

CURIOUS FINANCIAL REVELATIONS.

A VERY uneasy feeling, as a late city article of the London Times informs us, has been created by the failure of Barned's Banking Company in Liverpool, with liabilities amounting to over £200,000 stg. This is natural enough, when we consider how closely it has followed the astonishing revelations of unsoundness connected with the failure of the Joint Stock Discount Company of London.

We pointed out, a little while ago, the remarkable development of the credit system of late years in connection with English finance, and there is every indication that the break-down of this system is to be the peculiar feature of the next great panic in the monetary world, whenever that may be brought about.

Those who have been in the habit of associating with the name of England everything that was solid and reliable, and of contrasting it with the uncertainties and fluctuations of commercial matters in this country, would be astonished to hear of the recklessness that has characterized the dealings of the Joint Stock Companies got up in London of late years. In the particular instance to which we refer, a paid-up capital of £500,000 stg., two-thirds of the capital of the Bank of Montreal has been irreversibly lost during the last two years. Such a prodigious collapse as this is pregnant with lessons of warning, and for the benefit of our readers we will give them a short summary of the history of the Company. It was got up in the fashion so familiar of late years, by "promoters," to take up the business of a discount broker named Wilkinson, who had established a reputation in the 'city' and obtained a good commercial connection. Mr. Wilkinson, we believe, received a bonus for his business, took a large interest in the concern, and was made Managing Director. It may readily be imagined he was its main spring, as he had been sole proprietor before. The proper business of the Company, as a Discount Company, was, of course, discounting bills; and there is always plenty of legitimate business of this kind to be had in London. The rate of interest, let it be remembered, is not restricted, and, consequently, bankers and brokers can charge a higher or lower rate, as a bill is risky or safe.

The Company, however, were not satisfied with legitimate business and profits, but were soon tempted to embark in what are called "financial operations." This kind of thing has not been unknown in Canada, and may be shortly described by the significant term, "raising the wind." The Round About Junction Railway Company, having exhausted their legal borrowing powers, are still far from being a finished line. They have run into debt, and owe the contractor, the ironmaster, and a host of other people, a lump sum of £600,000. The Discount Company is applied to and they undertake to raise it for them. Lloyd's Bonds, or certificates of indebtedness, are issued, but they won't take on the market without a guarantee. This the Company gives for a part of the bonds and negotiates a part itself, advancing its own funds at a heavy rate of interest. For the guarantee it charges a heavy commission. The loan, however, is not yet completed and the balance is raised by the Company, partly by giving its own acceptances, which are negotiated through bill brokers, and partly by borrowing from another financial Company lodging the Lloyd's bonds as collateral.

The transaction yields, we will say, a nominal profit of twenty per cent, which if realized would be an uncommonly good thing. At the time of the holding of the first half-yearly meeting, the profit is supposed to be realized, and shareholders are in high glee at the splendid prospects before them. The Company, however, have not realized their profit, but they have done two other things pretty effectually—they have locked up about half their capital, and they have entangled themselves in complicated obligations which imperil the other half. Such are the financial operations which ultimately brought the Company down. The business, however, went on prosperously enough, as was thought, until the shareholders began to get uneasy at the heavy calls made on them. The paid up capital rose from small beginnings to £40,000, then to £600,000, at which the shareholders hoped it would stop, until at last, finding that the Company was still short of funds to carry on, a committee of investigation was appointed. This was last January.

The committee went into matters pretty thoroughly, but appear not to have had power to stay any mischief then going on. They evidently looked at matters in too favorable a light, for the result was a recommendation for a further call amounting to £200,000, which

sum, they calculated, would enable the Company to retrieve its lost position. On this report the stockholders acted, turned out the old directors, and got a new board consisting of able and responsible men.

The new board entered into office in March, but found themselves in a perfect sea of trouble at the very outset. The Company had not funds to carry on its daily business. The Manager was asked by the new board, "What do you want for to-day?" and replied, "About £40,000." "And what for to-morrow?" "About £70,000." "And what for the next day?" "About £60,000." He was then asked, "What have you got to meet this?" and replied, "There are some bills in the case," which turned out, however, to be worthless, all the good bills having been already pledged for advances, there were also some railway securities, on which £20,000 was raised to meet pressing liabilities, and this seems to have been the first and the last of the operations of the new board. On looking into the books they found that an advance of £430,000, subsisting last December, had been increased to £480,000 while the committee of investigation was sitting, on the manager's sole responsibility. In addition, the Company had been made indirectly liable, on the same responsibility and at the same time, for £100,000 more.

For this enormous sum of £580,000, as was stated at a meeting of the stockholders, the Company did not hold securities worth the snap of a finger. A director explained that there was security to a certain extent, viz., about £50,000 of overdue bills of the old directors, with a guarantee of a certain joint stock company, that if they should become entitled to receive a certain sum of money, out of that money they would pay the £50,000.

The new board saw at once that to go on was impossible, and decided on winding up the concern.

