

after each premium is paid. The policy, therefore, becomes to all intents and purposes a negotiable instrument for its current value. If an insurer is overtaken by reverses, after his policy has been many years in existence, he can on depositing it get the endorsed surrender value in cash or a paid up policy for the amount. Again, where it is stipulated that the insured shall not go beyond certain geographical limits, in ordinary cases the breach of this would cause a forfeiture of the policy; under the new system the policy would stand for its surrender value, which could be got by the insured at any time, or by his representatives after his death. In a former number of this journal, vol. i, p. 202 (Jan. 30, 1868), we recommended the adoption of a plan almost exactly similar to that now described, viz: the payment of a certain sum or the giving a paid up policy, in the event of an insured wishing to discontinue the policy; the only difference being that we there contended that the choice out of the two methods indicated should be given to the company and not to the insured, for the reason there given, "in order to prevent the insured from purposely neglecting to pay his premiums, with a view of getting his policy cancelled." Upon consideration, however, we incline to think that it may be preferable to give the option to the assured for the reason mentioned at the beginning of this article, that, as a general rule, a man is the best judge of his own interests. The new system is very advantageously embodied in policies payable on attaining a certain age, or at death if that take place sooner. It is this combination which peculiarly merits the appellation of self-insurance, uniting as it does the advantages of life insurance with those of a savings' bank, in which to accumulate a sufficiency to keep one in old age, when work becomes difficult or distasteful. The plan has now been tried for a year by a company in England, with a success so marked as to promise to open a new era in life insurance. In this country the non-forfeiture plan has been adopted more generally than in England, nevertheless the new system appears to combine so many advantages as to make it well worth a trial here, and we shall watch with interest the result of any experiments which companies may make in regard to it.

HURON AND ONTARIO SHIP CANAL.

Though it be to a great extent true that the present, as it has been said to be, is the age of political economy, yet it is unfortunately equally true that there is among men, including those from whom we should expect better things, so much loose and chaotic

thinking upon the subject, that it can scarcely be said that the science as now taught by its great masters is understood by more than a small minority. One of the irrational dogmas which, in common with many others equally absurd, Adam Smith found in universal acceptance in his time, and which he and his immediate successors succeeded in destroying, was that known as "The Mercantile System." The idea of which that phrase was the expression, was that wealth consisted only of money (gold, silver, etc.); that the only way in which a country could become wealthy was by hoarding up within it, as much of that commodity as its people could lay their hands upon, and that the departure of it was a sure sign of impoverishment and impending ruin. Had Adam Smith done nothing more than destroy this superstition he would have deserved the thanks of posterity to the end of time. It is well worthy of notice, however, that, though this idea got its death blow about a century ago it still infects the popular ideas upon many subjects, lurking unsuspected beneath some fallacy as the root from which it springs; the nonsense which newspapers are even yet continually writing about the "balance of trade" may be adduced as evidence of this.

Another of these fallacies is that which seems to be held by the promoters of the scheme we are considering, viz., that money brought into a country and expended in public works, etc., increases the wealth of that country to the extent of the amount so brought in, and is a permanent addition to its capital. Listen to the Corypheus of the scheme. In a letter which appeared in the *Leader* of the 11th ult., he says: "The construction of the Huron and Ontario Ship Canal, enlarging and utilizing the St. Lawrence Canals, bringing ocean ships into our lakes, and a cash capital from abroad, free from taxation and interest, of forty millions of dollars—more than the whole banking capital of the Dominion." The italics are Mr. Capreol's. The idea apparently possessed by him and wished to be instilled into others evidently is, that the money proposed to be spent, will, every dollar of it, become part of the circulating capital of the Province, in the same way as is the capital of the banks. This idea is an absurd delusion, the mercantile system being the source whence it gets its vitality. Capital is divided into two classes—circulating and fixed. Capital which is consumed in the act of producing an object of wealth (or an utility, to use the technical phrase) is circulating; capital which is not so consumed, but is capable of being used many times over, or for an indefinite period (that is, till it is worn out) is fixed. To the former

class belongs the money (or, more accurately, the things which that money will represent) with which it is proposed to build the canal. To the latter will belong the canal itself, if constructed. In the act of construction the capital required will be converted from the former class into the latter. Let us see how this will be so. It is said that it will cost \$40,000,000 to construct the canal; What does this mean? Simply that it will require that amount in food, clothing, tools, &c. for the laborers and others engaged during the 5 years in the construction of the work. At the end of that time \$40,000,000 of food, clothing, tools, &c. will have been consumed or destroyed, never to be replaced—that is, the capital of \$40,000,000 will be gone; there will be that amount less of capital in the world. Let us turn to the great authority on this subject, and see if our view is sustained. Mr. Mill says, in relation to the analogous case of capital spent in making land more productive,

"The land thus increased in productiveness bears a value in the market proportionate to the increase; and hence it is usual to consider the capital which was invested or sunk in making the improvement, as still existing in the increased value of the land. There must be no mistake, however. The capital, like all other capital, has been consumed. It was consumed in maintaining the labourers who executed the improvement, and in the wear and tear of the tools by which they were assisted." Again: "That part of the capital of a cotton spinner which he pays away to his work-people, once so paid exists no longer as his capital, or as a cotton spinner's capital: such portion of it as the workmen consume, no longer exists as capital at all: even if they save any part, it may now be more properly regarded as a fresh capital, the result of a second act of accumulation."

And this leads us to a limitation of what we above put in the rough. It is true in accordance with the last quoted words that the whole \$40,000,000 will be consumed as capital, and that we get the canal in its place. We shall also, however, get something more, viz.:—whatever is saved out of the \$40,000,000 by those to whom it is paid. The vast proportion of it will be paid to labourers, who, as a rule, save little or nothing. The main savings will probably be made, as is usual in such cases, by contractors, jobbers, hangers on, &c. And to the extent to which these persons save, to that extent will there be possibly a permanent addition to the capital of the Province. It is of the utmost importance to the material well-being of this Province that our business men should have correct ideas upon these subjects. A rapid glance back into an episode of our financial history will shew this sufficiently. About the years 1853-4-5-6 a large amount of money was expended in the Western District of Upper Canada, in the construction of railroads—the