

tice negotiated a loan with the Merchants' bank some time ago, his remuneration came from the loan contractors and not from the Government. The Government obtained par for their bonds and paid no commission. Mr. Chapleau was a member of the Government at the time, and was, as Mr. Prentice has affirmed, cognizant of the transaction. In the case of the temporary loan from the Banque du Peuple, the Government more than once expressed its determination not to pay more than 5 per cent. for the money, and, so far as we can judge, never contemplated employing a broker in the transaction. It was in fact ready to accept a loan for six months from any one who would give it at 5 per cent., and when Mr. Prentice offered it the Government did not hesitate to accept it on its own terms.

The inference that we should draw from these transactions, and in the absence of proof, is that the Government looked on Mr. Prentice as a gentleman having influence with capitalists who might be able to make an offer of a loan on terms that would be satisfactory. The only circumstance which is adverse to this view is Mr. Prentice's letter to Mr. Chapleau, dated in December, in which, advertising to his services in the Banque du Peuple temporary loan, he claimed the negotiation of the railroad loan, and even specified the commission that he would expect, viz., the same commission that was paid by the Dominion to its London agents. To this letter Mr. Chapleau replied by telegram to the effect that Mr. Robertson, the treasurer, would write in reply. Mr. Robertson's letter, if indeed he ever wrote one, has not been published, and at a much later date Mr. Prentice stated that Mr. Robertson did not wish to converse on the loan. If Mr. Prentice founds any claim on his own letter making the claim for commission not having been repudiated, then we should like to know whether, when he and Mr. Chapleau met after the return of the latter from New York, he made any protest against the attempt which Mr. Chapleau had made to obtain a loan in New York. Mr. Chapleau seems to have told Mr. Prentice frankly what he was offered, as well as the limit of the discount which he was determined not to exceed. Had Mr. Chapleau been able to negotiate a loan in New York on his own terms, we hardly think that Mr. Prentice would have expected a commission. It seems to us that throughout in all these loan transactions Mr. Prentice's role was that of lender, and that he was always trying to get the Government to accept the lowest possible terms. As to

Mr. Chapleau, we are inclined to think that he looked on Mr. Prentice as a friend who might be useful again as he had been once, when he offered money to the Government on more favorable terms than they could get elsewhere. We are inclined to think that in March last Mr. Chapleau would have used his influence in favor of accepting an offer from Mr. Prentice, in preference to one from any one else, but he received none until it was too late, and, having been put on a new track, he did not conceive himself at all bound to Mr. Prentice. We have thought it more convenient to discuss the main question without reference to the extra one per cent. commission paid to the Banque du Peuple, which really has nothing to do with the loan, as it was admitted that Mr. Chapleau was ignorant of its having been paid.

THE GOVERNMENT RAILROADS.

One of the many delusions under which the learned editor of the *Bystander* labors is that our Government railroads were constructed as military works. We are perhaps too charitable in assuming that the persistent references to the military character of these works is owing to delusion, when there is an obvious motive for the imputation in the desire to create an antipathy to British connection, which is held to be responsible for them. The *Bystander* has never ventured to reply to the statements which have been from time to time made exposing the incorrectness of his charges. The Imperial Government is in no way responsible for either of our railroads; and, as regards the Pacific, we have never seen any where, except in articles written by the editor of the *Bystander*, a suggestion that it was intended as a military road. It is well known that Sir Hugh Allan was strongly in favor of the postponement of the section of the road north of Lake Superior; and, if it be admitted that the road is political, inasmuch as it was the result of an agreement between the Dominion and British Columbia, the object being to establish a communication between the various Provinces of the Dominion, there is nothing objectionable in the proposal to make use of a line running through a foreign state. It is notorious that Canadian railroads have been used by American roads precisely in the way that it is proposed to use the line between the Sault St. Marie, and St. Paul and Duluth. The "Great Western" and "Canada Southern" have for years been links in the chain of roads between the Western cities and the Seaboard, and

the Grand Trunk has now extended its line to Chicago, having for many years had a line between Sarnia and Detroit. As to the Intercolonial, the military character which at one time attached to it was given merely to induce the Imperial Government on that pretext to give its guarantee for a portion of its cost. The road was not projected by the Imperial Government, and the line finally adopted had the support of the majority of the Ministers of the day, the minority yielding their views to the majority. Whether these railroads should or should not have been undertaken under the circumstances is a question for discussion, if, indeed it is worth discussing it under the circumstances, but it is simply dishonest to attempt to fasten responsibility on the Imperial Government for an alleged unprofitable, and even it is said ruinous, expenditure, for which Canadian statesmen and the Canadian Parliament are alone responsible. It is, however, not surprising to find such statements proceeding from a writer who professes to believe that the English aristocracy desire "to maintain a counterpoise to democracy on this continent" from an instinct of self-preservation.

THE BANK RESERVES.

The statements of two banks which have recently held their annual meetings have induced us to revert to the subject of the state of the reserves, which is calculated to cause great anxiety. Under the old Dominion Note Act no danger could arise from the large amount of Dominion notes held by the banks, as dollar for dollar was held either in gold or in bank deposits for all issues over nine millions. The new Act requires only 25 per cent. to be held, so that the Government has a large amount of notes to protect in case the banks should be suddenly called upon to meet a large portion of their liabilities. The Ontario Bank had a reserve of \$620,204, of which \$106,673 was in gold and \$513,531 in Dominion notes, or, in round figures, 17 per cent. in gold and 83 per cent. in notes. The reason is obvious. The Ontario, like the banks generally, has a Government call deposit, and it is tolerably well understood that any bank which demands gold from the Government will be met by a cheque on itself and a withdrawal of its deposit. As we have pointed out before, the Quebec banks hold, as a rule, a larger proportion of Dominion notes than those of Ontario, the bank to which we have referred being an exception to the rule. The Imperial bank had about 63 per cent. in Dominion notes and 37 per cent. in gold. The Gov-