

THE DEPRESSION AND ITS REMEDY.

There is no lack of opinion expressed on the commercial depression; but as to the exhaustiveness with which the subject has been treated, admits of grave doubts. A question, the decision of which affects so vitally the welfare of the country, requires that every fact bearing upon its solution should be well considered. The finance minister, in his budget speech of '76, concludes that it has been caused by over-importation, over-manufacturing, excessive stocks of goods and shrinkage of values. In his last effort before the House the condition of the country only received the passing notice; that Canada having a moderate tariff is by no means in such a bad plight as the United States. Mr. D. Mills, reporting the result of "the Depression Committee," an able report as far as it went, decides the tariff was not responsible for the crisis, that manufacturing had not suffered on its account; and gave it as his opinion that the causes were beyond the legislature of the country to remedy. Both these gentlemen, in fact, regard the industrial difficulties much as they would an earthquake—as some great convulsion of nature, beyond the sphere of the Canadian legislature. They appear to forget it is only a matter of mal-legislation. Its a funny thing if our business is beyond our control. Are not commercial crises phenomena of comparatively modern date? Sir A. T. Galt then delivered himself—that importations had been in excess in four years 140 millions of dollars, and administered a sharp rebuke to importers. It was hardly statesmanlike, though, to insist upon their importing less. He was not aware, seemingly, that competition necessitated importing to excess. For if Smith purchased less, Brown takes his customers. Sir Francis Hincks, in reply to Mr. Galt's insinuations, defended the merchants on the ground that "the expenditure of a large amount of money on public works necessitated importations," "the large expenditure created loss, and had been the cause of over-trading followed by a re-action such as occurred in completion of the Grand Trunk Railway." With all deference to his opinion, it is difficult to see why the expenditure of money necessarily creates loss; nay, why the money did not account for itself in the time being, by saving the trade a still greater humiliation? We have next in order Mr. Andrew Robertson, a practical business man, who likewise charges the crisis to over-importing and over-trading, beyond the power of consumption or means of disposal. No man knows better the importing and manufacturing business of the country. He is a competent witness on the goods account; but when he traces the inconvenient excesses to "a plethora of banking capital," we part company, unless, indeed, he means simply bank inflation, or speculation. He carries our sympathy, however, in his burst of honest indignation at bankers not sufficiently discriminating between capital and credit—honest trading and gambling rascality; but to imagine any permanent good from a homily addressed to the class of unscrupulous traders he meant it for, taxes credulity a little too much. It is like reading the Bible to the gipsies of Spain; they could not see the point—they all squinted!

These gentlemen all agree, however, on "over importation" as the arch offender, the minor excesses of course following. But here let us make a distinction—that term is not sufficiently definite. Over imports that are paid for cannot injure the general trade. All the goods that could be imported on such terms could never cause a commercial depression; and the charge so frequently made of general extravagance, if the bills be paid, is simply insulting. A nation, like an individual, may be extravagant, but it injures no neighbours if the goods are paid for. The adverse foreign balance is the point on which to fix the attention; it is that which deranges the finances and forces the capital out of the country; and that is what the banks are now actively employed at. But why does it not occur to our economists that every effect having a cause, *over-importation* might possibly be only the effect of a deeper cause? We protest against this sinister, this unfair method of condemning a culprit without a proper hearing, without all the facts of the case being brought out. We want the business thoroughly done, as slovenly work comes back on the delinquent. Let this commercial crisis question be formally and finally settled, so that its grim visage may no longer disturb this community. If two hundred buyers visit a foreign market and can buy on credit, they will not be fastidious as to quantity, &c.; but they could not do so unless qualified for that purpose by the banks. One buys at four months, and in the normal state of trade the goods are put into notes, to be prepared to lift British acceptances by discounting the notes at the bank here; and the buyer is again in the market. Six months out of twelve are sufficient to do a wholesale business, with a good buyer and a fair staff of runners. A young firm with \$5,000 capital may in this manner work into a trade of \$100,000 annually in five years; and the same activity is projected into the retail trade by this excessive competition. The banks usually have an excess of discounts over the sum of paid-up capital, Dominion notes and deposits at interest, of over forty millions of dollars! Just ask yourself what the effect would be on the importing interest, providing the bank line of discounted notes was kept within fair limits. It would cut off forty millions of accommodation and cool down the white heat of competition; but that would be legitimate banking. Every note discounted beyond the limits named, certainly weakens the assets, and lowers their character as first-class institutions. But is it not as *first-class banks* the trade of the country is committed to their care? It is on that plea surely. The capital of a mercantile firm has its just and fair limits in use; this general law cannot be infringed with impunity if its *status* is to be maintained. When the banks are strong, the general business is strong—and the contrary. The excess in discounts is a sufficient explanation, therefore, of excess in imports. But the banker never can have a *motive sufficiently strong* to limit discounts, as that would be curtailing profits, until a bank is established on the best securities, and competing for business. Preventive legislation would be impotent to accomplish what only *competition among securities* could effect. The remedy, therefore, is not to interfere directly to prevent banks from discounting to excess, they can do as they please about that, if you only extend banking to first mortgages, and let the securities work out their own destiny. It is not proposed to ask any concessions of the banks. The real estate proprietors ask no favours, but only rights.

