

issuing a single note not in this way secured. If the full additional issue to be authorized were made, it would amount to £63,000,000, against which the Bank would hold £41,550,000 in gold and £21,450,000 in securities. But when the issue reached a certain point a further issue could be made only against gold, securities not being permissible. So far as an issue against securities goes the new plan borrows something from the American National Bank system. If gold is made more plentiful in the bank it will become scarcer outside; and if it and the securities must always remain equal to the note circulation, in that way will the gold do more good in the bank than out of it?

Five small banks and building societies have come to grief in Melbourne, Australia; how many of each the cable does not distinguish. They are small concerns, and no trouble in other directions, as a consequence, was feared. These concerns had gone beyond their depth, and appealed in their extremity to the larger banks for aid, which was refused. The building societies are likely to be suffering from the collapse of the real estate boom, which was so wild at one time as to carry up some properties to twice the price of better properties in England. The boom was not confined to a single city or district, but was general. The collapse was sure to injure many, and the present failures were probably long foreseen.

#### "UNLIMITED RECIPROCITY" UNEQUAL.

No date has been named by the Washington Government for the commencement of negotiations with Canada for a reciprocity treaty; and it is thought that the illness of Mr. Foster, who had charge of all the details of the treaties of reciprocity negotiated under the McKinley tariff, may cause some delay.

If Canada were to agree to take American manufactures free, on condition that the United States would take our raw produce on the same terms, it behooves us to understand how the arrangement would work, whether the so-called reciprocity would give to each anything like equivalent advantages.

It need not be denied that the free admission of Canadian produce into American markets would in itself be beneficial, not to Canada merely, but to both countries. In buying from us the United States would not practically be debarring itself from purchasing the same articles elsewhere on better terms. We, on the contrary, by agreeing to discriminate in favor of American manufactures, and against those of other countries, should, in many instances, debar ourselves the liberty of buying in the cheapest and the best markets. Whatever raw produce the Americans bought from us they would either buy for use or to re-export. If they bought wheat and used it for domestic consumption, for reasons of convenience, they would have an equivalent quantity of their own to export. The convenience would be a benefit to them or they would not seek to enjoy it. If they purchased to re-export directly, they would have the profit of the handling. They would give

us no more than the market price, regulated by the European demand, as between the whole body of producers and the whole body of consumers. The trade is one by which they could not lose, and would have the same chance of gaining as exists in other commercial transactions. In taking our barley, they would be taking the best within reach, and would not practically deprive themselves of the benefit of buying the barley of some other country which could supply a better sample at a lower price. They would get the best barley within their reach, a product the deprivation of which at present inflicts an evil complained of by their brewers and consumers alike. In buying our produce they would take little or nothing they could get on better terms elsewhere.

But if we took the whole range of American manufactures, including such as could not exist without high protective duties, we should place ourselves under a serious disability. Here it is necessary to distinguish. There are American manufactures as well as American raw products which we now find it an advantage to buy. The fact that we buy either under equal duties proves that the trade is normal and profitable. But if we discriminated in favor of the whole list of American manufactures, we should come under a heavy penalty to buy some of them at prices far above what similar goods could be got for elsewhere. We should either have to take the American goods, or to pay an excessively high duty on foreign rivals. The duty would be a general measure of the loss suffered from the alternative of being restricted to the American market, or paying the tariff penalty for purchasing elsewhere. A good suit of Scotch or English tweeds costs nearly twice as much in New York as in Toronto. Under unlimited reciprocity, so-called, which would not be true reciprocity at all, the New York price of such goods would come to prevail in Toronto. If we are to believe American experts and political economists, American woollens are very inferior and relatively very dear. But only the rich can afford to buy foreign woollens, enormously enhanced in price as they are by the high tariff. The rest of the people have to put up with the domestic fabric, which contains but a small percentage of wool, and of that shoddy is no unimportant part, while cotton and other materials count for much. In this way are American goods which pass for "all wool," made under a system of exaggerated protection. Woollen goods, here selected for illustration, stand on the same footing as many others. Canada would inflict an enormous evil upon herself if she were weak enough to discriminate in favor of such goods and against those of all other countries; an evil that would outweigh the advantage of the free entry of our raw produce, which we by no means wish to undervalue, into the American market.

At present, Canada is probably receiving quite as much grain from the United States as that country is receiving from her. Some of it is purchased by Canadians, some passes through in bond on its way to Europe, under control of Americans. What

we buy we require, or we deal in it for the purpose of making a profit from its use. And this is true of Canadian grain which goes to the United States. Some measure of reciprocity would be of mutual benefit to the two countries, and it need not be entirely confined to raw produce, but might embrace some manufactures which the United States have shown the ability to produce as cheaply as other countries. But we have a strong conviction that it would be better that there should be no treaty at all than that the discrimination should extend to the entire list of American manufactures.

#### THE CASH SYSTEM.

The Dominion Millers' Association took a sensible step when it resolved, by unanimous vote of the fifty members present at its meeting this week, that the practice, again coming into vogue, of selling on credit, as applied to car load lots of flour, should be stopped. The president, in his energetic way, sketched the trouble, apprehension, and finally loss which the system implied, and gave illustrations of its unsatisfactory working in former years. This was all put an end to in 1882, when, by general consent, the sale of a car lot of flour anywhere in Canada was made a cash transaction, and great satisfaction and comfort had resulted for years from this understanding. Of late, the pressure of competition has led to a relaxing of the rule, and the result has been bad debts.

The president, Mr. Goldie, and the secretary, Mr. Plewes, visited in the course of last month every Canadian bank manager, to request the co-operation of the banks in frowning down such folly as selling on credit, at great distances and at great risk of bad debts, merchandise which cost them cash on the nail. They received from the bankers, without exception, offers of co-operation in the attempt to get rid of the practice of selling car lots on credit. The report of the committee on the credit system concluded with the recommendation that in all cases where sales are made in car loads of flour and mill feed, the members of the association pledge themselves to attach the bills of lading to the draft, which will be given up on payment only.

We look to see good results from such a step, taken promptly and maintained firmly. The self-interest of the millers should induce them to maintain such a sensible resolution inviolate. It must have a good effect, too, in stimulating merchants and manufacturers generally to show more back-bone in refusing credit. Not a whole sale importer, not a manufacturer, will deny that our system of credit in Canada goes beyond either necessity or reason, that it is the cause of much overtrading and of a heart-breaking amount of bad debts. But they cannot be induced to stop long credits or dating forward. Still, every example in that direction is of value, and the millers may be congratulated if they carry out the cash system consistently.

—Dividend at the rate of seven per cent. has been declared for the current half-year by the British Mortgage Loan Company.