tural advantages which its geographical position offers. When the history of the last twenty years is soberly written, one of the most extraordinary features will be this systematic and unchallenged neglect. One could conceive that politicians even on the score of selfishness would have greedily clutched a subject promising honor and reward to its advocate. But the contrary is the case. Year after year passes, session after session is overladen with verbose but ill considered legislation, and not a word is said in favor of the canals. Or at best, some experiment is tried such as removing the tolls, throwing into the pocket of the forwarder the rightful due of the State. Is it that politicians cannot understand the subject? Is it that there are no means of studying it? The labor of more than one writer has placed the subject sufficiently clear; but their reward has been to see their work utterly unacknowledged and repudiated by successive governments, who love not literature or thought in any form. The matter is a puzzle. Politicians of most countries have one end in view—their own success. Now and then some great mind endowed above his fellows breaks the ranks, and some few intellects are distinguished by honest and unselfish patriotism. But looking to the list of the public men for the last quarter of a century, with the exception of the Hon. John Young, of Montreal, no single name occurs to our mind, of those who have battled for the great water communications of the country. To-day are we any better? In the preliminary discussions with regard to Confederation, the Canals were entirely lost sight of; and it is a fact that ought never to be forgotten. The 69th Resolution is as follows:

"The communications with the North-Western Territory, *and the improvements required for the development of the trade of the great West* with the seaboard, are regarded by the conference as subjects of the highest importance to the Federated Provinces, and shall be prosecuted at the earliest possible period that the state of the finances will permit."

There is a great deal of magniloquence in all this, and it would have been better to have dealt with the subject in a simple and more natural way. If the words mean anything they are a distinct and positive pledge that the Canals shall not be neglected. The North West Territory is acquired—what now about the "communications" with it? What about the "improvements for the development of the trade of the great West?"

—The Toronto and Nipissing Railway project is making satisfactory progress; a large share of the stock of the Toronto, Grey and Bruce is already taken.

USURY.

Taking up the subject where we left it last last week, we now proceed to point out the modes in which usury laws operate to raise the rate of interest. These are principally three:

1. Many capitalists who invest in loans are unwilling to run the risk of evading the law, and finding that they can use their capital more profitably in other ways, withdraw it from the loan market. The supply decreases: the demand remains the same. Every one knows that, with regard to other commodities, the inevitable consequence is that the price will rise. So will it be with regard to money, which has no peculiar or occult virtue to protect it against the operation of the laws of supply and demand.

2. The capitalists who are left in the field being those who are willing to break the law, are inevitably the less scrupulous and conscientious of the class. What the worst of this kind are we need not characterize; they are too well known. As a rule, their demands are limited only by the necessities of those whose misfortune it is to fall in their hands. So far from being satisfied with two per cent. per month (the rate which so sorely grieves our legislators), they will exact ten or twenty if they can get it. The more conscientious class of lenders being driven from the field by the operation of the law, the pressure of their competion is removed, and the others have no check upon their avarice. So that not only is the rate of interest still further raised in this way, but borrowers are consigned to the tender mercies of the hardest of the lending class—the Shylocks who, in default of payment, will exact their full pound of flesh without remorse.

3. Borrowers burthened with a tender conscience will not take advantage of the law, but, as a point of honor, will, rather than break their plighted word, pay to the uttermost whatever they promise. Those who do take advantage of such laws are the less delicately conscientious; who are not particular about violating their contracts, no matter how solemnly these may have been entered into. They will agree to pay any interest that may be asked, but when the time comes, will pay only what the law compels. A money-lender who knows his business will generally arrange matters so that this shall be whatever has been agreed upon. The ingenuity of the class has never, in the past, been at a loss to find means to do this, and there is no reason to suppose that there would be any greater difficulty in the future. It will frequently happen, however, that the law will be able to be taken advantage of, and the amount limited be all that is recoverable. This, in the most liberal of the three bills now before the Commons, is the principal only, the borrower getting the use of the money for nothing. By the Government resolutions, it is six per cent. interest, besides. How will this operate? Let us suppose that the natural rate of interest is ten per cent., and that the law is taken advantage of in one-half the cases, in the other half the borrower paying, either of his own accord or from compulsion, the rate agreed upon. All borrowers must, at the time of loan, be treated alike, and charged a rate sufficiently high to obtain the natural one on the average. By the supposition, one-half will pay only six per cent.—the rate proposed by the Government. To make up the deficiency, it is obvious that fourteen per cent. must be got out of the other half. Thus the law, in attempting to lower the rate from ten to six, will increase it from ten to fourteen. This would be the rise in theory. In practice, however, it would be much greater; for, in so uncertain a case, the lender would take care to charge a rate sufficient to cover all contingencies, so that any error would be in his own favor. This uncertainty would cause the rate to go as high, probably, as twenty from this cause alone. The result would then be that half the borrowers would pay six and the other half twenty, making an average of thirteen in place of ten, which it would be without the law. And what is especially to be noticed is, that the extra rate will be paid by the more scrupulously honest portion of the borrowing class.

It is clear, then, that the effect of usury laws is to raise interest in favor of the worst class of lenders, and at the expense of the best class of borrowers. Illustrations of their effect are not wanting. Thus Storch, the Russian economist, points out that when the Empress Catherine passed a law having the object of lowering interest from six per cent. to five, it had the effect of raising it to seven. Similarly, when Louis XV. of France passed an edict to reduce the rate from five to four, he caused it to rise to six. Probably the country where interest is lowest is England, where the usury laws have been abolished for fifteen years past, and where there is perhaps more freedom of borrowing and lending than in any other country. The usual rate at the Bank of England is two to three per cent. Perhaps, however, the most striking illustration is afforded by the experience of our own country. In 1858, just before the abolition of the usury laws, when the limit fixed by law was six per cent., the actual rate on first-class mortgage security was from twenty-five to thirty per cent. This is a notorious fact, well known to every lawyer and capitalist in the habit of dealing