

the difficulty lies in convincing persons of this, or rather in putting the theory into practice. As soon as the population of any country becomes alive to its own interest it will approve of the imposition of direct taxes. But then, notwithstanding the saying that every man is the best judge of his own interest, much education is required to teach a body of men to submit cheerfully to do that which will benefit them collectively and individually.

There is still a marked perplexity in the public mind as to what should be done to guard the holders of policies of assurance from being deceived and robbed. A great disinclination is manifested towards measures designed to take care of the public by regulating the proceedings of the insurance companies. It is argued that the interference of the Government will foster instead of preventing swindling, inasmuch as the worst companies will be careful to comply outwardly with the rules while disregarding them in essentials. Perhaps the most certain remedy will be found in the plan about to be adopted with regard to policies for small sums to be issued by the Government. This is an extension of the Government Savings Bank arrangement, from which great results are anticipated. As it is the poorer classes who now suffer the most, and for whom this method of assuring is framed, the evil most complained of must be materially abated.

The most notable circumstance connected with the Money Market is the continued demand for the securities of the United States. The 5-20 bonds have become a favorite investment both here and on the Continent. It is estimated that £200,000,000 of United States securities are now held in Europe. This is but a guess, the truth may be less startling. Nevertheless, it is a fact beyond dispute that the amount of these securities in European hands is enormous. Since the practical assurance was given that the 5-20 bonds would be paid in gold their popularity has increased. They have the two-fold advantage of offering to the public a safe and a remunerative investment. Certainly they are much better worth buying than are the bonds of Russia, that great ally of America. Doubts are now cast on the safety of Russian securities. The feeling that Russia will always pay her debts in full is less strong than it was. It was held that because that power regularly paid the interest on her debt during the Crimean campaign, therefore she would never prove a defaulter. The logic of this is not unassailable. It was the interest of Russia at that time to be scrupulous in meeting her obligations. That the policy of honesty proves to be successful is evinced by this, that since then she has been able to borrow £100,000,000 from us. I do not think that she will get much more.

(From a Correspondent.)

LONDON, 29th April, 1869.

As a contribution to the elucidation of the "Bank Charter Question," which you have discussed in a series of leading articles, let me supply some details concerning the methods of banking in operation throughout the United Kingdom. It is one of the many anomalies which vex the philosopher that England, Scotland and Ireland should not have a uniform system of banking, and that even the system prevailing in London should differ from that of England generally. It is true that Sir Robert Peel legislated for each of these countries, so that all are substantially governed by the same principles of finance, yet differences in practice are none the less very marked and significant. For example, if an English landowner wishes an advance from his banker, he deposits his title deeds as security. If a gentleman who possesses no land and is not in business wishes an advance, he may get it on handing over securities, such as railway or other shares, or government stock. But in Scotland it is possible to get an advance without depositing

title deeds or producing securities. It is enough if the borrower gets sureties who will vouch for him. Thus the Scotch method conduces to the development of credit in its personal sense. The danger is that the absence of a material guarantee increases the risk run by the banker. But then this risk is not so great as it appears. For Scotland being a small country, the whole population is less than that of London, the knowledge of individuals affairs is more complete there than it could be in a larger and more populous country. This fact is often lost sight of when comparing the Scotch banking system with that of England or of other countries. At present there is a controversy in progress here, regarding the limits within which bankers ought to confine their operations. It would appear that some of the Australian banks have engaged in dealings in wool. It is asked if this is legitimate business? There is no reason why a banker should not trade in all kinds of commodities. Indeed, some merchants habitually act as bankers. But then it ought to be understood by the shareholders that when a bank departs from the line generally followed, and ceasing to take charge of the money of its customers exclusively, competes with these customers in any department of business, that the risks are increased. In a company formed for the purpose of combining mercantile operations with banking transactions, the shareholders know what they may expect. But they are misled when the company which was formed to deal with money is converted into a trading concern. The deception is nearly as complete and improper where a bank or the State attempts, under the guise of increasing the currency, to fabricate money. Your remarks on this head are alike just and indisputable. But the fallacies you expose are by no means powerless for evil. They are not without influence here. Attempts are frequently made to alter the English banking system, on the ground that it is antiquated and unsuited for the wants of the age. It is supposed that the restrictions imposed on the issue of bank notes are artificial barriers to the acquisition of wealth. No doubt if there were more paper money there would be more speculation, and this would be considered by the unreflecting as a revival of trade. But this would in reality be as little evidence of prosperity as the huge bulk of a dropsical patient is a proof of fat. Your Dominion notes may, for a time and within a limited area, be equal to gold, not by legislative enactment only, but in actual fact. But the number of these notes must be small. Some of the notes of the Bank of England are issued on the security of national credit, that is they represent a portion of the country's debt. No one doubts that these can be redeemed. As for those issued in excess of this amount, they are covered by bullion deposited while they are in circulation. When this bullion is withdrawn from the bank cellars these notes are cancelled. Hence it is that not only is every one in England ready to take a note for five pounds, with as much confidence as he would take the like amount in sovereigns, but these notes are held to be equivalent to bullion in every quarter of the globe where the name of England is known. If the case were reversed and the issue of notes entirely based on the deposit of government securities, then it would be impossible for the foreigner to tell whether the Bank of England notes represented the whole or only the half of the sum marked on its face. If again the old system were in force here, as it now is in France, and the notes being payable in gold on demand were issued at the discretion of the bank directors, then, when a panic came, the bank would be compelled to suspend payment, or else sacrifice enormous sums in order to purchase bullion wherewith to ride over the crisis. It is a significant commentary on the two systems that whereas a Bank of England note is readily taken in France at par, a French note cannot be cashed here save at a money-changers. The weakest point in our system is due to the manner in which

