

the stock of bullion in the country would be much larger than at present and this could not merely enable them to resist a run but it would render a panic almost impossible. No trades are proverbially so timorous as bankers, and if they were assured of their own position instead of having to consider what the Bank of England will or can do for them, that fear which spreads from the bankers to his customers, and thence to all classes of the community would never exist. Again, whilst the Bank of England has practically to provide for the liabilities of the other banks, it has no means of knowing what the amount of their liabilities is, and it could not possibly know what is their nature. It is thus left very much in the dark, and in cases of emergency its action is proportionally doubtful. It would be easy to add to this list of dangers, but to pass on to what a little experience shows to be the remedy viz. a system of compulsion, and force trade in bullion such as has existed for many years in Scotland and Canada. There seems no possibility of legislating for the purpose, as we are incurring one evil not to create a greater. And it is as true of banking as of any other department of business that after taking reasonable security against the commission of fraud, and attaching appropriate penalties to the commission of fraud, all that government can do is to let it alone.

The returns from the Bank of England for this week are as follows:—

	Amount	Increase	Decrease
Public deposits	£ 5,192,000	£ 100,000	£ 544,000
Private deposits	2,592,000	2,000,000	
Government securities	13,111,000	10,000,000	
Other securities	22,817,000	2,675,000	
Notes in circulation	23,287,000	1,353,000	
Bullion	19,415,000	167,000	
Reserve	11,129,000		1,187,000

These returns are not favourable, and the fluctuations usual at the end of the year are this year very large.

The following are the Bank of France returns:

	Increase, France	Decrease, France
The Treasury Balance	47,353,000	
The Private Accounts	15,211,000	
The Commercial Bills	69,333,000	
The Notes	79,500,000	
The Cash	23,500,000	

This return is also unfavourable, and there is a very large falling off in the "Cash."

Jan. 6, 1887.

II.

FREE TRADE AND PROTECTION.

[From a Correspondent.]

MR. WHITNEY, continuing his argument in favor of a protective policy for Canada, and quoting Adam Smith as his authority, takes the ground that a nation to be prosperous must have its principal commerce carried on between the inhabitants of its towns and of its country parts, and that the greater the revenue of the inhabitants of the town, the better the market it affords to those of the country. Granting this, will Mr. Whitney undertake to say that the progress of manufacturing towns has been more rapid than that of those receiving their support from commerce? Have London, Liverpool, Paris, the Hanse Towns, New York, Chicago, St. Louis, New Orleans, and other cities that might be enumerated, grown less vigorously than Manchester, Birmingham, and Sheffield, the very centres of the manufacturing industry of the leading manufacturing country in the world? Do not the above cities derive their support as directly from the regions whose productions they receive, as if they supplied the world with cutlery, cloth, or anything else? Were the whole population of Montreal alone engaged in manufactures, and foreign goods shut out altogether, they would be able to glut the home markets; and unless there was a possibility of exporting manufactured goods to other countries, there would be but a slow advance in place of the present rapid progress of the chief city of British North America. Canada, no doubt, could in course of time do most of its own manufacturing, and possibly as cheaply as it could have it done elsewhere, but Canada has other industries which will be much more profitable to the country than manufacturing, industries which it will be possible to extend to a practically unlimited degree.

The policy, which, of all others would have a tendency to draw population and capital to this country, would be that which would abolish Custom Houses, and make this the great depot of the American continent for foreign goods of all kinds, to which our high-tariff neighbours all along our frontier would come to make their purchases, and from the profits whereon Canada would receive a large annual percentage. A portion of these profits would doubtless

go to the pockets of the foreign manufacturer, whether English, French or German, who might establish agencies or branch houses here, but in the carrying on of the business much money would be paid to Canadians, and much capital would be attracted to this country.

From a political point of view, nothing in these colonies could be done which would serve more effectively to bind them closer to the Mother-country than thus throwing open our markets to her artisans; and though Mr. Whitney sneers at the interest which England has in advocating free trade, still he will hardly venture to say that, aside from necessity (which knows no law) and other things being equal, British Colonies should not do what they can to advance those British interests in which they themselves have a positive share.

Are we to refuse to Britain the paltry privilege of our markets when the whole power of the empire would be used for our protection in case of foreign aggression, and where millions of dollars in the imperial chest are annually spent on this side of the Atlantic on our behalf? And is this refusal to be pointed by the fact that the change suggested in our fiscal policy would tend to increase our commerce and build up our prosperity?

Mr. Whitney talks of increasing the exports of manufactures. Will he have the kindness to particularize, leaving out, of course, such manufactures as flour, lumber, &c., which are entirely independent of protection, being by circumstance, profitable to the country? We can hardly hope, for some time to come to send staple goods to England, nor even to France or other European countries; nor, as the ruling powers in the United States are of an opinion similar to Mr. Whitney's, that home industry must be protected, need we expect that our manufacturers will be able to cross the barrier of high duties thrown around that country. Had Canada an overflowing population, and wages as low as in England, she might then, it is true, compete for the markets of the West Indies and of South America, though not in any other direction; but as Canada's cheap and fertile lands are yet far from being exhausted, and as until then and until farming on the average of years ceases to pay, no great decline in wages can be looked for, those markets also must be left out of the account.

