carried to the verge of temerity, and it would not be surprising if some disaster were to ensue. Houses and firms which did not guarantee the issues they agreed to make, as well as companies that did, have been left with large amounts on their hands. Some of these "securities," perhaps the larger part of them, are new and necessarily contain an element of speculation or uncertainty; but others that are as good as Bank of England shares, are left in the hands of the concerns which undertook to introduce them to the public. There is a limit to what the public can take, and it is not always an infallible judge of what is good and what is doubtful; many reject paying shares or bonds with low earnings for the promise of higher rates, when the element of certainty is altogether wanting. The general effect of the recent scare will be to produce caution, which is likely to be carried to the verge of undue suspicion for some time.

During a crisis such as the financial world of London and New York is going through, rumor assumes all sorts of forms. It is easy to conceive that companies which have been underwriting the miscellaneous securities which they undertook to issue may be in trouble, and the fall of some of them was months ago looked upon as possible. One of these concerns is now said to be in imminent danger. It will be worse still if any old banking house has been underwriting to a dangerous extent. As might have been expected, the reaction has been severely felt in Buenos Ayres, where gold rules from 192 to 197 premium. New York stands the shock fairly well, though there have been several minor failures on the Stock Exchange, caused by the decline of prices and the calling in of loans. The New York banks are crippled during a crisis by the necessity of keeping a fixed reserve as security for depositors. One effect is to prevent them from using the means in their hands at a time of greatest need. In the same way the Bank of England is restricted in its issues. Both have to do something to remove the restrictions on occasions of great urgency. The Bank of England has more than once got a dispensation from the restriction in the form of an order-in-Council; this time, it uses its power of borrowing in a foreign country. In New York, the Clearing House Association provides means practically for an expansion of credit during an emergency. This was resolved upon on Tuesday. It is reassuring to learn that the fortnightly settlement, in London, has not produced any more large failures.

The reverberation of the financial shock could not fail to be felt far beyond England

and the United States, and Canada has been no exception. But here as elsewhere, the trouble has been confined to the stock market. Canadian Pacific is the one railway stock largely dealt in in this country, and it suffered a considerable decline. When margins fall out rapidly, the banks become shy of making loans on call. Canadian Pacific had been going down for the last three months, and on Wednesday the total decline to date was 19½ per cent. Other Canadian stocks, as was natural, underwent a decline, but there has been nothing approaching a panic. Commercial disturbance may come in England, when the accounts of commercial firms with the Barings have to be liquidated, but this is in the future; when it comes, the creditors of these commercial houses in different parts of the world may be pulled up with a tight rein, to which they have not been accustomed. Commercial houses in Canada and elsewhere which dealt with those firms may feel the shock; in some cases, old connections may have to be closed and new ones formed, under disadvantages. But, as we have said, this is in the future, and need not necessarily add to the present uneasiness.

Further discoveries of Canadian nickel ore are reported: but it is uncertain whether the new use for this metal of which so much has been said, will cause the extensive demand that has been represented. There is evidently some mistake about the impregnability of armor plates made of an alloy of nickel and steel. The French Government was given as the authority that had been confirmed in the discovery by means of experiments, and the prediction was hastily made that all the navies in the world would be driven to use the alloy. The French Minister of Marine, in the Chamber of Deputies, has made the statement that there are no armor plates which cannot be pierced by a thirty-ton gun, and that the Government will, in future, have no guns of greater weight made. This is a confession not only that the nickel steel plates can be penetrated, but that it can be done by guns of much less weight than some that have been made. And this feat can be performed no matter how thick the plates may be. It does not follow that nickel steel plates may not have some advantage over simple steel, but if so it has its limits. The new armor is not invulnerable, and as it yields to the force of a thirty-ton gun, its value if anything can only be relative. We are brought back once more to the old demonstration that cannon is more than a match for any armor plates. This was proved long ago and still holds true.

At the hearing of the case of the Canadian railways, in the Treasury Department at Washington, Mr. Blaine was present and made a short speech on the question of retaliation. He complained of the denial by Canada to American fishermen of the privilege of sending their fish to the home market over our territory. The American Government, he said, had no thought of resorting to a policy of retaliation, to which he was opposed. Had the policy of the Government been different, he added, it