

LETTER FROM ENGLAND.
COMMERCIAL REVIEW.

(Special Correspondence of the Trade Review.)

[FRU MORAVIAN.]

BUSINESS still continues active, and the cheapness of money is to be ascribed partly to the want of employment for capital in trade, and partly to the disinclination of people to go into any new schemes. It is almost useless to attempt to bring out any new project, as the public, from believing that everything was good, are now disposed to believe that everything is bad. The cotton market is very quiet, and both in Liverpool and Manchester business is confined within very narrow limits. The return of the Bank of England shows a reduction of £300,000 in the stock of bullion, whilst in the Bank of France there is an increase of nearly £500,000.

It is reported that at a comparatively early period Messrs Baring Bros. will bring out the prospectus of the Intercolonial Railway, to connect the Grand Trunk Railway with Halifax. It is understood that about £4,000,000 will be required, and that this amount will be raised by debentures guaranteed by the Imperial Government. The rate of interest will be about 4 per cent., and, no doubt, with the guarantee, these securities will readily move off. As there are thus no financial difficulties in the way, it does not seem likely that with the good feeling and good sense which has been shown on all sides by the delegates from the North American Provinces, there will be any formidable political difficulties, and we may expect that the matter will, in some shape, be brought before Parliament soon after its meeting in February.

A Committee of Investigation into the affairs of the Atlantic and Great Western Railway Company is being formed. For some time the stock of this Company has been subject to very great fluctuations, owing to the circulation of various adverse rumours. The formation of this Committee on which the shareholders and all classes of the creditors will be represented, will, no doubt, elicit the truth as regards these, and, it is to be hoped, will confirm the reiterated statements of the Directors that the concern is thoroughly sound.

A great deal of attention has been excited in this country by the recent panic, and the disgraceful disclosures then made, as to what are the duties of auditors. It was found, for example, that in many cases the paid auditors of the Companies which failed, had, in some cases, scarcely ever attempted to look into the accounts, and had done little more than check the balances of the "general ledger" agreed with the items in the balance sheet. In other cases, a very considerable amount of time was expended in checking the "cash-book," but the disposition of the sums so checked, and as in the North British Railway, the "journal" entries were never examined, so that the shareholders were as completely deceived as if there had been no audit. Indeed, such an audit is worse than useless, as it deceives all parties by making it appear that such has been done, when, in reality, it has been left undone.

It would, of course, be impossible to go into any details as to what system should be pursued in auditing the accounts of companies. These will vary indefinitely, according to circumstances, but it would seem that there are two plain rules. The first is that the auditor should state clearly what he has done. The second, that he should state what he has not done. A report of this kind presented to the shareholders would bring specifically before them their position, and would call attention to the weak spots (if any) in the management. It might, for example, be very undesirable, and even very wrong, for the auditors of a bank to examine into the solvency of parties whose bills were under discount, but they should distinctly state that they had not done so, and leave it to the directors to express their opinion upon this point. In all cases the distinct provinces of the auditors, and the directors, and the officers, the manager, and, in railways, the engineer, should be marked out, and the shareholders should get from each not, of course, a statement of details, but such a statement as will fix distinctly the responsibility in case of any false representations.

Another point is, who should be auditors? and here, probably, the best rule is that they should be entirely unconnected with the company. They should have no personal interest in its prosperity. If, for example, they are large shareholders, they become, or are very apt to become, a kind of small committee of the Board, acting with it and sharing all its views. It seems better in every way that they should be entirely inde-

pendent. In Canada you have lately had an instance of the error of giving the auditor an interest in the result of his audit. In the case of the Bank of Upper Canada, when the Cashier was called in to examine its affairs, he had really an immense interest in persuading himself into the belief that all was right, and he did so persuade himself. If, instead of having a salary of \$10,000 a year, guaranteed for five years, he had simply been asked to examine the books and been paid so much for his trouble, the result would probably have been very different. And whether it would have been different in this particular case, it is certain that in 99 cases out of every 100 it would have been different.

The returns from the Bank of England for this week when compared with those for last, present the following results:—

The public deposits have increased	£ 832,000
The private deposits have decreased	1,427,000
The Government securities are enhanced	
The other securities have decreased	558,000
The notes in circulation having decreased	331,000
And the bullion having decreased	308,000
There has been a decrease in reserve of	8,000

It will be observed that there is a considerable decrease in the bullion, consequent upon the demand for the Continent. The other changes in the return, although considerable, nearly balance each other.

The Bank of France returns present the following results:—

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The Treasury balance has decreased	1,300,000
The current accounts have increased	4,760,000
The bills discounted have decreased	11,000,000
The notes in circulation have increased	300,000
The cash in hand has increased	12,400,000
January 26, 1877.	11.

BANKING IN NEW BRUNSWICK.

(To the Editor of the Trade Review.)

