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EDWD. TROUT, MANAGER.

TORONTO, CAN., FRIDAY, JUNE 5, 1885

THE SITUATION.

With the capture of Riel the rebellion in our North West ended, and the danger of a general Indian war vanished. But the worst effect of the insurrection will be the feeling of insecurity which it will create in the minds of intending emigrants from European countries thither, a feeling which may survive the reality. For a while, extra precautions against Indian atrocities will have to be taken. This year, at any rate, business and production in the North-West will be curtailed. When it is all over, the trouble will have the effect of teaching people that they cannot with impunity talk in a flippant way about rebelling, or seceding, or doing any other equally foolish or impossible thing.

The London *Economist*, May 23, says it is an open secret that the Canadian Pacific and the Grand Trunk Railway Companies "have found a method of harmonious working." And it adds explicitly that "the existing schedules of rates have been jointly remodelled, and an undertaking to work at these rates has been arrived at." The Canadian Pacific is expressly inhibited from entering into agreement or amalgamation or pooling arrangement with the Grand Trunk. Is the alleged understanding between the two companies one which it is legally competent for them to enter into? And has such understanding really been come to? The latter question requires to be answered first; for should the answer be in the negative, it is useless to enquire farther, except as to what may be likely to happen in the future.

The great length of time spent by Parliament on the Franchise bill leaves little reason to expect that there will be any bankruptcy legislation this session. It is now almost certain that, for another year, the existing confusion of the varying Provincial laws will continue, to the confusion of creditors who have the misfortune to have claims on the estates of insolvent debtors.

Mr. Smithers, President of the Bank of Montreal, in addressing the shareholders, expressed the fear that a good many persons have been building upon a Russian war as

likely to stimulate business here; and he is quite correct in the opinion that so great a calamity could not be promotive of the general good. He is not without fear that the stoppage of the expenditure on the Canadian Pacific Railway may be attended with serious consequences. He thinks manufacturers are working slowly into a better shape; that imports, especially in dry-goods, will be light; that excessive competition and the absence of profit constitute the great feature of the times. The stocks held he considers less than at this time last year; that payments, which have been poor, show signs of improvement; failures are less frequent than a year ago. He thinks the country is suffering more or less at present from over-railway construction. His advice, given by way of caution, is to "go slowly."

A strike among the iron-workers of Pennsylvania, which commenced on Monday, threatens to assume unusual proportions. The employers propose a reduction of wages, owing to the reduced price of their products, and the workmen refuse to accept the new scale. The strike is not general nor is it likely to be, five Pittsburg firms having acceded to the demands of the men. All the nail factories in the West except one have been closed. At present there are no visible signs of surrender on either side or of any terms of accommodation likely to be agreed to.

Jamaica has sent to Ottawa to ascertain on what terms Canada would be willing to make a reciprocity arrangement with the Island. The commissioners are reported to be of opinion, as the result of their enquiries, that such an arrangement is not impossible. Jamaica has sugar and fruits to offer in exchange for flour. Reciprocity with Jamaica would be preferable to the annexation of the Island, which was at one time spoken of, but to which the local legislature, as the event proved, was not willing to consent.

The success of the conversion of the five per cents into funds, and of the new £5,000,000 stg. loan, which Sir Leonard Tilley went to England to effect, is reported to be assured. The terms of conversion practically put the new fours at 99, at which rate the exchange is going on.

MR. SMITHERS ON SECURED BANK NOTES.

At the recent Bank of Montreal meeting, Mr. Smithers, the president, came out as an advocate of a note circulation secured by the deposit of public stocks. For a short time the Bank of Montreal did avail itself of the option which the law allowed to secure its notes by a deposit of government securities. The American National banks, whose notes are secured by a deposit of Federal stocks, originated in the necessities of the government, the government desiring to make a forced loan, during the civil war. This accident of its birth is often recalled to show that the system does not rest on a scientific basis; that if there had been no civil war

there would have been no National Bank system. This is probably true; and if the national debt were paid off, the means of securing the note circulation would vanish. The calling of securities, held in part by banks, has, from time to time, been a cause of difficulty to these institutions; and many speculations are indulged in as to what will be done when the securities are all called in. At this moment American Government stocks furnish the best securities which could be held against the notes of the National Banks; but if the debt ever be paid off, and it has been greatly decreased, this resource will cease to be available, and some new form of security will have to be found.

In that event, the security will be given for its own sake and not because the government is under the necessity of borrowing. But the practice of securing bank notes, in the United States, by a deposit of stocks, did not originate with the National Banks, and its original object was not to obtain government loans. Absolute security for American bank notes was first called for by stern necessity, the public having suffered enormous losses through the failure of banks to redeem their note issues. In the experimental stages of this reform, some mistakes were made. Municipal securities, including mortgages, were sometimes accepted; the obligations of corporations whose credit was not above suspicion were occasionally taken. The resource of State bonds did not always afford an absolutely certain security; for there were instances in which, on one pretext or another, individual States repudiated their obligations. But, after the bonds of the United States, those of the separate States are the best that could be selected for this purpose. Should Federal bonds become unavailable for the purposes of the National Banks, the difficulty inherent in the selection of some other forms of security would recur; but there is no reason to suppose that it would be so formidable that it could not be overcome. So strong is the feeling, in the United States, in favor of securing the note circulation, absolutely, that no one would think of proposing that the National banks should issue notes not so secured.

The reply to Mr. Smithers' suggestion which comes from some other banks, is that in Canada, the note-circulation is already sufficiently secured. Mr. Smithers may rejoin that losses do sometimes fall on the public for want of absolute security for the note circulation; and that it is the duty of the government to see that, when it allows bank notes to circulate as money, they will certainly bring to the holders the sums which they promise to pay. The evil results of the present system are not great, the percentage of notes which are not paid in full is small, and the difficulties in the way of the proposed change are considerable. It is folly to pretend that a note absolutely secured is not better than one not so secured; the former must be paid, the latter may and probably, almost certainly will be paid, but the absolute certainty is wanting. This is the difference. The difficulty of changing from one system to the other arises from the great cost of securing the notes and the large amount of capital which would be ab-