

capacity to treat the subject must be manifest. If he were not ignorant, then it must be equally manifest that he has endeavored to mislead his readers. He can choose either horn of the dilemma. We shall cite from an article in this journal of the date of 13th Dec., 1878: "According to the latest quotations that we have seen, Imperial guaranteed 4 per cent. bonds were worth 104, and Canada 4's 92, the difference being 12 per cent., the average being 98, or, allowing a margin of profit to the contractor, 96½, which seems about a fair price for the two stocks. This would be equal to a sale of Canada 4's at 90½ should the loan be taken. Mr. Tilley may be congratulated on his success, and especially if tenders should be made by contractors outside of the ordinary operators in Canadian securities."

A most unwise course in our judgment was pursued by the opposition of the day in attacking Mr. Cartwright's loan, and especially in attributing to the London financial agents a desire to obtain advantages for themselves in the allotment of the loan. The result of their criticism was to fetter the action of their own Minister, and to compel him to adopt a course not exactly similar to Mr. Cartwright's, but practically the same. Instead of offering the loan at a fixed price, he named a minimum rate, which was much the same thing. There never was any just ground for attacking Mr. Cartwright's loan because it was issued at a fixed price. It is a matter of notoriety that this is the ordinary practice with regard to loans of a similar character, and that it is the one that is most acceptable to the lenders. We have referred to the advice of the financial agents, and will here reproduce an extract from an article in this journal on 15th December, 1876:

"We have observed with deep regret that the journals opposed to the Government have not scrupled to attribute the advice of the financial agents to interested and corrupt motives. This we think a most unfortunate line of action. The character and standing of the eminent firms which have been so long the financial agents of Canada in London are so high that insinuations such as those to which we refer can only injure those who make them. Mr. Cartwright himself is pronounced even by his opponents to be too honorable a man to be guilty of corruption of any kind, but it is broadly insinuated that he has been a tool in the hands of the financial agents in perpetrating a job for their benefit. We deprecate this kind of attack. Mr. Cartwright can defend himself, or he has influence enough with the press of his own party to secure a fair hearing; at all events no great harm can result from the free discussion of his acts. The attacks on the financial agents can only be productive of deep

"injury to the Dominion and to its credit. The securities of the Dominion are now, and always have been, held mainly by the clients, if we may use such a term, of the great houses who have negotiated our loans. With regard to the terms of the loan, we must observe that no greater mistake can be committed than to maintain that a new loan can be floated at anything like the price at which small sales are made in the market. It cannot be supposed for a moment that any capitalist will take the risk of a large loan at the rate at which small sales have been made to investors. We deprecate the general tone of the press opposed to the Government, chiefly on the ground of the insinuations against the financial agents, but likewise because we believe the loan to have been negotiated on as favorable terms as could reasonably have been expected."

It will doubtless be recollected that when Mr. Tilley's composite loan was offered at the minimum of 96½ only a portion of it was taken, and some days elapsed before the whole was subscribed. If we are not mistaken, the financial agents came forward and took the amount, or the greater portion of it, which was on the market. Our impressions at the time will be found in the following extract from our article of 13th Dec., 1878:

"Owing to the course taken by the opponents of the late Government, which we considered at the time a serious mistake, Mr. Tilley was not altogether a free agent. He was unable to place the loan on the market at a fixed price, however desirable it might have been to do so. It is the interest of borrowers to conform even to the prejudices of lenders, and certainly they are not likely to suffer by doing so. The loan was not taken at once, which was unfortunate, and was in all probability owing to the London agents having refrained from tendering in the first instance owing to the offensive remarks made regarding them by leading Canadian statesmen, in connection with the last loan. We infer that they stepped in to support Canadian credit after the first failure to place the entire loan. It may be hoped that our loan transactions will in future be kept out of the political arena. In all questions of an Imperial character Canada should be a unit."

We find nothing in the extracts which we have quoted which we should wish to modify. The chief ground of the attack on Mr. Cartwright's loan was its having been issued at a fixed price, although it is notorious that such has been the usual custom in floating loans in London, and that it is the mode preferred by the lenders. Since the negotiation of that loan several cases have occurred to the knowledge of Canadians, and without hostile criticism, of loans being placed at a fixed price. We have quite recently had an instance in the Pacific Railway bonds, and prior to that the French loan to the Quebec Government. A previous case had occurred

of a loan obtained by the Quebec Government in New York at a fixed rate.

Sir Leonard Tilley's loan is open to the objection that two securities of a different character were offered *en bloc*. The Imperial guaranteed bonds are a kind of security that are looked on in the same light as the British funds, and would be sought, not only by a class of capitalists who do not deal in Canadian securities, but also by various public companies whose regulations prohibit them from buying Canadian bonds. It is a matter of notoriety that after Sir John Rose's experiment of placing the two classes of bonds together on the market, very influential loan contractors such as the Rothschilds expressed their regret at having tendered for the loan. Not being ordinary dealers in Canadian securities they complained at having them, in a measure, forced upon them. We are not aware that similar complaints were made on the last occasion, but this may have been because such houses as the Rothschilds did not tender. It is, of course, difficult to pronounce an opinion whether more could have been realized by offering the two classes of securities separately or in the mode adopted, but it is clear that Sir Leonard Tilley has had the credit of floating a 4 per cent. Canadian loan at 96½ when in reality it was placed much at the same rate as that of Sir Richard Cartwright. It would be thought a most extraordinary proceeding for the Dominion Government to propose to Canadian capitalists a loan one half in their own bonds and the other half in those of the Province of Quebec, and we know of no other instance in which two classes of bonds differing materially in value have been offered together. It may, however, have been a wise proceeding. If recommended by the London financial agents, as we presume that it was, there were doubtless good reasons for taking the course which was adopted. It may have contributed to float the Canadian 4 per cents. to offer them along with the Imperial guaranteed bonds. Those who have been so ready to criticize Sir Richard Cartwright's loan should bear in mind that at the period when Sir Leonard Tilley negotiated his loan in 1878 Canada 4's were selling at 92, which is satisfactory evidence that the original sale at 91 was a good one.

#### QUEBEC AFFAIRS.

There is good reason to believe that the elections for the Provincial Legislature will take place very speedily, and yet there can hardly be said to be any well-defined issue before the people. Under these