it has been worked. More than once the operation of the Act of 1844 has been suspended, and notes issued without their places being supplied by bullion. It is true that the relief thereby caused was beneficial to many persons. Firms on the brink of insolvency were enabled to get their bills discounted. But it would have been better had those who brought about the crisis through over trading and rash speculation, suffered the consequences of their folly. The State is not bound to foster gamblers in merchandise any more than it is justified in encouraging gambling in money. An unlimited issue of paper money is simply an incentive to speculation and a discouragement to prudence.

However sound the banking system of this country may be, it cannot be said that English capitalists always display good sense when investing their savings. The readiness with which they lend money to foreign governments is astounding. A calculation has been made to the effect that the amount of English capital invested in foreign stocks is £400,000,000, on which the annual interest received, when interest is paid, amounts to £20,000,000. The temptation offered is a high rate of interest. It is doubtful, however, whether the same sum invested in the funds would not, on the whole, prove more remunerative, whether it would not be wiser to be certain of receiving three per cent. than hopeful about receiving more. Before long many will probably regret their credulity. There are tokens that the borrowings of Russia, Turkey, and Spain are becoming exhausted. Now, when these countries can no longer borrow, they must repudiate their obligations. This admits of no dispute. Given a permanent deficit, bankruptcy or repudiation is a mere question of time. Spain has just offered 10½ per cent. return to subscribers to a new loan, and has had great difficulty in getting money on these onerous terms. Russia will soon have to bid as high for the money she requires. In a few weeks Turkey will beg for £16,000,000, wherewith to accomplish a grand financial reform; in other words pay off the arrears of the obligations she has incurred and cannot meet. When an end is put to these things, the ground will be cleared for those who can offer a fair percentage in return for the surplus capital of those who desire that interest should be punctually paid, while the principal is secure.

Among the emigrants who have recently sailed from this country to America, a band of sixteen merit attention. They are members of a "Mutual Colonization and Co-operative Emigration Land Company," formed here about six months ago, by some working men. The Society numbers 300, the majority of whom are skilled artisans. A large tract of land has been bought by the Company, for a merely nominal price, in Nebraska. The expenses of each emigrant are defrayed out of the common fund. As the Company is registered under the Friendly Societies Act, due provision is made against differences of opinion among individuals, the whole being subject to a code of rules having a legal sanction. If the reports sent home by the first sixteen are favorable, others will follow. The movement has this in its favor, that it gives to each man the advantage of combined capital, while it preserves the independence of each. The drawback of eleemosynary aid to emigrants is that the man who has once been the recipient of pecuniary help is apt, when things go ill with him, to look to others for further assistance. It is a pity that the working men did not make a happier choice. There are better places on the American Continent than Nebraska. However, the experiment is none the less worthy of notice. Should it succeed, there will be many repetitions of it on a larger scale, and under more favorable circumstances.

— In referring to the Eureka mine, in our Mining Review last week, the words "best crushing" were put for "last crushing," making an important difference in the sense.