

of reaction in prices has succeeded the great rise of last fall, and has largely, if not entirely, spent its force, without bringing on disaster of any kind, without even reducing current business to the volume of a year ago; that hardware men, the hardest pushed of any line of trade by the falling market, generally admit up to the present time better aggregate results than a twelvemonth ago; that dry goods, leather and its manufactures, groceries, provisions and wool tell the same story. These are admitted facts; surely they give full occasion for taking a cheerful view of the situation.

An indirect proof, but a very reliable one, if it be desirable to offer any in support of statements that will probably nowhere meet with contradiction, may be found in the single fact that the tonnage registered in this port this season up to the 8th inst., was 214,692 tons against 160,123 tons to the corresponding date a year ago. The shipping of this port is really the keystone of the arch of the country's prosperity, the crops being the base on which it is founded. With this increase in tonnage, and vessels going out heavy laden at fairly remunerative rates, with grain, flour, live stock, butter and cheese, etc., bringing better average prices than a year ago, and with no notable disturbances in monetary circles either from failures or other cause, a present healthy if not flourishing state of affairs may be considered demonstrated.

But the outlook also is good. The crop prospects are excellent, the hay yield is unusually large; grass has been very forward, and an unusually large make of butter and cheese is assured, and notwithstanding a considerable decline owing to excessive supply, these products will still realize far better than last year; cattle are necessarily fattening better, and at the same prices will bring in more money; the cereals are doing finely, and the only apparent contingency by which exceptional prosperity may be defeated is disaster to the crops, a misfortune it is well to be prepared for, but which it is not necessary to count upon in the face of probabilities the other way.

We bespeak then a more cheerful tone to trade at large. If business men are not to be hopeful when both actual conditions and the promises of the future are good, it will be hard to appoint them a time for the indulgence of that grateful state of mind. It may be that Dickens rather overblew the credit of being "jolly under these circumstances," but between Mark Tapley and his ante-type, unhesitating preference will commonly be given the former.

DOMINION NOTES.

As intimated elsewhere, we were rather startled at some remarks made in the first number of the *Industrial World*, by what they denominate as "one of the ablest writers in Canada," on the subject of the Dominion notes, in the course of a critical notice of the disapproval expressed by the Bank of Montreal and the Merchants Bank of the Dominion Note Act of last session. The increase of the note issue from twelve to twenty millions, "on a slender coin basis," was declared to be "a matter of grave importance, not only to the banks but to the country at large." It is true that the report went further, and added an expression of opinion that "Government issues of notes payable on demand are fraught with danger to the best interests of the country."

That Government notes can be issued with perfect safety, and with profit to the public, by economizing the use of gold is apparent from the operation of the Dominion Note Act for several years. It is quite possible to concur in one of the propositions of the banks, and to dissent altogether from the other. It is of course natural that the banks should be in favor of the suppression of all Government issues, but they cannot be unaware that it is only in the small note circulation that the Government competes with them, and that the whole amount of the Government small note circulation is only about three millions of dollars. The suppression of the bank issues of \$4 bills has not been made the subject of serious complaint, and most assuredly is not "a matter of grave importance," either to the banks or to the public.

The important matter is the large increase of issue on "a slender coin basis," and in discussing this point the *Industrial World* admits that the reduced reserve is only safe "so long as business is prosperous and conducted upon a sound basis," but it adds, "when a financial crisis threatens the country, such as overtook us in 1875, the reduced specie reserve will unquestionably intensify the crisis" unless the Government prepares for the drain when it comes. This is a virtual admission of all that we have contended for, but the *Industrial World* proceeds to discuss the effect of the depression of 1875. He tells us that "the banks were suddenly called upon to provide sterling exchange in settlement of the adverse balance of trade and found their resources inadequate to meet the demand; in a word there was not gold enough at their command to purchase the neces-

sary exchange." He proceeds to state that the "Government was looked to to bridge the difficulty by the redemption of Dominion notes," but that it was found that the Government deposits "did not meet the emergency;" in fact, the allegation is that the Government was calling on the banks for gold at the very time that the banks were demanding gold from the Government. We have nothing to do at present with the difficulties of the banks, but we emphatically deny, on the authority of the published bank statements, that the Government could have been in any difficulty whatever in 1875 as to the redemption of their notes. They had, in addition to the gold held in the sub-treasuries large deposits on call in the banks, besides a still larger amount on notice. The cause of the trouble was that the banks wanted gold for exportation, and not cheques on themselves, but nothing is clearer than that banks must be prepared to meet their deposits. The point that we have to do with, is whether there was ever the slightest danger of the Government being unable to meet its demand liability for its circulation, and the returns prove that there was not. Let the *Industrial World* name any date it chooses, and give figures, and the correctness of our statement will be made manifest. We read, we own with amazement, that "the experience of 1875 seems to establish this fact that the Government deposit in the banks cannot be taken into account in estimating the ability of the treasury to redeem Dominion notes when a sudden heavy demand is made for that purpose;" in other words, the banks are insolvent. The banks, it is said, are not in a position to pay their deposits when they require gold for the purposes of exchange.

But though amazed at the foregoing statements, we own that we could scarcely believe our eyes when we read the next paragraph, which is as follows:—"The legislation of last session, by reducing the specie reserve held by the Government, imposes additional responsibility upon the banks, and practically compels them to maintain the specie reserve for both the Dominion notes and their own issues, in times of crisis, when sudden large demands for gold are made, so that the protest made by the directors of the Bank of Montreal and Merchants Bank against the extension of the Dominion note issue, and reduction of the specie reserve against such, is not to be wondered at, and is, under the circumstances, easily justifiable." So the banks are not only to be compelled to hold a larger amount of Dominion notes than formerly, but are to