

bogus bank notes no one has been able to show. When the legislative authority does its duty, it will place both on the same level; meting out to the creator of bogus capital the same measure that it metes out to the forger or the counterfeiter. The only difference in the two kinds of fraud is that the creation of bogus capital is on a larger scale and causes a more extensive robbery of the public.

A rumor comes from Ottawa that the American Government has agreed to submit to arbitration the claims of British subjects for losses occasioned by illegal seizure in Behring Sea.

A THREAT OF FORCIBLE CONVERSION.

Wide distrust of the Quebec conversion scheme has manifested itself in financial quarters, owing to the insertion of a clause which authorizes the reduction of the rate of interest on outstanding bonds to four per cent., in case the holders decline to surrender them on terms which the Provincial Government will propose. The insertion of this clause justifies the distrust and the indignation which it has evoked. It is in fact a form of repudiation, a forced reduction of the rate of interest, being in effect equivalent to a scaling of the debt. Premier Mercier is credited with having, last April, threatened, in a speech delivered at the Club National, to force the conversion of the debt, without reference to the will of the bondholders. For our part, we could not avoid the conclusion that his words had been misunderstood or his language perverted; believing that he could have intended to convert the debt only by agreement with the holders of existing securities. But since he has taken authority forcibly to reduce the rate, we must conquer our incredulity and yield the good opinion which we held in defiance of alleged utterances the truth of which would have made it impossible. Clause V., which authorizes this invasion of the rights of the debenture-holders, was probably intended more as a menace than for formal enforcement. But whatever the object of its introduction, the enactment is a piece of gratuitous folly. It is a display of the cloven foot, on an occasion when the appearance of that deformity was sure to defeat the object of the measure, unless some guarantee was given that the monstrosity would in some way be rendered harmless.

For once we may be thankful that Quebec has a Legislative Council. The Legislative Council assuming an attitude of hostility to the marauding clause, the Government gave an assurance in writing that forcible conversion would not be attempted, and it was on this understanding that the bill with the obnoxious clause in it passed the second Chamber. The assurance may have been honestly intended, but the proper thing to do would have been to expunge the objectionable clause. Of what use is a clause which is not intended to be enforced? If it be not useful it is certainly mischievous, for it will create a distrust of the good faith of the Government, and

tend to defeat the object of the measure. Even now, it is difficult to believe that it was ever intended to give this clause effect; but then it is quite impossible to understand the object of its introduction. If it was intended as a scarecrow, it was most impolitic to frighten the birds away when the inventor of it was in quest of rook pie. The Government has not a dollar with which to begin conversion until it gets a dollar from the confidence of the public. To threaten to rob the debenture-holders is a sure way to forfeit their confidence, and the confidence of other people who have money to lend. In this way the Government expects to strengthen its position in face of the debenture-holders. This is the advanced, and we have no doubt it is the real, motive. The delusion is one which it is difficult to believe could have taken possession of anybody out of Bedlam. But so it is; stupidity without a name.

The feeling which a threat of this kind engenders is one of general distrust. The average bondholder cannot be made to understand that such a clause was inserted with no other view than to exert a little moral coercion, coupled with a resolution not to carry the threat into effect; to threaten what there was no intention to perform; to extract from the fears of the bondholder a surrender of rights which, in the absence of menace, he would not give up. Though this would be bad enough, the average bondholder and the average lender will be inclined to believe that when the threat was inserted in the bill there was an intention to enforce it. The holder of bonds will ask whether, if he converts now, he may not be asked to do so again before the expiration of the new security, and whether the force that is threatened now may not at some future time be used; and the lender who still has his money in his pocket will be very likely to think that he had better make some other disposition of it than investing in these securities. These distrusts are sure to arise, and though they be overcome, they will leave an effect behind them. Quebec has dealt a blow at her own credit, and she cannot complain if she feels the smart. Conversion is made more difficult by this act of unparalleled and inexplicable stupidity.

The Government committed a serious blunder in brandishing a weapon by which no other result could be produced than the creation of a suspicion of its own financial honor. To frighten your creditors into a belief that they will not get their full due is the best way to seal your own dishonor and to diminish your credit; and if you do this at the moment you propose to appear as a heavy borrower in the market, you will have taken the most effectual way of doing yourself the greatest amount of mischief.

The absence of this clause would have left the bill reasonably free from objection. It left the terms of conversion to be made a subject of agreement between the two parties concerned. A premium might be paid for the outstanding debentures and the new debentures might be exchanged at such discount as the market should fix. Here was elasticity at both ends of the transaction. No difficulty could arise in

fixing the discount on the new debentures; that will be determined automatically; the only question that could arise would be as to the amount of premium to be paid for the outstanding debentures. The Government would have to make an offer, based on the market rate, and it would be open to the holders to accept or refuse it. Whether the acceptance of the offer would be advantageous or not would be a matter of actuarial calculation, and the fact would be capable of demonstration. A long-date debenture is worth more than one of shorter date; the increase of the time would be an element in the calculation, and would be an inducement to make the exchange. So long as the two parties are free to make their own bargain, or to refuse to make a bargain, there is perfect equality. But the introduction of the element of force would supersede freedom of choice by the robber's argument. Even if only intended as a barren threat, there might still be a robbery under duress, and robbery in this form is as little justifiable as in any other. The threat is retained for no good purpose; the declaration that it is only a sham will take the sting out of it wherever that declaration is known. But it will not be known to all the debenture-holders, and some may be induced to part with their securities under the menace; and if they do we may be sure they will resolve to demand payment in money, and to have no more to do with people who, in a modified tone, demand their money or their life.

No wonder that a cry has gone up from financial quarters for the exercise of the veto to prevent the possibility of forcible conversion. If ever there was a case in which the exercise of the veto was justifiable, this is it. The veto, now under a cloud, would be made respectable by being interposed in such a case.

HELPLESS AGAINST FIRE.

In our fire record this week or two past may be found some startling commentaries on the neglect by small places in Canada of machinery for fighting fire. Of Arthur, a comparatively old place, we are told that "the village has no fire appliances," and Mr. Milloy's dwelling and all his out-buildings were consumed, the villagers looking helplessly on. Again, the business part, some twenty-five houses, of Ripley, a new village near Kincardine, is laid in ashes. House after house catches fire, and as the doom of each building is seen to be certain, the villagers rush in a crowd to save what they can of its contents. They have no fire engine, no pump or tanks; "100 men with buckets of water" is their fire-fighting force, and work hard though they do, these are found to work in vain. Last month, it will be remembered, every business building but two in the village of Chesley, a place twice the size, in the same county, was burned down, the growth of years laid waste, and owners were compelled to look on and see their property disappear.

How can a village of wooden houses, in a time of extreme drought, expect to escape disaster if a fire breaks out at the windward end? It is very like tempting Providence for the inhabitants of a place containing