

by Mr. Charles Stuart, of Kingston, barrister-at-law, whose connexions are numerous and influential, and whose intimacy with Mr. Aylwin will, probably, enable him to avert the opposition of that gentleman. Mr. Stuart is the law agent of the Bank of Montreal, at Kingston, and the Registrar of Deeds in the county of Frontenac, of which Kingston forms part. These situations have given him abundant opportunity of ascertaining the injurious effect of the laws in question. The Bill will probably be brought forward by Mr. Macdonald, the Member for Kingston, and will be well supported. Indeed, in the present and perhaps even prospective state of the money-market here and in the United States, it is difficult to conceive any public man of intelligence having the folly to oppose a measure which, under no circumstances, could be injurious to the interests of the Province; but which, under existing circumstances, is imperatively demanded for the relief and promotion of every class of interest.

You are practically so well acquainted with the rapidity with which every branch of industry extends itself in an American colony that has reached the state of advancement which Canada has attained, that I need not remind you that the local accumulation of capital, large as it is, cannot keep pace with the demands upon it, and that consequently the rate of profit on its employment in the general business of the country is so high, as not only to admit but to require and secure a very high rate of interest on loans, and that the Usury Laws, by attempting to fix a rate, not adjusted by and bearing no proportion to the actual condition of the country in respect to capital and its means of employment, greatly enhance that rate, and inflict an amount of mischief scarcely conceivable by persons who are only acquainted with business operations in Europe.

I lately saw one of the principal merchants of Western Canada, who arrived here by the packet before the last; he is perhaps the most extensive, wealthy and influential importer in that part of the country, having branches of his establishment both in Glasgow and New York; he gave me a letter addressed to his firm on the subject of a loan, under negotiation and ultimately effected, for a constituent of his firm at Hamilton; perhaps I should say, a customer largely indebted to his firm, which illustrates, in the most striking manner, the pernicious effect of the Usury Laws, and the ruinous terms on which they compel both traders and landholders to seek relief on the occurrence of any emergency. The money advanced in this case was 4,500 *l.*, a bond and mortgage on valuable property were given for 6,000 *l.*, payable by annual instalments, with six per cent. interest, in the stock of the Gore Bank. In addition to a bonus of 25 *l.* per cent. on the amount of the mortgage, the rate of interest on the sum actually advanced commences, as you will observe on calculation, at eight per cent., and of course as the principal diminishes by payment of the annual instalments, it constantly advances on the remaining balance; if the value of the Gore Bank stock rises, the cost of the loan to the borrower will be still further increased.

This is not an isolated case. The same party informed me, that he knew 10 or 11 similar cases during the past year, and that they are of frequent occurrence.

The cost of accommodation, even through the banks, very considerably exceeds, by the charge of commission, and the accidents which almost invariably accompany it, six per cent., and yet the laws of the Province, by an unwise adherence to the spirit of the law which so long prevailed here, but which has lately with great practical advantage partially been modified, fixes the rate at six per cent., a rate be it observed, lower than the rate in the United States where the accumulation and competition of capital necessarily place the actual rate much below that which obtains in Canada. It must be remembered, too, that besides the natural disproportion between capital and its means of employment, Canada is subject to an additional disadvantage; namely, that a very large proportion of the accumulations of its capital derived from the profits of its trade, are withdrawn from the Province by capitalists who reside here, and who do not, as the American merchants and capitalists do, seek employment of their accumulations in the country in which they have been made.

With the view of obviating in some measure the disadvantage under which these circumstances place the people of Canada, the Legislature of the Province passed two Acts; one in 1843 the other in 1845, creating the necessary powers for the establishment of a company which should employ its capital in loans in Canada, and the Crown completed the measure by the grant of a Royal Charter in November 1845.

In the state of the money-market which existed in this country when the measure was set on foot in 1843 and 1844, there was sufficient difference between the rate of interest here, and even the legal rate of interest in Canada, to render the operations of such a company remunerative, as you will see by the enclosed report of Mr. Saward. At the present moment the difference is almost annihilated; for the extension of railways, with the failure of the harvests of Europe this year and partially last year, and the losses to private individuals resulting from the recent rage for speculation, have necessarily created a pressure and demand for capital, and led to an advance in the rate of interest throughout Europe and even in the United States, while in Canada the legal rate with which the powers of the company alone permit it to deal, is compulsorily stationary under the laws proposed for repeal; hence the Company's prospects of success are for the present diminished, and with them, the degree of benefit proposed to be extended to Canada by its operations. The legal rate in Canada is stationary, but the case above referred to shows how much that rate is below the actual rate, and how obviously mischievous and worthless are the laws in question.

I have endeavoured to state as shortly as possible the considerations connected with the subject; but this letter is still, I find, longer than I could wish, while much that might be said is omitted. I will now, therefore, only refer you to the annexed account, exhibiting a statement from which may be inferred the power of the people of Canada to pay a rate of