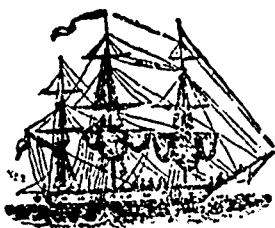


# CANADIAN ECONOMIST.



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## THE CANADIAN ECONOMIST.

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### THE USURY LAWS.

We resume our remarks upon this grave and interesting topic, and shall endeavor, in the first place, to illustrate the effects of these laws by supposing them to be applied to the necessities of life as well as to money. It must be obvious to every one of plain understanding, that in principle or reason they might as well be applied to the one as to the other. What is the difference we may ask, between restricting a borrower to paying six per cent. per annum to a capitalist, for the use of £100 in money, and to paying a grocer six pounds per annum for the use of £100 worth of sugar?—In other words, why should the dealer in money be debarred from saying to his customer, "You may have £100 for twelve months, provided you agree then to repay me £110 for it,"—any more than the dealer in sugar should be restricted from saying to his customer, "You may have so much sugar for £100 down, or the same quantity for £110 payable in twelve months"? Can any reasonable man see a difference in principle in the above cases, or argue that the one will have injurious effects upon society, while it is known that the other has not? Will any man assert that society is not injured by allowing a dealer in sugar to charge £10 or £20 a year for the loan of £100 worth of sugar, and yet affirm at the same time, that society would be injured by allowing a dealer in money precisely the same liberty? If not, on what grounds of common sense or reason are the Usury Laws to be defended?

There is no outcry more common, in this country, than that we want capital, and that our national as well as individual progress is seriously impeded for the want of it. Moreover, our great progenitor, John Bull, is unmercifully abused for showing so much more regard for our neighbors of the United States, in the way of lending them his money, than he has shown to us, his own kith and kin. He is accused, and perhaps with some reason, of lending them millions, while to us he doles out his favors, comparatively speaking, in shillings. But perhaps the higher rate of interest which our neighbors can, in most cases, pay for capital will account for the fact. The legal rate of New York is 7 per cent. per annum,—of South Carolina, the same,—of Georgia, Alabama, Mississippi and Florida, 8 per cent. per annum,—and of Michigan, Wisconsin and Iowa, 7; while in very many cases, although the legal rate of interest is fixed as above by statute, the law at the same time allow parties, by agreement, to charge as high as ten or twelve per cent. per annum. Now under these circumstances it is to be wondered at that English or European capital in general, finds its way into the United States in pre-

ference to coming to Canada where it is absurdly made penal to take more than six per cent per annum for the use of capital! It would surprise us if any thing else, under the circumstances, were to happen.

Suppose, for the sake of illustration, that our Legislature were, at its next session, to fix the price of tea, settling it at something under the market price of that commodity in New York or London, (whence our supplies are usually obtained,) and making the dealer liable to the penalty of forfeiture on being convicted of charging more than the statute price. Do our readers suppose that such a statute would have the effect of cheapening their tea, or augmenting their supplies? Of course common sense rejects the bare idea as the very height of nonsense,—and yet the laws regulating the price of money, albeit supported by our local legislature and our city representatives, are of precisely the same character,—nevertheless while such absurd laws are suffered to exist, preventing money like everything else from finding its natural level, people wonder why English capital does not flow in upon us with a steadier and fuller current.

Infatuated people! repeal your Usury Laws—allow yourselves to pay for money what it is worth, as you do for your sugar and your tea, your hats and your coats,—and never fear but you will get as much of it as you can profitably make use of. Never fear that you will have to pay more for it than it is worth, or than you can afford to pay for it in the long run; for competition which reduces profits and prices of everything else, in the open market, to their natural level will, unquestionably, have the same influence upon money, which is likewise a mere commodity and subject to the same natural laws as all other marketable commodities.

But let us now see how far the testimony of history supports the doctrines which we have advanced in this and our previous article.

Montesquieu, (*Esprit des Loix*), speaking of the Romans during the period of the Republic says, "The ordinary rate of interest was excessively high. The debtors or plebeians were every now and then threatening to deprive their creditors, who were generally of the patrician order, not only of the interest of their capital, but of the principal itself. Repeated instances occurred to show that these were not mere empty threats, and the patricians were, therefore, obliged to indemnify themselves by means of a corresponding premium for the risks to which they were exposed." "Cela," he continues, "fit que tous les moyens honnêtes de prêter et d'emprunter furent abolis à Rome, et qu'une usure affreuse toujours foudroyée et toujours renaissante, s'y établit. Les Loix extrêmes dans le bien font naître le mal extrême: il fallut payer pour les prêt de l'argent et pour le danger des peines de la loi."

The same author speaking of Mahomedan countries says,— "Notwithstanding the positive prohibition in the Koran, the ordinary rate of interest is at least ten or twenty times as high as its ordinary rate in Europe. L'usure augmenta dans les pays Mahometans à proportion de la severité de la défense: le prêteur s'indemnisait du péril de la contravention."

McPherson, in his History of Commerce, says, "During the middle ages the average rate of profit could not be much higher than at present: but the clamor and persecution raised against those who took interest for the use of money was so violent, that they were obliged to charge it much higher than the natural price, which, if it had been left alone, would have found its level, in order to compensate for the opprobrium and frequently the plunder which they suffered: and hence the usual rate of interest was what we should now call most exorbitant and scandalous usury. The extraordinary risks to which lenders were exposed rendered the premium on all sorts of capital excessively high; for of the fifty and even a hundred per cent., which borrowers then frequently engaged to pay as interest, not more than eight or ten per cent. can properly be said to have been given for the productive services of capital. The rest must be considered as a bonus to compensate the lender for the hazard he encountered of losing the principal itself." Hallam, in his History of the Middle Ages, gives numerous facts which proves the correctness of this statement.

Storch, speaking of France, says, "The rate of interest was fixed at five per cent. as early as 1665; and this, a few short