At this meeting one of the old directors was asked if he, being at the time also a director of the Oriental Finance Company, had not obtained a large advance for that Company from the Discount Company on certain paper, and further, if he had not, when the latter was short of money, offered to relieve them of some of that very paper, if they would give him 60 per cent. discount. The explanation offered seemed anything but satisfactory to the meeting; and we cannot wonder that, with such revelations, the proceedings should be of a stormy character, and frequently interrupted by cries of "Shame," "It's a case for the Old Bailey," "Send him to Newgate," nor that an offer was made by a large shareholder to contribute something towards a prosecution. A good deal was said of the relations of the Company towards the Contract Corporation—another of these companies whose main business seemed to be the floating of financial schemes. That concern is bankrupt too, and it came out that at a certain period, the Joint Stock Discount Company prevailed on them to take some £207,000 of securities off their hands, and to give their acceptances for £200,000 in payment. The securities were spoken of in the meeting as bonds, shares, and all manner of "rubbish," and it was part of the agreement that the acceptances were to be renewed for two years. The Discount Company, however, were obliged to raise money on them, and they got into the hands of the National Discount Company and other parties, who came down on the acceptors and demanded payment.

At the winding-up meeting of this Contract Company, some inquisitive shareholder asked the meaning of certain bills which bore the name of a Mr. Hawke. The answer was, that the contracting firm of Watson & Co. were indebted to them (for it is curious to see how these concerns were all mixed up together), and that when Watson's credit began to wane, certain bills drawn with reference to some contracts in hand, it was thought would be more readily negotiated, if they bore the name of another party, and that was done. This practice of getting bills in the name of a nominal drawer, it was said, was not uncommon.

The principal creditor of the Joint Stock Discount Company, it appears, is the National Discount Company; and if the latter got into trouble, we might find that other financial companies, or discount companies, or credit companies, were involved with them. How far the ramifications of unsoundness extend, it is impossible to say; nor, perhaps, will it be ascertained until a general panic brings down the whole structure of inflated credit. Neither can it be told how far this state of things affects the dealings of well-established firms and companies. One thing, however, is certain, that a vast mass of dangerous speculation has been

set afloat in the last few years; and it is almost equally certain that its complete course has not yet been run.

United States Debt.

The following is a statement of the debt on the 1st May, as published by the Secretary of the Treasury—

DEBT BEARING COIN INTEREST.

5 per cent Bonds	\$198,241,100 00
6 per cent Bonds of 1867 and 1868	18,323,591 80
6 per cent Bonds of 1881	283,744,160 00
6 per cent 5 20 Bonds	685,784,000 00
	\$1,186,092,851 80

DEBT BEARING CURRENCY INTEREST.

6 per cent Bonds	\$ 4,634,000 00
Temporary Loan	131,497,553 62
Certificates of Indebtedness	62,020,000 00
1 and 2 year 5 per cent Notes	6,030,000 00
3 year Compound Interest Notes	167,012,141 00
3 year Seven-thirty Notes	816,612,650 00
	\$1,188,319,544 62

Material Debt not presented for payment	877,729 64
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DEBT BEARING NO INTEREST.

United States Notes	\$416,164,318 00
Fractional Currency	28,192,017 64
Gold Certificates of Deposit	9,030,420 00
	\$462,392,755 64

Total Debt	\$2,827,670,871 00
Amount in Treasury—Coin	\$76,676,407 02
Amount in Treasury—Currency	61,310,621 80
	\$137,987,028 82

Amount of debt, less cash in Treasury \$2,689,683,842 78

The maximum figure was reached on the 31st August last when the debt of the United States amounted to \$2,757,181,190, since which time a reduction of \$68,091,318 has taken place. The total of Legal Tender in circulation on the 1st of May, 1866, was \$558,214,350.

A Bill for the purpose of consolidating the various classes of the debt as they fall due or fall, within the control of the government, into one uniform 30-years 6 per cent gold-bearing stock, with an application of thirty millions a year, or 1½ per cent per annum, on the grand total of two thousand millions has been introduced into the Senate. The plan is said to be favorably received in Wall Street, the occasional adverse criticisms being directed against details of the bill as affecting its immediate success, rather than against the proposed creation of a uniform class of United States Consols.

Fall Wheat.

The Galt Reporter says, partly confirming our recent remarks on the condition of the Fall Wheat:—

"Full enquiry in this neighborhood satisfies us that the Wheat was never worse winter-killed than it is the present year, and that even if every circumstance between this and harvest prove favorable, we cannot in this section reap an average crop. And we hear the same complaints from all quarters, although we believe that in Dumfries we have received perhaps as much injury from the unsettled character of the winter as in any part of the Province."

The Omemece Warrier also says:—

"We regret to say, that the crop, in a majority of cases, has proved a total failure. The severe frosts of February, and the almost entire absence of snow, completely cut off every crop which lay exposed to the N.W. wind, but in instances where the fields were sheltered by woods, there is a better prospect. The cold dry weather of the past week is very unfavorable for what little that has escaped the severity of the winter, and we fear that very little Fall Wheat will be gathered in in this vicinity, where, in the beginning of the winter, there was a most favorable prospect of an abundant crop."

The Stratford Beacon and the Hamilton Signal, on the other hand, report that the Fall Wheat in those vicinities is in splendid condition, and now springing up most luxuriantly.

We do not attach too implicit confidence to the wholesale accounts of destruction of the Wheat crop we hear at this season. We have often noticed there is much exaggeration, and that farmers have a chronic disposition to grumble.

Wood Paper.

The Paper Mill at Sherbrooke, occupied by Messrs. Angus and Logan, has been purchased from the British American Land Company by Mr. Culter, of Boston, who intends to erect buildings and machinery for the manufacture of wood and rag pulp for the making of paper. Messrs. Angus and Logan will, in the meantime, we believe, erect another mill at Acton.