

evident that the dream of years ago has come back, and that the Roman Catholic Church will try again, and try hard, to make the Province of Quebec altogether Catholic. The Roman Catholic Church is only tolerant where she must be, and only patient when it suits her policy of ultimate aggression. The Protestants of the city of Montreal are in a minority; but they have the intelligence, the wealth, and the industry which are so much needed to develop the natural resources of the place. But if this ecclesiastical tyranny is to go on—if men after the order of Mayor Beaudry are to govern the city in the interests of the Church—then those who want to live under law and the just administration of it will go elsewhere. Montreal has enough to contend with without being burdened with a despotic ecclesiasticism and unscrupulous municipal authorities.

For the past twenty years the Protestants have been gradually losing ground in Quebec; and for the past twenty years that city has been gradually losing its vitality. The same thing will happen to Montreal unless matters are mended by justice being insisted on. We talk much about liberty, but are concerned most of all to hold it as a theory, for the majority may take it from us at their will. Protests are made, of course—one or two from the pulpits of the city, one or two from the press, and there it seems likely to end. Mayor Beaudry and his mob are exultant because they are triumphant. They have beaten down law and destroyed order, and are happy. Where is the remedy? Not in Orange processions—not in Orangeism at all; not in an appeal to public sentiment, for the Mayor's mob govern that; and not in tame yielding—but in an immediate indictment of the Mayor—if that is possible—and then vigorous measures for the improvement of the jury system—the municipal government—the educational institutions—and above all—of ecclesiasticism. Let it be understood that the people do not exist for any Church—that Government can be in the interest of no party, and that men, like Mayor Beaudry, cannot be official fools or knaves for long together.

### THE BUSINESS SITUATION !

That's the question! If the principles upon which business is conducted are radically wrong, a fig for the politics of the country! The question of industry includes the politics. If the business legislation is corrupt, party politics are without interest to all save the gang of eager and greedy office seekers.

"Omega" again brings to the front his noble example of a merchant diligently increasing his liabilities. We thought the argument had been disposed of, but now he presents it in another shape. The merchant is supposed at one period to be owing \$10,000 with \$1.70 assets to the dollar, and at another as having \$20,000 liabilities with \$1.85 assets per dollar, and leaves us to say whether or not his position is improved? We unhesitatingly affirm it is not improved; unless, indeed, the assets be available, which is contrary to the supposition. For in the latter case the risks are increased a hundred per cent., whereas the assets are only supposed to be increased nine per cent. And we think our judgment would be sustained were the estates put to the hammer.

But carry the illustration a little further. Let the first case be Canada at the advent of Confederation, and the latter represent the present condition of the country, and let "Omega" refresh his memory with the history of trade during the past three years and observe the dangers and disasters incident to increased debts where the assets in "stock and store and sown broadcast" are not available and very difficult to estimate.

The adverse balance of trade caused the banks early in 1875 to stop discounting and to call in their loans, withdrawing from business 29 millions of dollars facilities, in the short space of twelve months, and forcing 30 millions business capital into the Court of Bankruptcy! In 1876—25½ millions, and in 1877—25½ millions, and 9½ millions in the first quarter of the present year. Allowing that 25c. per dollar was realized, still 68 millions business capital was completely wiped out. Does not that brief but eventful history indicate the direction the trade of the country is travelling?

Our advice to a merchant in debt would be to apply his available assets to reduce liabilities; save interest and keep his credit good; and to a nation, see that your capital is all accessible to the market, then you need not fear coming to grief.

"Omega" affirms, that the question whether Canada has successfully traded or not, cannot be decided by the balance of trade; that, says he, "merely shows what a nation owes, but gives no idea as to her power of paying it." We beg materially to differ from this dictum. A formal statement of the balance of trade is never required of the Chancellor of the Exchequer, because the industry of Great Britain is so bountifully supplied with all needful capital. To the British manufacturer in that case, the balance of trade question is not worth a pinch of snuff. With Canada it is very different. The scarcity of capital calls for an explicit statement of the foreign trade relations at the hands of the Finance Minister, to show whether or not his policy has been justified. It is surely of the first importance to the country to know, first the fact, and secondly the reason why, active capital is *constantly being converted into an unavailable shape*. The balance of trade clearly establishes the fact; and the cause or reason why is arrived at by careful investigation.

Sound political economists admit that all the products of labor should be given a bearing on the market. The commodities and capital in the personal property are thus favorably situated, but the investment in the real estate has little or no bearing on the money market, which in our estimation fully accounts for the exorbitant rate of interest usually prevailing in this country. When the

principles of banking are extended to mortgages, then, but not till then, will commercial legislation have accomplished its mission. And here let us explain how "credit is made by law the rule, and cash the exception."

