

## BRITISH PANIC OF 1866.

In these dark days of public distrust, it will not be without interest certainly, and perhaps not without profit, to give a close description of the events that culminated in the general crash of "Black Friday" in England.

For many months prior to these crashes, the public mind of England had been fevered with what is known as "joint stock" speculation, the hoardings of the people, the capital of the investors, and, in fact, the unemployed, or floating funds of the whole country, had drifted into the erection of joint stock enterprise, chiefly of a financial description. Discount companies, banks, exchange and bullion houses were promoted literally by the score, all absorbing a large amount of subscribed and paid-up capital. Moreover, the practice largely obtained of transforming private business of this kind into joint stock companies. Notably, the old established business of Overend, Gurney & Co. (a firm of bill and money brokers, was in this manner erected into a limited liability company and stocked, it has been said, on a manifestly unfair basis to the new company. Such, then, was the state of affairs in the opening days of 1866, and, it may be added, that in taking shares in these new companies many persons were only actuated by the prospect of immediately reselling them in the Stock Exchange at a profit. So great had the evil become that bank employees, clerks and even servants shared in the speculations, and with a like object. It is, of course, easy to be wise after the event, but there is no gainsaying that the leading men of the city of London have always maintained that they saw the crash coming, and this finds countenance from the fact that the rich leading authorities of the day rigidly held aloof from these speculations, and directors of the Bank of England and other of the largest institutions cannot be justly charged with fostering this unwholesome business. Their functions, difficult in the extreme, were honorably fulfilled all through.

A few weeks prior to the general crash, the signal of distrust was given in the case of some outside and unimportant failure, and a marked depreciation of bank and discount companies' shares was immediately apparent. These, however, soon rallied, and all went along smoothly for a week or two. Then the stock market was "agitated" by a rumor (a mere whisper at first) that there was "some" large house in trouble. The speculative shares of public companies again fell, and this time the fall was severe and lasting. Fall after fall occurred, sellers rushed madly in to realize (for each share carried its burden of responsibility) and all London had to awake to the fact that a crisis of unparalleled proportions was upon it. The day that this fact was widely realized, the shares of speculative companies were literally thrown away in order to get free of the burden of liability. The bank rate flew up in response to this, and in obedience to the law restraining the export of gold. The minimum passed successively from 5, 6, 7, 8 to 9 per cent. (the latter an unheard of rate in England). Meanwhile, the whisper about "some" large house had definitely singled out Overend,

Gurney & Co. Heavy demands were made upon the bank's reserve of notes and coin, and the object of that institution being to force the French rate of exchange to the point rendering an importation of that metal one of profit, the minimum was abruptly raised twice in one day. The French and foreign exchanges generally were not responsive to the movement of the bank rate, and the minimum was again raised with the result that the stream of gold at last turned towards the Bank of England from the continental countries.

On the morning of "Black Friday," the drain upon the Bank of England was prolonged and excessive, and in a few hours it became known that the legal limit had all but been reached: that, in short, the chance of an overwhelming disaster was at hand. The London public can never forget the suspense of those hours. Crowds of persons were outside an institution, existing and prosperous to-day, expecting the shutters to be shut up, and it is not too much to say that the Bank of England on that afternoon was sustained on the sufferance of its large customers. This state of suspense was relieved on the Ministerial responsibility of Mr. Gladstone, by suspense of the charters, and this fact being immediately known confidence was at once restored and the panic was over. In a week's time no trace remained except wreckage, and, unhappily, certain broken hearts and ruined fortunes.

## COMMERCIAL INTEGRITY.

A contemporary truthfully remarks, that there are men who enter on the mercantile life with a confidence in their own honor and their own judgment which they believe will secure them from all risk of self-deception and keep their integrity unscathed through every transaction of the year. They do things which are not dishonest because they are successful, but which would bring lasting disgrace upon them if they proved unfortunate. If it were possible to conduct a business on the scriptural principle and "owe no man anything," the delicate shadings of commercial honor which arise in our modern trade would be largely avoided, but so long as the bulk of our transactions are based on credit, the temptation to put the best foot forward, to exaggerate our own financial ability, to assume risks which involve others rather than ourselves, to overtrade and to speculate, will lead multitudes to the verge of fraud into which not a few of that number will plunge rather than abandon the excitement and the notoriety which their heavy operations bring with them.

The exaggeration of our financial responsibilities is a mild form of vice which crystallizes into crime when the confidence man in turn bubbles us out of our hard earned cash, for we, like him, obtain the property of others through the confidence which we falsely stimulate, and our reputation hangs upon the issue of failure or success. If we are unsuccessful and lose the goods which are entrusted to us, it becomes apparent that we never were justly entitled to them.

The assuming of risks which involve

others rather than ourselves is the natural outgrowth of a credit system. Under the influence of average ambition credit no longer seems to be considered as a matter of facilitation of business, but as a means by which the amount of trade which a man's capital could really cover may be done on the means of another. So long as the valves are kept well inside the risks which involve ourselves, so long are we doing an honest business; but when a possible decline might wipe out all our own value in the investment, and encroach on that which we have secured from others, then we are doing a dishonest business, and while success may seem to justify us, we are below the standard of commercial integrity, and an unfortunate termination would expose us to open condemnation.

There are some plain rules which we would like to impress upon the minds of readers: First, no man can honestly risk the money of others in ventures which they are ignorant of; second, no man can obtain credit by making false representations and yet be dealing honestly; third, it is not honest to do business loosely, since you may be misrepresenting your responsibility through ignorance of your finances, and while you are going deeper into the mire every day, be dragging others with you.

The credit system makes the seller in some measure the partner of the buyer until the goods are paid for, and the buyer is not dealing honestly with the seller if he neglects to care for the goods or to use his best exertions to dispose of them at a profit, so that every idle hour which a dealer spends away from his legitimate duty may be dishonesty toward himself, his family and his city correspondents. Ninety cents on the dollar produced by carelessness or sloth will make the sellers actual though unwilling partners in the loss, while prompt payment in full, insured by diligence and thrift, will make them partners in the gain to the extent of their regular profit.

This is only one side of the question, for there is a wide field for fraud in every counter sale, but there is no danger of mistake in the simpler act of selling at retail; he who misrepresents in that branch knows just what he is doing and can make his own calculations as to whether the self-respect which downright honesty would bring with it would not be better than the petty profit realized by misrepresentation. We have touched on the more complex side, and will feel glad if we have made the high ground of pure commercial integrity any plainer to any of our readers.

In Mexico there is not one wagon factory. Every man makes his own, or gets it from a neighbor, or another country.

Rather late in the day, Canadians are waking up to some conception of the vast mineral wealth of British Columbia; and prospectors, settlers, and investors are pouring in there by thousands, especially from the United States. Whoever lives to see the dawn of the year 1900, will see British Columbia and Vancouver Island the seat of commanding power, wealth and enterprise.—*Canadian Engineer*,