

abroad thereby deprive Canadians of bank accommodation to the extent of such foreign balances. This is "playing to the gallery"; it is an appeal to ignorance, for no person familiar with banking would make such crude, groundless remarks. How do the foreign balances of the Canadian banks stand? They have a net balance against them in United Kingdom of \$2,766,606. Outside Canada, but not in United Kingdom, they have deposit liabilities to extent of \$32,740,631, and cash assets for \$12,547,160, besides which they have \$28,737,195 of current loans outside Canada, and \$43,020,869 of call and short loans also outside Canada. Now those cash balances abroad and those call and short loans are available for any sudden emergencies. They represent funds that could be quickly transferred to Canada in case of need. Whatever may be regarded as the duty of the banks in respect to their ordinary capital and resources, they have \$38,000,000 of Reserve Funds for the use of which they are not to any extent answerable to the public, or to any critics outside their stockholders. It is rank impertinence for an outsider to call them to account for the use made of such funds. Out of the whole of the call and short loans outside Canada, no less than \$29,220,983 out of \$43,020,859 are those of the bank of Montreal, and Mr. Clouston, the general manager of that institution, is on record as declaring that the funds utilized in New York are practically a reserve, and his judgment of them is in harmony with all other bankers and all intelligent observers of financial affairs. It is highly to be deplored that a Canadian journal should have made so wanton, so unjustifiable, so fantastic an attack on our banks. These criticisms would be highly amusing were it not that they are liable to disturb the unwary.

OBJECTIONS TO AN IMPERIAL ZOLLVEREIN.

In the current number of an English magazine Sir Robert Giffen draws attention to some serious barriers to the Imperial Zollverein which is being discussed by so many public men both in the motherland and colonies. Sir Robert contends that the idea that commercial union tends to political union, and is the only or the best way to arrive at such union, has a slender enough foundation historically. In older political unions there was little question of mutual commercial advantages. The different provinces of France, for instance, were politically united long before Customs barriers ceased to exist between them. The political union of England and Scotland, again, began to take effect in 1603 by the union of the Crowns, but separate Customs continued long after the formal legislative

union a century later. Ireland, though subordinate to the Crown of England, was commercially separate until the union of 1800, and even later. In the same way commercial union with colonies was "the last thing thought of" until modern times. "The exploitation of the colonies by and for the mother-country was the ideal," he says. There are, moreover, cases in modern times, at least, of commercial unions between politically separate entities which were not intended to lead up to political union. There was the Reciprocity Treaty between Canada and the United States in spite of their political separation. In South Africa, before the war, there was a Customs union between Cape Colony, Natal and the Orange Free State, although the last named was an independent republic. There is only one instance of a Customs union contributing to the consolidation of an empire, and that is the German Zollverein. Other difficulties noted by Sir Robert are the physical separation of the different parts of the Empire, the variety of race and business which makes it expedient for different parts of the Empire to have each its own tariff, even against other parts, if it is to raise revenue by indirect taxes, which all must do. The Indian Empire is obviously so constituted that its inhabitants cannot be brought into line as consumers with the European populations of the British Empire, as the latter populations provide revenue mainly by the consumption of spirits, beer, tobacco, sugar and tea, while sugar alone among these articles is extensively consumed in India. He says:

"There is no prospect that the colonies, from which we import about £110,000,000 annually and to which we export about £102,000,000 annually, could really for generations take the place in our trade of foreign countries from which we import £413,000,000 annually and to which we export £252,000,000 annually—excluding in both cases the transshipment trade and the imports and exports of gold and silver."

In an interesting reminiscence of a visit to Montreal, Sir Robert Giffen crystalizes his idea of the attitude Canada, Australia and the other colonies on the question of reciprocal or preferential arrangements between them and the mother country. He remarks:

"Our colonial friends are not free from the charge that it is protection they seek by means of federation, and not federation itself. I recollect first coming in contact with this idea, twenty years ago at a dinner in the club, at Montreal, when I was obliged to listen to a very heated argument by leading citizens in favour of a preferential duty of 2s. 6d. per quarter in England, on grain from the United States as compared with grain from Canada, an argument so heated that a modest speaker could hardly get in a word edgewise on the other side. Such heat is still observable in colonial arguments for a "preference."