

THE BANK OF FRANCE.

THE operations of this vast monetary institution, comprising, as they do, the larger part of the Banking business of France, are worthy of careful attention by all who are interested in financial matters. Canada is now entering on that perfect era of commerce in which she trades directly with different nations for their products, and there are more reasons than one why she should be particularly interested in the commerce of the great nation between which and our Mother Country such intimate relations have been established of late years. The Bank of France is more in France than the Bank of England in England, and its weekly reports are much more detailed and elaborate. In addition, a yearly review is laid before the stockholders by the Governor, and this document, issued for 1885, contains a very clear and comprehensive summary of the year's operations.

1. The total transactions of the Bank for 1885 are stated to have been 7,000,000,000 francs, or \$1,400,000,000. Judging from the returns of the London Clearing House, we should say that the transactions of some of the leading Banks of the Metropolis (not including the Bank of England) would almost amount to that sum. The business done by some of the Banks in New York would, we imagine, almost equal this though it is impossible to make an accurate comparison without knowing definitely what the Bank of France includes under the term "transactions."

2. The rate of discount is stated to have varied six times in 1885, and never to have exceeded 5 per cent. In treating of the rate of discount the Governor announces that the Bank always conformed to the conditions of the market and expressed in all their truth, the inevitable variations in the value of the money. For acting on this sound principle, the Bank, as is well known, has been made the subject of bitter attack by a school of economists who believe it possible to regulate the value of money by law. The First Napoleon expressed the views of these people when he said that the principal function of the Bank of France was to discount all the paper that was offered it at four per cent. Why the limit was fixed at four, rather than at three or two, he did not condescend to explain. It is a notion that seems to have taken a deep hold on the French mind, that the value of money does not vary, and, therefore, that its price should be uniform.

The Bank of France, however, is governed by men who have a clear comprehension of their position and know full well that the value of money is a subject of the laws of supply and demand. Hence the rate of interest is raised or lowered according to the circumstances of the time. It fluctuated from three to five per cent last year, the average being 3 1/2, and the directors felicitate themselves on the fact that the rate was constantly lower than that prevailing in London and the principal European markets. This result was largely attributable to the decrease in demand for capital to invest in permanent work at home or abroad in conformity to the state of things in England, and to the favorable balance of trade between France and England.

The Governor gives some very curious information respecting the discount business of this Bank. The number of bills discounted is enormous, amounting in Paris alone, to an average of 7500 bills per day throughout the year. As the total amount is only \$1,400,000,000, it follows that the bills average less than \$200 each. The vast majority of the bills range from \$20 to \$100, and great numbers are done for amounts even below \$20. The Governor mentions with a sort of complacency, in answer to the charge that the bills of small traders did not receive as much attention as they deserved, that during the last three days of December the number of bills below \$20, discounted at Paris alone, was 1712, an almost incredible fact, according to our notions of bills, and that the number from \$20 to \$100, for the same three days, exceeded 45,000. By far the larger number of bills offered for discount were passed, those rejected during the year amounting only to 1 1/2 per cent of the whole.

The most remarkable thing about the Bank of France is its enormous note circulation. The capital of the Bank is \$3,000,000,000. Its circulation averages \$170,000,000, or nearly 500 per cent. On the 25th January, this year, it touched the sum of \$185,000,000. During the month of March it ranged from \$170,000,000 to \$190,000,000. The circulation of the Bank of England is generally about 150 per cent of its capital, while that of the other circulating Banks of the United Kingdom must be far less than their capital. The circulation of the Banks of Canada, as our readers

will remember, has not, for some time back, averaged over 50 per cent of their capital. The circulation of the Banks of the United States cannot be used in making a comparison from the fact that specie payments are suspended. The remarkable amount of circulation maintained by the Bank of France seems to point clearly to the prevalence of non-commercial habits amongst the large mass of the population.

The Bank distinguishes between bills discounted current and overdue and returns the latter at a wonderfully small amount. On the 24th December the account stood debitor for only \$27,000. The discounts current at the same period were \$150,000,000, and the proportion of bills was therefore only one-sixteenth of one per cent. The overdue account, it should be said, fluctuates very considerably, for, during the month of March last the variations were from \$40,000 to \$80,000 during a single fortnight. But, taken even at the higher figure, the proportion is so small as to indicate a remarkably healthy class of business.

As a true commercial spirit is developed, credit is utilized to the highest degree. Coin first gives place to notes and these in their turn are displaced by cheques and other instruments of exchange, until at length in great commercial centres, all their vast monetary operations are carried on with scarcely any movement of specie whatever. Specie is the ultimate basis, and the real foundation, but like the main-rig of a watch, or the driving wheel of an engine, it does not prominently appear. The notes of the Bank of France, we should judge, are made to perform a vast number of functions which in Britain are performed by drafts and cheques, and it is very likely that, in addition, they are handled by the small proprietors who make up so large a part of the population.

The Bank of France, as is well known, pursues a different policy to the Bank of England in respect to its supply of gold. The latter, when gold is decreasing raises the rate of interest, the operation of which is to curtail discounts, and gradually bring about a favorable condition of the exchange. The Bank of France operates differently. When her gold is declining, she goes into the bullion market as a purchaser, and by offering a higher rate than the current one, secures that which she needs. This course is often condemned by bankers and economists, as wasting the Bank's funds, and disturbing the regular movements of the bullion market, but the Bank adheres to it, and finds it answers her purpose.

During 1885, the Governor reports that no sum was expended for the purchase of gold, in consequence of the exchanges having been uniformly in favor of France.

