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THE SITUATION.

Exercising the power it possesses under statute, the Canadian Government has temporarily abolished the discriminating duties on certain kinds of sugar and molasses coming into the country, otherwise than direct from the place of production. The duty on the sugar was five per cent., on molasses two and a-half cents per gallon. The reason for abolishing these duties, for practically it is abolition, is that complaints had been made in the United States that the discrimination was one-sided, there being no set-off to it in the American tariff. But American opinion is not satisfied with this concession; the case of a like transportation discrimination on tea is pointed to as standing in the same category. The fact cannot be denied; but there are other facts which place it on a different footing; and logically, the first step being taken, some may think it is difficult to conceive why the second one should be refused. When Mr., now Sir Alexander, Galt proposed this discrimination, in 1849, he did so avowedly for the purpose of fostering direct trade with China. From Upper Canada objections were made on the ground that it was very convenient for her merchants to go to New York to get supplies of tea, when they wanted it. But this reason has long since lost its force. At present, anything that threatened a destruction of the direct tea trade with China would be felt unpleasantly by those directly concerned. If the discrimination be now abolished, these merchants would have to pay the penalty of a false system, from which they may, in the past, have reaped some benefit. When the tea trade of Canada was legally a monopoly of the East India Company, and no tea was allowed to enter the country except what was supplied by it, the smuggling of tea across the American frontier was universal; and the collector of Toronto gave his opinion that 10,000 chests were annually smuggled at this port.

Predictions that President Harrison, before the curtain drops on his public career, will withdraw the bonding privileges enjoyed by the American connections of our railways, in the Republic, are being industriously circulated just now. The lobby at Washington is working to the same end, set in motion no doubt by railway rivals. Even Mr. Van Horne thinks it not impossible that something of this kind may be done; but he seeks consolation in the belief that if it should happen, the Canadian Pacific would require to have the whole of the Canadian business in Manitoba and the North-West secured to it. But, in that case, what guarantee would there be that the old trouble in Manitoba would not be renewed? It is quite clear that a game is being played in Washington to squeeze Canada into concessions which she has so far refused to make. She has abandoned the sugar and molasses duty discrimination for two years; and a hint comes from the American capital that this is not sufficient, that the abolition of the discrimination against the United States route in the tea trade is required to make it clear to the average American that Canada is in the proper frame of mind. When the privilege now menaced with withdrawal was granted, as part of an international bargain, which rested on equivalents, the discrimination on the tea trade for many years formed part of the policy of this country; a fact well known to the American negotiators. It therefore rests on a different ground from the discriminating duties on sugar and molasses, which were put in after. In making a treaty with us while the discrimination formed part of our public policy, the American Government morally forfeited the right to complain of its existence thereafter. If we should give way on this point, it will be on some other ground than one of the right of the United States to demand the concession. We might do, from motives of policy, what could not be conceded to a demand of right.

Shipbuilding in the Maritime Provinces continues to decline. Last year the gross loss in those provinces was 75,000 tons. The vessels built there are of wood, and wooden ships, for navy purposes, have ceased to be in favor; in other words, iron has largely taken the place of wood as material for construction of ships. The change is still going on, and it would be difficult to say at what point it will stop. For small vessels wood will be likely to continue to be used; but a further decline in the number of wooden vessels may be counted on as a certainty. The relative economy of the two kinds of vessels is the determining element in the change. Canada is not a builder of iron ships, except to a very limited extent, and the industry is one that cannot be forced with advantage. The decline in the production of Canadian ships is not a sign of "ruin and decay." It is due to a change of fashion of materials, to economic causes. But for all that the builders of wooden ships find it hard to bear. There is, however, no remedy. In the end the public will be gainers by the change, though the road to it is one of tribulation.

Little or no response to the financial flurry, in New York, near the end of the year, was felt in London, where there was a rise in discount of only one-half per cent. The previous rate had been almost unprecedentedly low. There, as in New York, the payments of large amounts of companies' dividends, besides Government interest, generally produces some pressure for the time; but this year it was very little, less than in an average of years. But the dividends once paid, the increase in deposits available for loans will soon be felt.

A report comes from Minneapolis that millers there no longer try to sell low grades of flour for export, as they get more for feed at home than can be got for them abroad. A few years ago wheat was used for feeding to a considerable extent. The low price which here ruled speedily had the effect of lessening production, and the same thing is likely to happen again. According to some accounts, a combination among American millers has had something to do with depressing prices; but if flour made from the poorer kinds is too dear for exportation, either the price paid is, for such kinds, more than the state of foreign markets warrants, or the millers are looking for inordinate profits. If one quality of flour cannot be exported, and the miller is seeking no extravagant profit, the price paid for the grade of wheat which produces this flour is more than it will bear. There was a time when, for years, speculation sent up the price of cotton in the South to a figure which greatly interfered with its exportation, the American price being sometimes higher than the Liverpool. When this happened, the State of Louisiana had borrowed $50,000,000 with which to carry on banking operations, no doubt with the intention, among other objects, of sending up the price of cotton. The banking capital was all lost. Speculation in wheat has of late years produced effects similar to these; but the low price paid for wheat this season attests the comparative absence of speculation for a rise. If the conclusion that the lower grades of flour cannot be exported, even at the present price for wheat, be accepted in good faith, a considerable diminution in the future production of wheat may be looked for.

A syndicate to buy out all the coal mines of Nova Scotia and place them under one management, a monopoly in fact, has a prominent place among the rumors of the day. A monopoly of this kind would have among its aims the raising of the price of coal to the Canadian consumer. And for a while it would succeed in doing this, but future opposition could scarcely be prevented, unless the combination got possession of all the coal lands. This would be a heavy burthen to carry, and the experience of McGowan in Pennsylvania might be repeated. Fortunately the local market that can be reached is too limited to justify the carrying of such a load. Here is one element of safety. The coal mines are being heavily taxed, in the form of a royalty, which seems open to constitutional objection. Is it a direct tax? This depends upon its incidence, and if the con-