

BANKING AND THE USURY LAWS.

Our contemporaries the *Toronto Examiner* and the *British Colonist*, each in his peculiar way, continue their tirades against the suspension of the Usury Laws with reference to the transactions of Banks, so far as their notes are concerned. The former considers the Usury Laws "absurd and inconsistent," because "it would be just as rational to fix the value of every kind of property by law, as of one; just as reasonable that grain, pork, houses, and land, should have their value fixed by law, as that the value of gold and silver should be fixed by law." Moreover, he very sensibly admits that the undoubted effect of these laws is to make capital scarce and dear; because, as he very justly remarks, "money, like every other kind of mercantile commodity, will always seek the best market, and in those countries where the law fixes its value, and attempts by artificial means to make it cheap, the effect will be to make it scarce and artificially dear."

So far we and our contemporary agree perfectly. But now comes the issue; in other words, the point whereon we differ. Our contemporary, denies that bank notes have any title to be considered money, and consequently denies that the Usury Laws should be suspended in relation to loans made in them. He would suspend the Usury Laws as regards loans made in coin or bullion; he would allow the possessors of such to make any bargain for the loan or use of it which they can mutually agree upon; but so far as banks are concerned, he would limit them to taking no more than six per cent per annum for loans made in Bank papers.

Our contemporary evidently has no affection for paper money, and, we feel constrained to add, appears to have a very inadequate notion of its functions and utility, as well as an erroneous notion of the laws which regulate the value of the circulating medium, whatever it may be composed of. He appears to be unaware of the principle established by Hume, Ricardo, and others, "that the market rate of interest is settled by the general rate of profit which can be made by the employment of capital, and that it is independent of the quantity or of the value of money." But perhaps our contemporary does not clearly understand the meaning of the word "value." We believe he does not, and shall therefore take the liberty of telling him, that, according to Adam Smith, "the word value has two different meanings: it sometimes expresses the utility of some particular object; and sometimes the power of purchasing other goods which the possession of that object conveys." Such is value: but interest is a very different thing. Interest is the rent or price which a borrower can pay to a capitalist for the use of money, and that rate, it is admitted by every one capable of arguing on the question, is regulated by the average rate of profit which can be made by the employment of capital.

In another number we shall take up more especially the distinction which our contemporary attempts to draw between coin and bank notes convertible, on demand, into coin. Meantime we shall content ourselves by referring briefly to the opinions of the American statesmen, Webster and Clay, whom he adduces as the high authorities whose opinions he delights to rely upon. We must remark, however, in passing, that we think it rather singular that a professed Free Trader like the *Examiner* should cite the opinions of such bigoted protectionists as Webster and Clay. Their opinions on questions of political economy we hold exceedingly cheap, and we consider it another inconsistency on the part of our contemporary to hold opposite views to those of the statesmen in question respecting Free Trade, and yet worship them as authorities upon an equally important question of political economy, viz: that of the currency. We will give him the benefit, however, of his quotations, and will set Ricardo's opinion against Clay's, and Sir Robert Peel's against Webster's. Perhaps, however, our contemporary may object that Ricardo was not a statesman, although his opinions are quoted in the House of Commons by the first statesmen of the day; if he do so, we pledge ourselves to substitute a name to which no objection can be raised.

The *Examiner's* quotation from Daniel Webster, is as follows:

"Of all the contrivances for cheating the labouring classes of mankind, none have been more effectual than that which deludes them with paper money. This is the most effectual invention to fertilize the rich man's field with the sweat of the poor man's brow."

And the following is the extract on which he builds the reputation of Clay as a political economist:

"But all corporations enjoy exclusive privileges—that is the Corporators have privileges which no others possess; and if you create fifty corporations instead of one, you have fifty privileged bodies instead of one."

Against those we offset the opinion of Ricardo, as follows:

"A currency is in its most perfect state when it consists wholly of paper money—but of paper money of an equal value with the gold which it professes to represent. The use of paper instead of gold substitutes the cheapest in place of the most expensive medium, and enables the country, without loss to any individual, to exchange all the gold which

it before used for this purpose for raw materials, utensils, and food; by the use of which, both its wealth and its enjoyments are increased."