The information supplied respecting the branches is interesting. The five branches doing the largest business are Marseilles, Lille, Havre, Lyons and Bordeaux. During 1885 the position of the last three changed, and Lyons now occupies the third rank, Bordeaux the fourth, and Havre the fifth. Four branches are reported as showing a loss, three being newly organized, and not having yet covered their preliminary expenses, the fourth, Saint Lo, in consequence of a heavy disaster suffered by the town, of which the Bank, it is said, has had to bear its share.

A Commission of Enquiry has for some time been obtaining information respecting the working of the Bank, granted we believe at the instance of those who believe that greater encouragement should have been given to speculative undertakings, and that the rate of interest should not fluctuate with the requirements of the money market. The Bank has no reason to fear the result of this enquiry, for the more thoroughly economical principles are understood, the more will her course of action be vindicated and justified.

Duties on Productions of the United States.

At a meeting of the Hamilton Board of Trade and Produce Exchange, held on the 11th inst., the Hon. J. Buchanan introduced a resolution to the effect that it was the opinion of the meeting that the true interest of the British Provinces "is to have entirely free Trade in natural productions with the United States, but that while that country refuses to allow the produce of our farmers to enter free into its markets we ought to charge the same duty as is charged in the United States, while at the same time providing for the passing of the produce of the United States in bond and also for the milling and manufacture of the same in bond."

Mr J. Turner moved, in amendment, that so much of the original resolution as we have quoted be expunged and the following inserted instead—"Is to have reciprocal free trade in national productions

with all foreign articles disposed to enter into treaties for that purpose, but that it is premature to express any opinion as to whether we ought to charge the same duties on American produce as are charged in the United States on that of Canada, especially in view of the early accomplishment of the Confederation of the Provinces, as the first duty of the Confederate Parliament will be to revise the fiscal system of the country, and adopt an Independent British American commercial policy."

The amendment, we are glad to learn, was carried by a large majority. The imposition of duties at the present time, of a merely retaliatory and protective character we consider would be unreasonable and ill judged.

UNITED STATES COTTON TAX.

THE tax proposed to be levied on Cotton, of five cents per pound, promises to be an exceedingly unpopular one, and will not become law without meeting the strongest opposition. The New York Chamber of Commerce held a special meeting last week, and the Committee to whom was referred the subject of taxing Cotton, reported that in their opinion the present tax of two cents per pound ought not to be increased, giving the following reasons therefor:—

1. That the Cotton interests in India, Brazil and Egypt have accumulated large capitals from the high prices of the last three years, while our plantations, as a rule, have lost all their profits.

2. That nothing has yet occurred to arrest the extension of Cotton production in those countries, and nothing will arrest it short of material and permanent decline in price, hereafter.

3. That in the last five years railroads have been opening to traffic in India, and other means of transportation have been improved, and as the Indian Government guarantees an annual dividend of not less than the per cent to railway stockholders, we must suppose branch railroads will be made wherever they are likely to pay.

4. That during the four years famine of United States Cotton in Europe great improvements have been made in the manufacture of yarns and fabrics from India Cotton, so that eminent manufacturers, who thought formerly that they could only use American in making their standard fabrics, have found that a mixture of four-fifths Indian and one-fifth American or over one-twentieth Indian and one-twentieth American, produced the requisite quality, at least, so it is stated on authority which your Committee are forced to respect, without being competent to indorse it.

5. That the expenses in the United States of producing, transporting and selling at the ports, exclusive of tax, must be estimated this year at not less than 13 cents per lb. In case of a yield of 2,500,000 bales, and about two cents more if the yield is less. It is sometimes said, though very inconsiderately, that the cultivation of Cotton in India and Egypt has been a failure. Let us examine this up to the present time, to give the latest possible light upon the question.

The average import into Liverpool, from the first of January to the 20th of April, has been as follows:

	India	Egypt	Brazil
For 3 years, 1859 to 1861 ..	118,000	40,000	30,000
For 3 years, 1862 to 1864 ..	138,000	30,000	61,000
For 2 years, 1865 to 1866 ..	233,000	144,000	151,000

Quantities mentioned 20th April, at Liverpool to be at sea for England, from India (in bales).

On April 20th, 1865, 1866, 1867, 1868, 1869

each year \$45,000 305,000 245,000 188,000 181,000

Stock of all kinds of cotton in Liverpool on April 20, \$25,000 575,000 472,000 203,000 422,000

Average Import of 12 months into India, Egypt, Brazil

Great Britain in 10 years, from

1844 to 1862, inclusive bales 214,000 70,000 120,000

Produce during 1865 1,257,000 331,000 300,000

The above tables show that the production of Cotton has been an eminent success in India, Egypt and Brazil, in quantity; and whatever may be said to the contrary, the quality seen in India Cotton is good enough even to drag down our own growth, as happened in Liverpool last month, to the extent of 6d sterling per lb.—equal to 16 or 18 cents in our money—in less than six weeks.

The Commis too further say that the natural course seems now to be for Cotton to decline, perhaps very slowly, and by fits and starts, until it reaches half its present value, if the growths of 1866 and 1867 are prolific, and it is equally natural to suppose our planters must make two successive crops, each of 3,000,000 or 4,000,000 bales, and sell them at very low prices before the cultivation in the Bombay district will be materially curtailed. The prospective difficulties of the American planter, even without any tax on Cotton, are great, probably greater than he supposes, as both in the North and South there are still lurking ideas that "American Cotton is king." For if he secures a large crop he is sure to meet a low price, while if his crop is short and his earnings therefore small, the cultivation in other countries will continue to increase. And at this very time, when he is struggling for existence, a tax of five cents per pound is proposed, which being practically an export duty, is equivalent to charging him with that amount for the purpose of paying it over to the cultivation in Egypt, India and Brazil. And still it is expected he is to compete successfully with those growers.