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### THE SITUATION.

An opinion has been given by the internal revenue commissioner, that the National and State banks of the United States are liable to a tax of ten per cent. on all Canadian currency, which they use for circulation. In some of the frontier towns, such as Buffalo and Detroit, Canadian bank and government notes are freely taken by the banks, nominally at a discount of one to one and a half per cent., but practically, when presented by regular customers, at par. The Detroit bankers, finding that Canadian currency was accepted almost as readily as their own, have taken steps to set in motion the law which puts upon it a tax, which is practically prohibition. To bring them under the law, the notes must be paid out and put into circulation. The permitted circulation of the currency of one country in the other has not been confined to one side; and, naturally, the amount of American National Bank notes in circulation in Canada is larger than that of Canadian notes in the Republic. The practice has been a matter of convenience; but, henceforth, it must stop on one side, at least. So long as American frontier bankers could take Canadian currency and avoid the tax, they would do so out of deference to their customers, but they will be glad of the excuse which the law will furnish them for refusing to make use of such currency. If they still be able to receive Canadian bills, it will only be to return them at once for payment. In any case, Canadian bank or government notes sent to the other side do not linger there; they are soon returned; the threat to enforce the tax law will make them come a little sooner than before, and this is the measure of the difference it will make.

To settle the question that has arisen between the Dominion government and the Canadian Pacific Railway Company, about the quality of the road in British Columbia, arbitrators have been appointed: Chancellor Boyd, of Toronto; Mr. C. C. Gregory, of New Brunswick; and Mr. Thomas C. Keefer, engineers. The Pacific Railway Company contends that the road is up to the standard named in the contract; that the standard was lowered for the avowed

purpose of saving money; that, in the construction of the bridges, wood was substituted for iron, and the grades were made steeper. Under the contract with the syndicate, it is contended that the government was not at liberty to make these alterations, but was bound to hand over a road of the character provided for, under an understanding which subsisted at the time this contract was made. If we are to have an enquiry made into the quality of the works on the one side, why should it not extend to the other? Has the Canadian Pacific Company itself always, and every where, adhered to the standard of construction required of it by the contract? If there are instances in which it has not done so, it would probably take shelter under the fact that the time for the final completion of the contract has not expired, and that it is at liberty to repair defects where they exist. The road is even now undergoing amelioration. That may be, but if we are to wait till 1891 till the finishing touches are put on, and if in the meantime we are compelled to pay the damages in respect of the British Columbia section, the enforcement of the reclamation of the government might not be easy. The Pacific Company, to do it justice, gets credit for having generally done its work well; but exceptions have been pointed out, and the existence of temporary work has been admitted.

A great reduction of judicial rents, said by some to range from ten to twelve per cent., by others to rise as high as twenty-five per cent., has been made by the commission which had the matter in hand. The landlords complain that the reduction is too much, the tenants that it is not enough, and both vent their displeasures on the government. Mr. Gladstone speaks as if the work were a simple executive act; this is so far from the fact that his chief organ affects to believe that he could not have said so, though there is no reason for the doubt. Reduction by commission, however objectionable, is no justification of the plan of campaign, which is simply an illegal interposition between landlord and tenant. The commission was created in a legal way, though the nature of the legislation which made it possible is an extraordinary interference with the rights of property.

The business of the port of Halifax has received a great propulsion, owing to a disagreement between the Allan Steamship Company and the Grand Trunk Railway. Portland has been discarded, as the winter port of these steamers, for passengers, and Baltimore has taken its place, and the Canadian freight is all landed at Halifax. On New Year's day no less than seven Allan steamers were in that port. By the "Circasian," alone, 2700 tons of freight was brought. The extra freight thrown on the Intercolonial will tax the resources of that railway to the uttermost; but so far we hear of no special complaints. Confederation is destined to make Halifax a great port, whether or not it retains, without interruption, the extra freight it is now receiving.

Persons who were present at the Boston banquet report that the speaking was not so one-sided as the telegraph accounts would have us believe. More than one American speaker objected to commercial union, on the ground that there are plenty of dormant resources awaiting development in their own country, coal and other minerals, and that as representative men they could not lend aid to development in a foreign country, by preference. The press reports give us nothing about this, and the omission is serious as tending to show studied suppression of one side of the case. Boston is in favor of commercial union, but other parts of the country less fully represented, showed themselves to be hostile; and of the whole United States, not less than of Canada, it is probable that a large majority are adverse. That this is true of Canada, we have not the smallest crumb of doubt.

The Montreal Board of Trade substantially agrees with that of Toronto, that the recent change of grade of Manitoba wheat is a mistake. In Manitoba, the opinion is different, and the change may be attributed in a large degree, to the pressure of local opinion from that Province. One thing is certain: a lowering of the standard will not deceive buyers, and nobody is deluded by it, except Manitoba producers and dealers. To put the standard below that of Duluth is to give Manitoba wheat a corresponding position. Buyers will be guided by the facts not by name; the proportion of hard wheat, and the weight per bushel, not the name, will determine the rank in the eyes of purchasers. When the standard is put below that of a rival it becomes simply a brand of inferiority; there can be nothing gained by the move, and a loss of prestige is sure to follow the degradation. But it is now announced that the proposed change of grade is not at present to go into effect.

While the negotiations on the fishery question are going on, it was to be expected that wild statements would be made, in public, in the belief or hope that the result could, in this way, be affected. An outburst of this kind has taken place, at Philadelphia, at a public meeting, held under the auspices of the National Fishery Associations. Resolutions were passed, declaring that the rights of American fishermen, in Canada, have been denied, objecting to any form of reciprocity, even the most limited, and, when there is no ground or pretext for it whatever, calling on the executive to decree non-intercourse with Canada. From its extravagance and unreason this proceeding must, we should think, prove harmless.

In New York, the year opens with a comparatively easy money market, and an abundance of loanable funds. The payment of interest and dividends, within a few days, is put down at seventy millions of dollars. Speculation is quiet, and the demand for loans moderate. The clearances in thirty-six cities, during the last week aggregated \$772,570,479, against \$810,057,081, in the corresponding week 1886. Various holidays made it a broken week, in Boston, and this is held to account for part of the decrease.