

adapted for issuing notes, and not being able to employ issues profitably, are, we venture to think, irrelevant. There has been no difficulty whatever in working the Dominion Note Act. We hold that a fixed issue of ten millions on securities, and a further unlimited issue on gold, would give a sound currency, and there is no reason to fear a violation of the law.

Our correspondent is justly afraid to entrust the Government Issue department with any discretion, and, so far, we are at one with him. To exchange gold for notes and *vice versa* is the Bank of England system, and it is a matter of perfect indifference whether the issuer be a servant of the Government, or of a corporation, while both have to be governed by an Act of Parliament. The point on which the greatest difference exists between our views, and those of our correspondent is as to the effect of the expansion of circulation on prices. There is no such expansion in Great Britain, and no inconvenience is felt, except from the necessity of using gold, owing to the restrictive by-law on the issue of small notes. No such difficulty would be felt in Canada. Under the United States system there is not much risk of undue expansion, whereas under ours the illustration given by our correspondent proves conclusively that the tendency of expansion is to raise prices. For the very same reason that a good crop of wheat tends to reduce prices while a deficient one is likely to inflate them, a redundant supply of money will be likely to inflate, while, on the contrary, what may be termed the normal supply of money would tend to keep prices steady. It is all very well to affirm that "the price of grain is fixed by the value in Liverpool, less cost of transportation," but surely a banker must know that there is speculation for a rise, and that the buyers on speculation often meet with disastrous losses.

In referring to Mr. Lowe's theory we pointed out that it was precisely that of Sir Robert Peel, and of Lord Overstone, and that which has prevailed in England, Scotland and Ireland for over 40 years. People there don't carry gold in their pockets or keep it in shops or houses. We believe that the restriction on a small note issue has led to a greater use of cheques in England than in either Scotland or Ireland, where there are small notes. We fail to comprehend the argument of our correspondent as to the use of gold. No one has proposed the abolition of bank notes, but merely the substitution of one kind of paper currency for another. We cannot admit the correctness of the final criticism of

our correspondent. We think he has himself fully established the correctness of our assumption that there would be a withdrawal to the full extent of four-fifths of the circulation of the loans made to the customers of the banks on the basis of their circulation.

We should be very glad indeed if the remarks of our correspondent should induce the Dominion Government to propose an amendment of the Dominion Note Act so as to make the issue strictly automatic, as it is in England. Had the issue on securities been fixed at ten millions there never would have been the least cause for uneasiness, and, moreover, there would have been no occasion to feel annoyance at demands for gold on the part of the banks. Of course our correspondent must perceive that a fixed issue on securities to a perfectly safe maximum would render it impossible for the Government to drift into an irredeemable currency. We own that it seems strange to us that, when it is in our power to adopt the system of currency which has been in successful operation for over 40 years in England, we should give a preference to the United States system, which was established during a period of national bankruptcy.

#### THE FISHERY QUESTION.

It cannot be deemed surprising that the arrangements which seem to have been made between the respective Governments of Great Britain and the United States, in regard to the fisheries, should have led to the expression of dissatisfaction in the Maritime Provinces. We have on previous occasions expressed our opinion that such questions can be better dealt with by Governments than by commercial corporations; and the correspondence which the United States Government has published has not altered that opinion. We have not yet had an opportunity of seeing the correspondence between the Imperial and Dominion Governments, but although there has been a recent important change in the *personnel* of the former, we feel convinced that the policy recommended by their predecessors will be adhered to. It is sufficiently obvious that the delay in providing for the future arrangements consequent on the termination of the old treaty, has been caused by an unwillingness to open negotiations with a Government at the close of its term of office.

It appears that on the 12th March, a few days after Mr. Cleveland's assumption of office, the British Minister at Washington addressed a letter to him on the subject, which we are bound to

assume was the result of a previous agreement between the Imperial, Dominion and Newfoundland Governments. We see no ground whatever for Judge Davies' opinion that the proposed arrangement is equivalent to giving up the fisheries to the United States, nor any reason for Mr. Pufford's protest. As to obtaining a consideration for the concession made, the difficulty is that none could be given that would be at all satisfactory. We of course admit that the right granted to Canadians to fish in the waters of the United States is utterly valueless. It must however be borne in mind that the Executive has not the power to suspend the duties on fish which have been imposed by Congress. We should have thought it possible for the Executive to have held out a hope that Congress might have consented to a remission of the fish duties during the remainder of the season of 1886, provided a new treaty were agreed to.

We, however, readily admit that such an arrangement would not be free from objection. The main point to consider is the value of the pledge given by the United States Government. On the assumption that there is a reasonable hope that a treaty can be agreed to, the privilege of the few months' fishing in Canadian waters is a matter of little importance, and it may be hoped that the manifestation of a spirit of amity and good neighborhood will not be entirely without beneficial results. The temporary arrangement for about the one-half of the season has been made without prejudice, and "pending an effort to have a just and amicable arrangement of an important and somewhat delicate question between the two nations." We learn further that "Her Majesty's Government and the Colonial Governments have consented to the arrangement solely as a mark of good-will to the Government and people of the United States, and to avoid difficulties which might be raised by the termination of the fisheries articles in the midst of a fishing season. The great point to consider, is the value of the pledge held out by the Executive of the United States, and to that we now propose to direct attention.

We find the following passage in Secretary Bayard's reply to Sir Lionel Sackville West: "With the understanding that the President of the United States would bring the whole question of the fisheries before Congress, at its next Session in December, and recommend the appointment of a commission, in which the Governments of the United States and of Great Britain should be