Sir Robert Peel, in his great speech on the renewal of the Bank Charter in 1844, said:

"What I want is this—that I shall be able to command a supply of that paper currency whose value shall be exactly conformable to gold, and that that supply shall be given to me by parties in whose honor, integrity, and solvency I shall have the greatest confidence."

Our readers must judge as to the respective weight of the authorities—that is to say, between the British and the American statesmen.

Meantime we return to the point where we drop our contemporary's argument, viz: that while he would suspend the Usury Laws with reference to loans in coin or bullion, he would maintain them in relation to loans in bank notes convertible on demand into coin.

Now in reply we affirm that the proposed limitation is, first, abstractly absurd, and secondly, practically impossible. In the first place, bank notes, that is, notes convertible into coin at the will of the holder, of which alone we are speaking, are either equivalent to money or they are not.

If they are equivalent to money, surely the issuer who is bound to provide coin for them, on demand, is entitled to the same interest upon them as he would be upon the coin itself. And, so far as the borrower is concerned, if they answer all his purposes as well as coin, surely it will be doing him no wrong to permit him to pay the same interest for the loan as he would for hard cash.

In the next place, if such notes are not equivalent to money, then we would not tamper with them, as our contemporary would, by allowing them to circulate or be lent at an interest of six per cent. per annum. On the contrary, if they are not equivalent to money our remedy would be—not to maintain the Usury Laws in relation to them,—but either to suppress them altogether or to apply such additional guards and restrictions to their issue as would have the effect of making them equivalent to the coin which they profess to represent.

We repeat it, if they are equivalent to coin,—as they must be while they are convertible at the will of the holder,—let them circulate in the same manner as coin would; allow the borrower to pay for them what he finds them to be worth, for undoubtedly if they are not equivalent to coin, the borrowers will soon find it out, and will give for them only what they are worth, thus rendering the limitation which the *Examiner* and *British Colonist* contend, nugatory.

But again, as we have said, it would also be impracticable. Suppose, for instance, a borrower gets a discount at a bank for a thousand pounds. Well, it is placed to his credit, and may be drawn for at pleasure, either in bank notes or coin. If drawn out in coin, the *Examiner* would admit that the bank should have the right of exacting any rate of interest that might be mutually agreed upon. But supposing it to be drawn out in bank notes, then the *Examiner* would say, the bank should not be allowed to charge more than six per cent for the loan. What! not allowed to charge more than six per cent for the loan, although the notes might be returned in five minutes afterwards, and coin demanded for the amount! The *Examiner* must perceive that the distinction he wishes to draw is untenable and absurd,—because there is practically no difference between coin and bank notes convertible into coin at the will of the holder.

We beg the *Examiner*, however, to understand, that, although we are thus arguing for the unqualified repeal of the Usury Laws, and attempting to show that abstractly there ought not to be, and that practically there cannot be, any distinction drawn between loans made in coin and loans made in bank notes convertible on demand into coin, yet we are very far from going the length of asserting that our banking system is as perfect as it can be made.

On the contrary, we have often affirmed, what we now reiterate, that our banking system is extremely faulty, and requires to be thoroughly scrutinized and revised by our local Legislature. On this question we shall hereafter enter more at length; meantime we think we have said enough to satisfy our readers that it is quite independent of the Usury Laws, and requires to be treated of separately.

THE NAVIGATION LAWS.

OPINIONS OF THE BRITISH MANUFACTURERS.

It will doubtless be interesting to our readers to know the opinions of the British manufacturers touching the question of the Navigation Laws. The following pithy extract is taken from the Report of the Manchester Chamber of Commerce, to which we made reference in our last issue. It will be seen by it that the manufacturers of England, unlike the Quebec Board of Trade and its followers, have no hesitation in expressing an opinion as to the character and effect of these pernicious laws. The manufacturers of England do not hesitate to assert that they "operate at all times against the true interests of the bulk of the people"; and in short, that they are a