A \$1,000 promissory note is discounted by the maker, and becomes, by law, a basis of issue in the hands of the banker. Gold is not the basis of bank issues, as is usually imagined, but promissory notes form that basis, with a circulation payable in gold. The note is therefore given a lending power, equal to its borrowing power. Not so with a mortgage. But is not a mortgage equally entitled to banking privileges? It is the better security, and more convertible into gold; then why not place it on the same level with the note? When that is done then shall industry have the use of all the capital it is entitled to, and credit shall no longer be the rule, and cash the exception. True the loan societies discount mortgages, but that property is not used in the country, but tied up as security for the payment of debentures circulating in a foreign country. But are not these very debentures equivalent to an issue? an issue abroad which is illegal at home? A truly wonderful piece of economy! It must now be obvious to every one but "Omega," that credit is not only necessitated by law, but that Canadian industry is mocked by legislation forbidding an economical use of mortgages, that is, capital.

Our critic manifests a degree of audacity which is difficult to reconcile with his intelligence and professed honesty, when he boldly insinuates that such a bank as has been proposed, "however sound it may be, would find great difficulty even if granted a charter to do so, in gaining currency to any great extent for their own issue payable in gold on demand, for the simple and self-evident reason that they do not possess the gold wherewith to meet such issue if suddenly returned to them." That, we think, is presuming a little too much. We beg in reply to inquire, in case the balance of trade is against the country, a case very likely to happen while industry is left to the tender mercies of the banker. What is the alternative in the case when the circulation returns for a redemption in specie or exchange, where there is a liability of the metal to run dry? and there is seldom ever on hand more than about 10 cents to the dollar. Remembering also that the banks deal but very partially in assets which purchase gold? "Omega" would counsel to stop discounting and call in loans. But the difficulty would be, the metal would not be forthcoming to meet a run, which might increase as its scarcity became more apparent. In such a crisis securities, that is mortgages only, are available by hypothecation to borrow abroad. If the bank has not actually succumbed, the loan societies accept bank notes for their exchange, and the pulse of business, temporarily interrupted, begins to throb with life again. We put it squarely to our critic, if what we say is not the likely truth? Then why insinuate, that a bank dealing in mortgages and gold in convenient quantities, might not do for itself what it is capable of doing for the existing institutions in the dark hour of need? Let "Omega" say where the difficulty can possibly occur. A run upon such a bank as we suggest, need not, nay cannot be a success; for, when the gold was exhausted, the outstanding circulation might be secured at any moment by placing into the hands of a third party—say the Government—an equal amount of securities, and simply announcing the fact. For what more is wanted by a creditor than to have his claim secured by mortgage, and bearing interest from the day of protest? This is what the existing banks cannot pretend to do. Indeed were it not for the property our bank proposes dealing in, the existing concerns would be laid on their beam-ends, to use a nautical phrase, in less than six months in the emergency assumed. Hence the startling corollary:—*That the amount of paid-up bank stock, in this country, which may be made available, is equal to the sum of the good mortgages!*

"Omega" claims being a "free trader in banking as well as in other matters," but we fear his principles are like those of the Government, a *one-sided free trade*. As we cannot see the propriety of what he advocates, of discriminating between one sort of capital and another for the purposes of a circulation, and far less of his favoring credit to the exclusion of capital, for the purpose of furnishing facilities for the development of the vast natural resources of this Canada. Is it not a perfect farce to imagine that justice can be done to this great country by consigning the greater part of its capital to inaction, thereby necessitating a dependence on other nations to do for her what she might very easily do for herself?

If the banks manufacture circulation for two per cent., and only by turning round on their high stools may sell it at ten per cent., then is there not a grand opening for an enterprising mortgage bank to successfully compete for a share of such a lucrative business, and at the same time serve, as never has been done before, the general interests of industry? A discerning but necessitous public will hardly agree with "Omega" in ranking the most oppressive of monopolies under the banner of Free Trade. "Omega" catches at our maxim, "When money is at 10 per cent., it means very little money; at five, double the capital is at command," and insists the cart is put before the horse. We fail to see it. We purposely render it thus to waken up those blundering reporters of the money market, who so frequently instruct the public that there is plenty of money to lend at 8 or 10 per cent., when they would be nearer the truth in reporting, *hardly any money in the country!* We are commonly blamed for putting money matters in a different, if not a new and interesting light than is usually done, but are we not fully justified in doing so? If "Omega" therefore "charitably assumes" what is not true, we hope he does so on his own account, as certainly no one else is implicated in his criticisms on our money ideas. Finally, our critic again refers to the margin he says we propose doing business upon. Let us say, once for all, that we never proposed any scale of prices at which notes and securities should be dealt in. Never proposed interfering with the broker nor any other business. If a banker imagines that by doubling the signatures on a piece of paper it doubles the security, he is "free to maintain it," as we have nothing to say in the matter, and are sure his customers will not be the first to complain. What we do claim is having suggested a practical plan, by which the capital of the country may be doubled, if not quadrupled—redeemable in gold; and if that is not welcome news, alike to Free Traders and Protectionists and the manufacturing interests generally, then we may humbly confess that either we or our critics have entirely misunderstood the wants of this country and of this age.