

a locking up of capital, which is alike against sound business as well as sound banking.

Another class of accommodation bills is where two parties agree to exchange paper, a practice altogether of too frequent occurrence. Bills of this kind, which all but the maker and endorser believe to be *bonâ fide* promises to pay for value received, bear a lie on their face, and the parties issuing them are morally guilty of falsehood and fraud. This is the kind of bill against which every banker finds it difficult to guard, as the parties are generally men in fair business standing, and whose paper, if *bonâ fide*, would be a fair business risk. While, however, the first issue of such paper may be difficult to detect, it should not be so difficult to recognize it on renewal, and to nip it in the blossom if not in the bud. This kind of paper is a plant which flourishes equally well when trade is prosperous and when it is the reverse. Thirty-four years ago, in a time of great prosperity, the country was brought to the verge of ruin by overtrading and the use of accommodation paper; and during the somewhat adverse condition of trade during the last two years, the same means have been employed in a vain effort by embarrassed houses to keep their heads above water.

The third class of accommodation bills, and one even more difficult of detection than the second, is where the wholesale merchant borrows the notes of, or draw bills of exchange upon his customers in excess of their liabilities. In this case the wholesale merchant is the party principally to blame, as his customer, depending upon him for his supplies, cannot well decline to trust the man who is trusting him; and the weaker the customer, the more readily will the favor be accorded. Recent failures have shown a considerable crop of this kind of paper, and has led to the fall of many small traders on the collapse of the houses from which they were obtaining their supplies.

Closely allied to accommodation bills is the system of what are known as supply stores, a subject to which we propose to refer in a future issue.

In England, and notably since the great panic of 1857, the issuer of an accommodation bill is regarded as little better than a forger and no merchant careful of his credit would venture to use such instruments, even to supply a temporary need. This feeling was largely increased by the revelations made at the examination of the firm of J. & J. Macdonald, cotton spinners, of Glasgow and