The personal property is already covered by the banks, is their peculiar field; and the real property is left out, left to perish! a most anomalous

omission on the part of the legislature. The consequences, through time, a slow process probably, of extending the banking law to mortgages, would be the transfer of the forty millions of inflation on to good security; then industry would be saved and regenerated. Manufacturers would be benefited by the transfer, and the whole industry would get the full benefit of the vast amount of capital now lying dead and unproductive. But the amount of capital brought into play would be limited by the profits from bank dividends, leading to a reduction of the rate of interest. But again, the limitation of imports to a healthy trade would open up an extended field to manufacturing. What vast resources lie undeveloped, only wanting capital to call them forth! It is out of all question to imagine that a prosperous manufacturing industry can be cultivated and successfully established by the aid of such capricious bank accommodations. The manufacturer wants a line of discount that would be permanent as long as the security continued, and that is the aid that mortgages would afford. The banks, the finances of the country, are dependent on favourable balances, on exports, on a healthy industry. That is the programme. Manufactures are a necessity to insure a prosperous country. But the extension of banking privileges would tend, in fact, to elevate the character and credit of the present banks. They would be forced to discriminate, and that would effectually protect them from the raids of such customers as Gay, Davis & Co. That class of persons constantly complaining of credit being placed on an equal footing with cash and capital; such people are ill prepared to comprehend this question. Their ideas are too much of a retail order. True capital and credit are not on a level, but it is credit and not cash that has the start; and the obvious remedy is to give capital an equal chance at least with credit, and the result cannot be doubtful. In our humble endeavour to explain the finances and trade of the country we feel sure of having convinced the minds and met the wishes of all honest and right-minded people; but the rogues, we are sure, would never be satisfied. And finally, have we not been building a tower, which on reaching a landed height invariably falls? Defeated, we go at it again with the utmost good will and humour, when again our work is blasted. Twenty times we thus perform the unthinking labour, till we discover by chance probably, that the altitude is limited by the base. Extend your base, and with like energy you will successfully elevate an enduring monument of national industry!

ALPHA.

CANADIAN INDEPENDENCE.

The history of the diplomatic intercourse between Great Britain and the United States, is not one which an Englishman can contemplate with unmixed satisfaction. From the execution of the treaty of Versailles in 1783, to the arbitration at Geneva in 1872, England has either been defeated by the force of events, or imposed upon by the shrewdness of American diplomatists. The war of 1812 was at the worst but a drawn battle, yet we conceded by the treaty of Ghent everything of importance America demanded. By the Ashburton treaty we were defrauded of a part of Maine, through a forged map produced by such a distinguished statesman as Webster, and which he afterwards confessed he knew to be such when he produced it; but it was sufficient to deceive our acute representative, through his ignorance of the geography of the country. By the San Juan award we again lost valuable territory, through the blunders and incapacity of our agent. Under the Alabama Treaty, England demanded no compensation for Fenian raids on our soil, though any one of them would have been properly regarded as a *casus belli* by any other European power. By the same Treaty she conceded to the United States an immediate enjoyment of our invaluable fisheries, for a money consideration to be settled by arbitration afterwards, and also a right to Canadians to carry fish and oil into American ports free of duty. But our negotiators, with characteristic stupidity, and regardless of former lessons, omitted to stipulate that an award by a majority should be binding, and to claim exemption from taxation of the cans in which our fish are largely exported. Our cousins eagerly availed themselves of our concession, and exhibited their appreciation of the privilege, by levying immediately a duty of 35 per cent. on the fish tins, which is tantamount to a prohibition. Then they delayed the arbitration to the latest moment, and now their newspapers tell us the award will not be paid to us, because it was not unanimous! In equity, and by custom, among men of honour, if not by force of law, the reference of a dispute to three arbitrators implies that the decision of two of them shall be binding on the referees; for if not, why was the third appointed? Apart from this, the possession of eight millions surplus of British money retained by Brother Jonathan under the Alabama treaty, one would suppose would induce him to pay us our six million. To be honest, at least, when honesty cost nothing. But we are assured not only by an influential portion of the American press, but also by the distinguished General Butler, a representative of Massachusetts in Congress, that this modicum of justice is too much for us. He repudiates any payment, and proposes the forcible retention of our fisheries as coolly as if they were merely half a dozen silver spoons!

Unless these diplomatic kicks and cuffs, with other unenumerated snubbings, and bits of recent sharp practice, are not sufficiently humiliating to our *amour propre*, they should, at least, make us cautious, in our future intercourse, lest they be repeated. But it is to be feared that caution is yet lacking, if it be true, as we are told from Washington, at the time of our writing, that the object of Lord Dufferin's recent visit to that city was to induce the President to urge on Congress the ratification of the Halifax award. It is to be hoped our popular and talented Governor-General had no such mission. It could scarcely be credited that our Ministers would propose such an errand, or that he would undertake it, if asked. When a Government has to plead, in *forma pauperis*, for the fulfilment of treaty obligations, it would seem about time to cease disputing about its nationality, or, indulging in flights of imagination of a glorious future of Canadian independence. We submit, that it would be more dignified to allow the American Government to act on this question uninfluenced by ourselves. If it decide to pay its debt, let it do so. If not, why let all American Eagles shriek, until they can shriek no more,—“Repudiation, sharp practice, false maps, grab and keep, for poor old John Bull, and his dependencies, for ever and ever!” *De gustibus non est disputandum.*