

JAMAICA RECIPROCITY

It is an old saying that "wonders never cease," and it certainly would have been very applicable to the recent announcement that the Jamaica delegates had incurred an obligation to the Vice-Consul for France at Montreal, for his valuable assistance in promoting the object of their mission. It was singular enough that the consular representative of France should have assumed such a role, in view of one or two facts: 1st. That France has colonies in the West Indies, whose products are at present admitted into Canada, on the footing of the most favored nations, but which, if the views of the Jamaica delegates could be carried out, would be excluded from our market. 2nd. That Canadian products are not admitted to the French markets except at rates of duty higher than what are imposed on those of the Heathen and Mahometan nations, China and Turkey. France certainly has a peculiar way of manifesting her love for her old race.

The Jamaica delegates have been conferring with the commercial bodies in Quebec and Halifax, and, if the newspaper reports can be believed, have succeeded in convincing our eastern friends that they have the power, by remitting their duties on flour, to increase the market value of a barrel of flour on the Continent of America. They have also undertaken to dispel the notion that the German treaty will be found an obstacle to the establishment of discriminating duties by the Canadian Parliament. Now the case, which has been already presented by us in regard to Germany, lies in a nutshell, and it is to be hoped that if the Chambers of Commerce fail to comprehend it the Government of the Dominion will do so. If the German treaty should, as we believe it does, provide against the admission of products of any kind into either Great Britain or her Colonies, on terms more favorable than from Germany, then the Jamaica proposition cannot be carried out. If, on the other hand, there is, as the delegates contend, no such provision, then most assuredly if Canada discriminates against Germany a retaliatory policy will be adopted by Germany, which will exclude our agricultural products from a market in which they have recently obtained a footing. It is certainly but slight evidence of the sagacity of Canadian dealers in breadstuffs that they are ready to incur the certainty of exclusion from such a market as Germany, with her many millions of people, for the sake of obtaining a monopoly of such a market as Jamaica, whose

population of 600,000, consisting chiefly of negroes, raise their own articles of food, such as yams and plantains on their own farms. We feel that the subject is too important to justify us in neglecting to warn of their error those who seem to be seeking blindly to establish an erroneous policy. Putting aside the bearing of the Jamaica proposition on foreign states, it is simply impossible that Great Britain could tolerate the establishment of discriminating duties in favor of one of her West Indian Colonies and against the others.

SECURITY FOR BANK CIRCULATION. III.

[COMMUNICATED.]

In your issue of 19th June I endeavored to point out the chief disadvantages and obstacles in the way of our adopting a method similar to the national banking system of the United States for bank issues in Canada.

I see no reason to modify the views then expressed, but I might add a few words as to the first difficulty mentioned, the effect on business of the withdrawal of a large amount of banking capital.

It has been urged that the borrowing public should oppose the change because it will increase the rate of discount. This may be challenged on two grounds, first that it is not at all clear that an increase would occur; and, secondly, that the greater portion of the borrowing public are so much interested in seeing our financial system placed on a sound and permanent basis that they might well incur the risk mentioned.

As to the first, the arguments adduced in my previous communication need not be repeated, but I wish to add some figures.

On the 30th. May the banks in Canada were carrying Government loans and investments in Government bonds and similar securities amounting to \$9,300,000. They had loaned on stocks, bonds, etc..... 12,900,000. And their ordinary loans and discounts were..... 146,000,000. Besides this the "balances due from banks in foreign countries" amounted to..... 8,500,000.

In case of need, the first mentioned item would be almost wholly available for the purchase of bonds.

The "loans on stocks" include call and time loans; call loans may be regarded as forming part of the reserves which banks would be unwilling to lock up, but the remainder would be largely available for the purpose under discussion. The same

may be said of the foreign balances, which at present are believed to be almost wholly lent on time.

All these funds are now earning a comparatively low rate of interest, and their investment in Government bonds would inflict no loss in that respect.

The reduction which would fall on ordinary loans and discounts would therefore be confined within narrower limits than might at first sight appear, but even against this it must be remembered that a change would almost certainly be gradual; that new capital will continue to seek employment in banking, more especially if there is any hope of the higher rates of discount prevailing that we are discussing; and that the tendency of rates for money is now evidently towards a lower range. I see no reason, therefore, in view of these and of other counterbalancing tendencies, to look for any increase in rates of discount.

As regards the banks themselves, it may be said, as a very safe guess, that most of them carry loans on their books, which, however secure, are more suitable for a capitalist or a mortgage company. These and others of similar nature would no doubt be gradually worked out when the time came, and the business generally put on a sounder banking basis.

But the possibility of higher rates would wholly vanish should the Government, as suggested in my first communication, modify or abandon its note issue, or reduce to a reasonable figure the rate paid to depositors in the Post Office Savings Banks. I think the banks have a right to look for some concession of this kind. It can be granted with a positive gain to the Government in the case of the Savings Banks, and an abandonment or modification of the note issue can be justified on public grounds.

The second ground mentioned may, I think, stand without apology. If it can be made clear that the change will put our financial system on a sounder foundation, I have no doubt the great manufacturing, importing, and wholesale houses, who form in more senses than one the best part of our borrowers, will gladly run the possible risk of a higher rate of discount. Here we must leave it for the present.

THE NATIONAL BANK SYSTEM.

Before proceeding to discuss the advantages to be gained by a change, it may be well to describe briefly the principal features in the American system, that we may see what is proposed for our imitation.

The National Banks are organised