

eration. A conference would end in loose talk; a royal commission would be obliged to try to present the project in a definite shape, which has never yet been done. But even a royal commission can be very vague, when it tries, and when the subject is difficult, it can avoid making any but the most general recommendation or any recommendation at all. Something would, of course, depend upon the instructions that it might receive.

### COTTON MANUFACTURES.

As may have been gathered from our market reports, the market for cotton goods of domestic manufacture has for some time been unsatisfactory. One mill agent after another, and one wholesale jobber after another, offered to customers better terms of some sort in order to retain or secure the trade. To-day it was a cut of a quarter cent per yard; to-morrow it was dating ahead one month or two months or three months. In whatever way the 'cut' was managed, it was demoralizing the whole trade, and the by-word was common that no profit was possible out of Canadian cottons. Greys were being sold at 17c., 16c., and even, in one case, 15c. per pound. And the terms of credit often accepted were wildly and foolishly long. Of course, so long as our working spindles are in excess of the wants of the market, steadiness in price cannot be expected. Overproduction is bound to occasion its usual results; the supply being in excess of the demand, it is but a matter of time when prices will be forced down.

The position of things having long enough been unsatisfactory, a meeting of Canadian cotton manufacturers was held in Montreal on Monday and Tuesday last. The following mills were represented: Hochelaga; Halifax; Moncton Cotton Co.; Merchants; Canada Cotton; Stormont Cotton; Kingston; Brantford; Lybster; Merritton; Hamilton; Ontario; Dundas; St. Croix; Montreal Cotton; Wm. Parks & Son, St. John; Windsor. The only large mill not represented, so far as we know, is the Gibson mill in New Brunswick. Mr. John Harvey, of Hamilton, was chosen chairman of the meeting, and Mr. Arthur Plimsoll, secretary. Committees were struck, and among the first resolutions passed was one placing the minimum price of grey product at 21 cents per pound. A step in the direction of reducing product was taken when the meeting agreed to stop every mill on Saturday for twelve weeks hence. This must ameliorate matters, though we should not like to predict that it will cure the troubles of the trade.

In colored checked goods, if we are correctly informed, a minimum price has also been established, namely 35 cents per pound. These had been sold at 30 and even 27 cents, prices at which the only gainer was the consumer, a kind of philanthropy which, however pleasing to the recipient who buys at retail, is too costly to the mill, the jobber and the retailer to be honestly continued. The lower grades of bleached cottons, which were being sold, probably at a loss, at 4½ to 6c. per pound, will by the agreement among the mills be

put at say 4½ to 6½c. A very strong form of agreement has been drawn up, which prohibits the mills from dating ahead or altering prices by means of rebates, gifts or any other form of concession. A penalty attaches to any violation of this agreement. Besides the Saturday shutting down, we have since learned, that the Association may, in the discretion of its officers, order a "shut-down" of a week at a time. It has taken sometime to reach the point, but the point appears to be reached, at which cotton-mill proprietors are convinced of the need of united instead of antagonistic action in the direction of regulating product. If that were done prices would not be so liable to fall to an unremunerative point.

### THE GOVERNMENT SAVINGS BANKS.

In one sense the term Government Savings Bank, as administered in Canada, is a misnomer. These institutions are agencies for borrowing indefinite amounts of money which the government does not save, but spends. The French Government proceeds on the same principle, and the effect has been described by a French writer as "the sterilization of capital." In other European countries the money received at the savings' Banks is loaned either on mortgage or some other form of security, which ensures its being employed in reproduction. When this is done, the money received at the savings' banks is really saved, besides obtaining reproductive employment. When the money is spent in public works, it becomes fixed capital and ceases to be available for direct reproduction. Public works aid distribution, and indirectly encourage production; but a country which has not a surplus of capital available for reproduction, makes a mistake when it locks up in enterprises domestic capital, the equivalent of which it could borrow abroad on equally good, if not better terms.

All government loans should be for definite amounts; loans obtained through savings' banks are limited only by the ability and the disposition of the lenders; if they do not relax the control of parliament over the public expenditure, they form an ever-present motive to swell its amount. Money which comes in dribblets will be expended, when a loan would not be sought in the open market. As wealth continues to increase and the rate of interest to fall, the amount of money offered to the Government through its savings banks will increase, and unless the system be changed this capital will continue to be spent unproductively or to be locked up in public works. It cannot be wise to perpetuate a system of borrowing merely because borrowing in this form can be made to go on with fatal facility. And yet this is what, as things now go, is before us. It is quite certain that more money would be borrowed in this form than if resort must be had to the open market for every new loan. A tendency of this sort is dangerous; its influence is insidious and almost unseen; its direction is towards the rapids, from the brink of which

it will be difficult, if not impossible, to retreat.

The withdrawal of increasing amounts of domestic capital from productive employment puts a check on the increase of wealth. If outside capital should, to a certain extent, take the place of that thus withdrawn, it must be obtained through the agency of corporations, either in the form of stock or bonds; but in whatever way it is derived, it costs more than the Government would have had to pay if it had borrowed abroad. The difference is a loss to the country. Whether the Government pays more for its Savings' Bank loans than for what it borrows in England, is only a part of the question: to the extent to which absorption of capital through these savings' banks takes place, the stock of reproductive capital is reduced: part is replaced, at greater cost, and part is wholly lost to reproduction.

In the condition of a country which has abundance of capital for all purposes, and is not under the necessity of resorting to foreign markets for loans, Canada can find nothing analogous to her situation, on which to found a precedent. Even if it were wise for the Government of such a country to make irregular loans through savings' banks, it would not be wise for Canada to follow the example. Canada is, on the whole a borrowing country, and will continue to be so for a long time; and if she borrows through corporations to make up for what the Government unnecessarily takes from reproduction, she must do so at a loss. This loss, which has seldom or never been taken into account, in this discussion, is one of the most serious effects of the present system. While it is not the duty of the Government to interpose its guarantee for the purpose of reducing the rate of interest to private borrowers, it is clearly its duty to abstain from a system of finance which has the effect of making them pay higher for a portion of the capital which they borrow than, but for its action, they would have to pay.

The amount of deposits in these savings' banks naturally tends to increase with the fall in the general rate of interest. In proportion as four per cent. rises above the market rate of interest for deposits, on the best corporate security, do people show an increased desire to realize four per cent., with the security of the Government for repayment. There is a nominal limit to the amount which can be received at a government savings' bank from any individual; but devices for overstepping this limit are easily invented, and it results that these institutions, which ostensibly exist in the interest of the poor man, are availed of by wealthy persons who have learnt to make separate deposits in the names of different members of their families. The maximum becomes every day more nominal and ineffectual. There is some popular misconception about the duty of the Government, in this particular. Its duty is to see that savings' bank depositors, some of whom are ignorant persons, are reasonably well secured; but it is not the duty of the Government to convert these savings into loans to itself. And future inconvenience may result from the system, if it be allowed