

would be served if this were done. Not that we object to Government monies being deposited in different banks; but we are convinced that it is unsound and dangerous to rely on these balances as a basis for the redemption of Government issues. The case is this. The Government is now the only debtor in the Dominion from whom gold can be demanded. Their notes are payable in gold—those of the banks in government notes. Now, gold is required at certain seasons for export from Canada, just as it is from England. In England, as we have seen, gold is obtained by presenting Bank of England notes for redemption, and in Canada, by presenting the notes of the Government. It is gold that is wanted in both cases. Gold, then, should be kept to meet the demand. If the Government, after parting with gold, attempt to equalize the matter by drawing in some of its notes from another bank, this will not make it one whit better able to meet the next demand. The gold has gone, and of course gone out of the country, for this is the very purpose it was wanted for. And in certain states of the money market a drain of gold might set in, which would speedily take away all the gold the Government had. It is not the small notes that require protecting, but the large ones. The small notes are in *bona fide* circulation; the large notes are held by the banks. It is these which may be presented for gold, and the presentation may be made by one bank on one day, and by another on another day, without concert, and for purely business purposes, yet so as to cause most serious embarrassment to a government which treats bank balances as equivalent to gold when they are not exchangeable for it. But we repeat, as we said before, that gold is absolutely necessary for export at certain seasons, and as the Government treasury is the only place from which it can be demanded, every possible facility should be given for its being obtained. The case put by Sir F. Hincks to illustrate the way in which bank balances have been drawn in response to a demand for redemption, is very plausibly presented, but scarcely corresponds to actual circumstances. The following comes nearer we imagine to the facts:—The Government, for its own convenience, deposits in a certain bank a part of its surplus money. It may be in the shape of a cheque on another bank. There is no understanding whatever, except that which always subsists between a bank and its depositors. This bank some time afterwards requires gold for export to supply the wants of customers who have payments to make in a foreign country. It presents government notes for gold, and is instantly met by a demand for

payment of the government deposit. Thus the banker has to part with double the sum he really requires, and must curtail discounts accordingly. Carry this out on a large scale and see what consequences follow. And we ask whether arrangements which even indirectly give opportunity for such a proceeding are not highly undesirable. The reserves of the Government should be held in gold alone, and while on this head, we must reiterate the opinion that those reserves ought to be far larger than they are. Not on account of the small notes but the large ones; and an inspection of the last bank return will shew that the banks might any day, after retaining all the notes the law requires, present for redemption sufficient to take all the gold the Government has on hand. It only needs a certain course of money and exchange between Canada and New York to make it highly probable that they would as a simple matter of business.

And now, finally, as to the excitement of government officials in the fall of 1872. Sir F. Hincks admits a certain amount of uneasiness, but states it to have been much exaggerated. On this point we can only say it is easy for one who is out of the strife to suppose the excitement of those who are in it to be unreasonable. But if Sir F. Hincks had been in Montreal at the time, he would have known from personal observation that our account was a simple statement of facts. There was excitement amongst the officials of the Finance Department, there was alarm, there was running hither and thither, and there were demands made upon the Banks, which caused great disturbance to the mercantile community.

We fear we have taxed the patience of our readers, but the subject is one of the highest importance. It might be well for Parliament to appoint a Committee to enquire into the whole matter, and certain we are that before such a Committee our position could be substantiated by evidence and argument.

THE INTERNAL REVENUES OF THE DOMINION.

The internal revenues of the Dominion have rapidly increased of late years. They are principally derived from spirits, malt liquors, tobacco, petroleum and bill-stamps. The revenue from public works is also received by this department of the Government, but we do not propose to consider this source of income at the present time. The other items are deeply interesting, whether looked at from a financial or moral point of view. The consumption of liquors and tobacco may be said to indicate the *failings* (we won't say vices) of the commu-

nity, out of which, as the sequel will show, the Government receives largely of the revenue necessary to carry on its operations.

The year under consideration is the latest for which we have the returns, that ending the 30th June, 1872, and in every article subject to excise, excepting petroleum, there was an increase in the revenue over the previous year. In order to bring out the manner in which these revenues have augmented since Confederation, we place side by side the returns for 1868 and 1872—

| SOURCE. | 1868. | 1872. |
|-------------------|-------------|-------------|
| Excise..... | \$3,078,212 | \$4,763,278 |
| Public Works.... | 486,811 | 592,961 |
| Culling Timber... | 70,886 | 74,512 |
| Bill Stamps | 119,712 | 189,161 |

Total \$3,755,621 \$5,619,912

These statistics show that the inland revenues for the latter year had run up to between one-fourth and one-third of the total annual income of the Dominion from all sources, and of the above sum of \$5,619,912, very close upon four millions of it were derived from the duties on spirits, malt, beer and tobacco.

There was an increase in the total quantity of malt manufactured, over the preceding year, of nearly 10,000,000 lbs.—the total quantity being 42,308,857 lbs. The quantity entered for home consumption was 27,561,467 lbs., and for exportation 8,765,786 lbs.—the latter not so much as we expected considering the number of successful malt-houses now in operation, and which are constantly shipping to the United States. This increase amounts, however, to 34½ per cent. over the exports of malt made during the previous season. There were thirteen as against nine millions of lbs. in the warehouses at the close of the year, so that the production would seem to have been some 3,598,858 lbs. in excess of the demand for export and home consumption. Four years ago comparatively little malt was exported from Canada. The business is still in its infancy, but growing, as we do, the finest barley on this continent, there is every probability of its rapid expansion.

The production of beer and other malt liquors increased 1,008,432 gallons during 1872. The total quantity made was 9,557,238 gallons; and as we only sold abroad about 157,800 gallons, the people of the Dominion certainly did not lack for want of this beverage. There was enough consumed to give each man, woman and child 2½ gallons; and if we deduct the share of those who drank none, and consider also the quantity of foreign malt liquors consumed, we fear it will have to be admitted that it is not the proverbial Englishman alone who is fond of his beer.