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 Manager.

TORONTO, CAN., FRIDAY, NOV. 28, 1890

THE SITUATION.

The Bank of England reserve has been further strengthened, partly or chiefly by borrowed money, and is expected soon to reach £18,500,000. In one form or another £1,500,000 in gold came from Russia, £1,000,000 is on the way from Brazil, and £750,000 from Australia. The loans will have to be repaid, and until this is done, no abatement of interest need be expected. Discount houses charge from $5\frac{1}{2}$ to $6\frac{1}{4}$ per cent., according to the length of the term the paper has to run. The successful exertion made by the bank to prevent a financial catastrophe has had the effect of restoring confidence on the London Stock Exchange and causing a rise of prices. But the fact remains, as we pointed out last week, that large amounts of unsaleable securities of the most miscellaneous texture, remain as a burthen and a dead weight in the hands of companies that have undertaken to issue them. Loss must be suffered in future from these holdings, though it will probably be gradual. The great trouble comes from the practice of underwriting securities which cannot be disposed of, and considering the extent to which the practice has been carried, it is better that the check has come now instead of later; better still it would have been if it had come eight months ago.

According to Parisian advices, the loan of the Bank of France to the Bank of England is for three months, with the option of renewal for a further period. The Russian Minister of Finance, according to the *London Economist*, has rendered aid to the Bank of England by a purchase of securities. It was not until the position in England became serious, we learn from the same source, "that either the Russian Government or the Bank of France become disposed to render assistance. They would have preferred to stand aside and let us arrange our own difficulties; but they both have financial operations in hand, which would have been seriously interfered with had the monetary pressure here been suffered to become more acute, and it was not till their own interests became involved that they were ready to move." Till these

loans are repaid, of course there will be no prospect of a fall in the rate of discount.

In Boston and Philadelphia, as well as New York, clearing house certificates were issued to the banks on different conditions and at varying rates of interest. The method is not new. Within forty years clearing house certificates have been issued at three different times. It is a form of loan by which the strong banks help the weak. The loan is not made without security, but is in fact equivalent to a re-discount. In Philadelphia and New York, the amount advanced was 75 per cent. on the face of the securities. In Boston the interest charged is as 73 10 per cent., in Philadelphia 6 per cent., in New York 8 per cent. and $\frac{1}{4}$ per cent. a month commission. In Philadelphia the charge for commission has been abolished. Some of the advances are not expected to be returned in less than six months. This wholesale buttressing of the credit of the banks, has perhaps never taken place where there are no clearing houses, but practically the same thing has often been done in Canada, on a limited scale; a weak bank in the hour of its need has been helped by a strong one re-discounting some of its paper. The safety of the operation depends of course on the nature of the security taken, and if a bank could not give acceptable security, the plan would break down at that point, though it might otherwise be carried out. It is evident that the American banks which make the advances to aid weak brethren do not quite relish the transaction.

A crisis in the Newfoundland bait question has been reached by the decision of the Supreme Court of the Island, which pronounces illegal and void all convictions of American fishermen for violation of the bait Act. The license fees exacted, under cover of this law, from Canadian and American vessels, were, it seems, collected without legal authority, and are liable to be demanded back. Under these circumstances, the chances of the mission of Mr. Bond, Provincial Secretary of Newfoundland, to Washington, do not appear promising. It is said that he is to offer the Americans the right to purchase bait and supplies free from license or impost, if they will make Newfoundland fish and minerals free in the American market. But if, under the decision of the Supreme Court, it cannot withhold free bait, the offer would convey nothing under that head, though the right to purchase other supplies might be worth something. Perhaps some form might be found in which a bait Act could be passed that would stand the test of a legal bombardment. If the shreds of the present Act are too frail to hold anything, that Act, whatever its demerits, proceeds upon the lines of previous British legislation, which, however, would not now be re-enacted by the Imperial Parliament. It is satisfactory to learn from the Queen's speech that the negotiations are now in progress which are expected to result successfully.

M. Mercier deserves credit for his determination to reform the abuses of the Lunatic Asylums in Quebec. The condition of these institutions is a disgrace to civilization. Patients, according to medical evidence, are retained in them after they are cured, and others are received and incarcerated for years who were never insane at all. The cells are dark dungeons, almost or entirely destitute of conveniences for the wretched patients. How far M. Mercier will be able to carry his reform is doubtful. He is met by fierce opposition from religious quarters, which aim to protect the interests of the nuns, into whose charge the poor wretches are put, at so much a head. It is this farming out of patients by the State that is responsible for the whole of the wrong, and it is to be hoped that M. Mercier will see the necessity of putting an end to it, and be able to do so. The religious authorities oppose inspection and medical control by the State, on both of which the Government rightly insists. It is necessary to go still farther and put an end to the system of farming-out.

We are told that it is the avowed intention of the Provincial Government to put an end to the contract system as the different agreements lapse. It remains to be seen whether the strong opposition from religious committees and others who now farm the lunatics, will prevent this course. At an interview a week ago the Premier intimated willingness to buy out the lately established Protestant asylum and maintain it as such, or to pay a fixed sum and have absolute control of medical staff and authority in internal arrangements. This offer will probably be repeated to other institutions. We shall be very much surprised if the authorities of the Protestant asylum consent to this. They are too anxious to remove it from the antiquated and objectionable administration of the good sisters.

Cardinal Manning's advice on the fixing of the price of labor is courageous and honest. He believes in the old method of free contract between employers and their men, and that recourse to the legislature for the exercise of coercive power over wages ought, as far as possible, to be avoided. The only objection that has been brought against this method is that labor is not free, but under the coercive power of poverty. As a general proposition this is not true, and as an exception, it does not stand alone, or differ in kind from other occasions of exception. In the same sense the employer is not a free agent when he is under bonds to have certain work done by a given time. When a man wants to buy a horse, where horses are scarce, and must have it in a few hours, he is not free to wait for a choice, and may have to pay two prices. When a seller of anything is under pressure, he is obliged to make sacrifices, and in this way is under coercion, in other words is not a free agent. This is true whether the thing to be sold is real or personal property. More than a hundred years ago, Adam Smith said of owners of real estate, in England, that they were nearly always under an obligation to sell, while the buyer was seldom under obligation to buy. If a man is not a free agent to con-