In reply to a question, Mr. Whitney gives the direct and unequivocal answer that the manufacturers of Canada cost the country the value of the material used, and the price of labour expended on them. This answer is sufficiently accurate, and the fact stated lies at the bottom of the whole question. As Mr. Whitney says, "if the sum of these fall below the entire value of the imported article, the country gains the difference, irrespective of what the selling price of the domestic manufacture may be." As then, the value of the home-made article is thus determined, why does it need protection against the foreign? The merchant asks no larger profit on the goods which he imports than does the manufacturer on those which he makes, so that if the value of his wares is less than that of the foreign articles he can undersell the importer without the aid of protective duties. If he needs and obtains these duties, the extra price which he is then enabled to secure comes from the consumers of his productions, and an injustice is done to one class for the benefit of another, even though the country itself might not suffer any direct loss.

Mr. Whitney lays great stress on the great economy in production obtained by the use of machinery in manufactures, as compared with the use of unassisted labour in agriculture, but anyone can see that as other manufacturing countries have their machinery and labour cheaper than we have, they can supply us at less cost (with such articles as need protection) than we can make them here. Besides, so long as food continues necessary to man, the average value of the product of a day's labour in raising that food, will be about equal to the average value of a day's labour in any other direction, taking into account, of course, the time spent or lost in acquiring necessary skill. Every improvement in machinery adds to the wealth of a community by setting free for other purposes a certain number of laborers, provided there be capital left to furnish them with employment; but as the use of machinery absorbs capital, unless production is vastly increased—as was the case in England, but which would not be likely to be the case in Canada on account of her limited market—less, instead of more, labour would obtain employment.

In conclusion, the writer would state that the pro-

tection to which he is opposed, and against which he argues, is the protection of such manufactures as are not natural to Canada, as cannot ultimately, after a fair trial, be profitably carried on, as shall always need legislative aid, and as shall never, under ordinary circumstances, be able to compete in foreign markets with foreign goods.

It may be said, too, where manufactures require the investment of very large capitals, and where the probabilities are in favour of their being ultimately able to hold their own against all competitors, at the start, by means of a moderately protective tariff, to secure to them the home market: to go further than this seems to the writer to be both impolitic and unjust; a loss to the country and an unfair tax on those who do most to build up the prosperity of the country.

THE INSOLVENT ACT.

(To the Editor of the Trade Review.)

SIR—When the Insolvent Act of 1861 came into operation, "great expectations" were raised in the minds of commercial men as to the beneficial results likely to be thereby obtained. Among the many benefits supposed to be realized was:—"The inability of a fraudulent debtor to obtain a discharge against the consent of his creditors." Those who have taken the trouble of investigating the working of this Act, are convinced, beyond a doubt, that it is the best on Insolvent law which has been in operation in this Province, and, although with several minor defects, all but satisfies the mercantile desire.

There is considerable cause, however, for regret, in regard to the decisions of some of our Honorable Judges, especially in the matter of granting a discharge to insolvents, and to a case of this kind I crave leave to refer for a moment.

The case is that of an insolvent in Canada West which presented features so entirely to bring it under the operation of the section against fraud as to have formed a very safe one for proceeding in opposition to the discharge claimed. It is to be premised that this insolvent commenced business with some considerable capital, and paid for one or more seasons' purchases with cash. Then he bought upon credit terms in the neighbourhood of six thousand dollars in the fall of 1864, and in May, 1865, went into insolvency, unable to give the creditors any information as to where his capital, and the proceeds of the sale of such credit purchases had gone to. It is also to be remarked that his cash book entirely disappears just on the eve of his purchasing on credit. Up to that time he kept one. After, not at all. The creditors, therefore, appeared and brought forward proof

1st. That the insolvent had made a fraudulent preferential conveyance of notes of hand to one of his creditors who knew his position, to the injury of other creditors—Section 8, Subsection 1; and to add insult to injury, the insolvent, after his assignment, continued to collect said notes of hand and pay over the amount to the creditor so preferred.

2nd. That the insolvent had no cash book for the year previous to his insolvency; also, that he acknowledged having sold goods to a large extent and not to have entered the same in his day book but trusted to his memory, all against this Act, Section 9, Subsection 6; and that consequently of the goods bought six to eight months previously, and which formed his indebtedness, he could not give any account.

Other minor offences were shown to have been committed, but these two being so imperatively laid down in the Act as grounds of opposition to a discharge, and being most conclusively proved the case rested principally thereon.

The Hon. Judge before whom the case was heard, after due consideration, decided that the discharge of the insolvent be granted, but that it be deferred for six months as a punishment for fraud and non-compliance with the provisions of the Act. Against this an appeal was carried to Toronto, and here, if I may be allowed to say so, a most wonderful decision was come to dismissing the appeal, but without costs; the Hon. Judge's charge being given nearly verbatim as follows, viz.:—

"The learned Judge below considered the insolvent's conduct reprehensible in not keeping proper books of account, and suspended his discharge for six months. I do not think it wise to interfere with the exercise of such a discretion on the part of a Judge who has heard the examination of the insolvent, and been cognizant of the various proceedings in the case, except in a very clear case in which the appellate