

veyors and shipbuilders, and whose duty it would be to make suggestions generally to the Department of Marine and Fisheries, as to the working of "Canadian Lloyds" within the respective Provinces.

Notwithstanding that *comprehensive laws* relating to our shipping are now upon the Statute Books of Canada, it will, doubtless, be necessary for other legislation to be had by the Parliament of Canada this winter, to protect the shipowners of Canada from the prejudicial effects of the legislation of the British Parliament in respect to what is claimed as part of the tonnage of the Empire. Fortunately, we have as Minister of Marine, a gentleman foremost as a Canadian shipowner, and thoroughly qualified to grapple successfully with this, to Canada, all-important interest.

#### ENGLISH LOANS TO FOREIGN STATES.

The collapse in Turkish finance, which has recently taken place, seems more likely to be a final break-up than a temporary stoppage. And the disgraceful manner in which certain Spanish-American States have broken faith with their creditors seems more likely than not to shake the faith of the investing public in all foreign enterprises, introduced by great financial houses.

In such a condition of things it is a satisfaction to reflect that no English Colonial loan has ever suffered the slightest discredit on the London money market. Canada, Australia, and New Zealand have steadily and satisfactorily met their engagements, and there has not been the first beginning of that miserable policy of shifty scheming, by which the capital of new loans has been made to pay the interest on old ones, until the game could be carried on no longer, and the burden broke down by its own weight.

In the case of some Central South American States there has been nothing less than deliberate dishonesty. The envoys that were sent to negotiate the loans put themselves in communication with financial houses in London, and were ready to promise anything, so that they got the money. In almost every case certain specified revenues were pledged; customs' duties of sundry ports, or the tobacco import, or the net revenues of State railways were agreed to be set apart, and in some cases paid over to a receiver, or to the English Consul-General. But by-and-by, and generally about the time that all the money was spent, some quarrel was picked, some pretext raised, some misunderstanding created, and at once all pay-

ments on account of interest ceased. And it has been shown that, in most instances, no monies were ever paid out of revenue at all. The sums received from England on account of capital were paid into the general revenue of these States, and out of the same fund the payments for interest were made. And the payments went on so long as this process lasted, and no longer. As to payment of principle, that is a hopeless affair, indeed.

The truth is, and our English friends are beginning to find it out, that loans to foreign States rest absolutely on the *honour* of those States. All statements of supposed resources in lands, mines, forests, and what not, are proved to have no real bearing on the security of a loan. Special pledges of revenue have turned out mere "moonshine," and, in fact, if ever such pledges are offered again we fancy the British investor will only button up his pocket the tighter. It is like a merchant giving his promissory note with a pledge that it shall be paid out of the proceeds of certain shelves of goods. When pledges of that kind require to be made it is plain enough that the ordinary promise of a trader has fallen into discredit. But if one promise fails why should another be kept? Why should he pay out of that particular line of goods, when he will not pay out of his general stock?

A creditor, to be secure, would require to go behind the counter himself, and take the proceeds as the goods were sold. English creditors supposed there was some security in the fact of a receiver being consented to, who was to have all customs' monies paid over to him. But who is to say that they are paid over? And who is to put on pressure if they are not? Two years ago the Ottoman Government arranged with a great London Bank that all its revenues were to be paid over to the Bank, and that the Bank was to disburse them to pay interest to the bondholders, and the necessary expenses of government. This arrangement was all very well so long as there was no great pressure of expenditure. But the moment the pressure came, the arrangement broke down. The Turkish Government found that it required money, and that it would and must have it, whether the bondholders were paid or not. And necessity, the tyrant's plea, of course prevailed. The revenues were not paid into the Bank, and remonstrance was unavailing, for what could the Bank, or what could all the bondholders put together do?

And what can any creditor or any body of creditors of a foreign State do, beyond remonstrating? No possible compulsion can

be exerted except in the shape of war, and that remedy is out of the power of anybody but Governments. This brings us back to the point from which we started, viz.: that loans to foreign States rest on their honor alone.

Some of the revelations connected with these loans are of a most peculiar character. In one case, the money was ostensibly borrowed to construct a ship railway across the Central American Isthmus, and it was actually proposed to transport ships of two thousand tons, cargo and all, on some peculiar arrangement of rails, bodily over the land from sea to sea. Engineer's reports were gravely appended to the prospectus, showing how a road with twelve or fourteen lines of rails could be built, and platform cars constructed sufficiently strong to hold the ship. Elaborate contrivances of rollers were to be constructed at each end of the line, by which ships were to be hoisted from the water to the rails, and the whole project was certified to by names that sounded large enough to carry the weight of this extraordinary enterprise. The British public, or at any rate that portion of them that are greedy for high interest, actually swallowed this absurdity, and subscribed their money to the loan of the State which proposed to carry it out. It scarcely need be said that not a single pound was ever spent for the purpose. The State, or its officials, got the money, and that was the end of it.

Another of these loans was for a million pounds sterling, and bonds for that amount were issued and sent to London. But all that was sent back in return was £440,000. The bonds were first ostensibly issued to a great Loan-contracting house at eighty. These people then made arrangements with another house at sixty-four, which was the real price to the public. The Envoy-extraordinary of the State was in London all the time, watching the operations that were going on, and making from time to time sundry arrangements, some of them deeply secret and highly confidential, in which one financial house was played off against another. In these arrangements his own benefit and the personal and private benefit of other distinguished personages were by no means overlooked. From the price of sixty-four, at which the bonds were worked off to the public, there was deducted two years interest and sinking fund, amounting together to eight per cent., besides a large sum for commissions, advertising, &c., &c., so that the final net proceeds remitted across the Atlantic was the sum of £440,000 before-mentioned.

Once in receipt of this money, the authorities of the State gave themselves no further concern about the loan. They