THE urgent necessity existing in New Brunswick for increased banking facilities, is a subject of constant remark and complaint throughout the province. There is probably no one circumstance that has contributed so much to keep the country behind hand, and to prevent the proper development of its resources as this to which we have alluded. The action of the usury laws restricts the rate of interest to 6 per cent., but of course there are innumerable ways in which these laws are evaded both by the banks and by private individuals. It is not so much however, the rate of interest prevailing, which is the source of trouble, as the absolute want of the necessary currency to carry on the varied industrial interests of the country, which in spite of the difficulties surrounding them are struggling into existence. The banks restrict their operations for the most part to those engaged in the lumber business, and some few others who can offer collateral advantages in the way of exchange, and thus it happens, that the domestic trade and manufactures of the province are almost entirely without the advantages which a properly regulated and developed banking system would undoubtedly confer.

It certainly appears strange, that while the province has been increasing in population and revenue, and its rich natural resources are daily becoming more apparent, the banking capital should within the last fifteen years have actually decreased in amount, yet such is the fact. In 1851 the capital of the various chartered banks, (exclusive of the Bank of British North America,) was about 1,500,000 dollars, while in 1866, the amount of capital (still excluding the Bank of British North America) was only 1,400,000 dollars, notwithstanding that the need for the country for banking facilities must during this time have vastly increased. These chartered companies have been for all these years, the sole fountains of currency, and they have made use of the privileges accorded them by a too credulous people to subserve their own private interests, and although it might have been supposed that it was not too much to expect that in return for these privileges, some regard should have been had to the public interests, yet the very reverse has been the case. In the true spirit of monopoly they have failed to discover the fact, that their own true and best interests were identified with the growth and advancement of the country generally: on the contrary, the banks seem to have supposed that their own interests were best served by strangling competition, and rendering money scarce and dear as possible. The larger banks of St. John have always been the determined opponents of every fresh undertaking that promised even in a remote degree to interfere with their own monopoly; they have been throughout the bitter enemies of confederation, and it is only a short time since that

they managed on some mere technical quibble, to defeat the establishment in the Province of a branch of one of the English banks.

In Canada we find that during the past year, new banking capital to the amount of 1,617,000 dollars has been paid up, three new banks have gone into operation, and nineteen new branches have been opened, that the number of offices of chartered banks in Canada is one hundred and sixteen, and that their total capital exceeds 28,000,000 dollars, while their total assets are estimated at over 70,000,000 dollars. Thus the increase in the banking capital of Canada in a single year, exceeds the total amount employed in New Brunswick, and while nineteen new branches have been opened in Canada during the year, the whole number of offices open throughout the province is but seven. Further comment is needless, the facts speak for themselves. We need not wonder that people look anxiously for confederation as a means of removing the difficulties which now stand in the way of the employment of Canadian capital among them, and thus help to secure to an industrious and enterprising population, some of the advantages which a pernicious and grinding monopoly has hitherto been the means of withholding.

N. B.

FREE TRADE AND PROTECTION.

(To the Editor of the Trade Review.)

IN a former communication an illustration of some of the leading principles of Free Trade was attempted; in this paper it is proposed to discuss and endeavour to prove satisfactorily the adaptability of those principles to the present state and circumstances of British America. In the consideration of this subject it must be borne in mind that the nominal and natural condition of every country would be that of perfect Free Trade, and that it is only in so far as legislative restrictions and enactments have grown up to interfere with and render nugatory this natural state that any discussion or argument is rendered necessary. In advocating Free Trade therefore, we are not advocating new and untried theories, but only a return to natural laws. That the true interests of Trade and Commerce, and the consequent well being of the human race would have been best consulted, by allowing the free interchange of the various productions of the earth, and that it would have been a great blessing if no such institution as a Custom House had ever existed, is a position of the truth of which there can be no reasonable doubt. Custom duties are the great means by which extravagance on the part of Governments is upheld and perpetuated, and every professional politician knows full well, that by their aid he can obtain enormous sums, which he would never be able to get, if the people were obliged to contribute directly out of their pockets. But, bad as all Custom duties may be, protective duties are still worse, and it is with them that we propose to deal. Now, however, special laws may have fostered particular interests into unnatural activity, we think that it admits of proof, that the general permanent prosperity of any country depends mainly on three conditions, and these being present in moderate force, no real obstacle exists to such country entering on a course of free competition with the rest of the world. These conditions are first: Natural resources and productions; secondly: Geographical position and natural facilities for the prosecution of commerce with other nations; and thirdly: The natural bent and genius of the people.

Any country possessing these conditions is endowed with the elements of prosperity, irrespective of all protective laws, which at best can only benefit particular interests at the expense of the whole community. Does then British America possess these requirements and in what degree? With regard to the first. Its boundless forests, its inexhaustible fisheries, its fertile soil, producing in vast abundance, all the life sustaining varieties of human food, its vast and little explored stores of coal, iron, petroleum, copper, and gold, tell their own story, and proclaim that in natural resources and productions, British America may rank among the most favored of the nations of the earth. And with regard to the second condition it is less highly favoured. Traversed almost throughout its entire length, by the mighty system of lake, river, and canal navigation, culminating in the gulf of St. Lawrence, with two of the best ports on the Atlantic coast, (St. John and Halifax,) open to the sea the entire year round, and which the completion of the Intercolonial road, will soon bring into com-