

Government was utterly powerless to prevent, notwithstanding the encouragement it gave her to resist. We all know why the British Government was unable to assist its ally during the progress of the war; we remember the subtleties it resorted to in order to overcome the opposition of the British public, which were only successful after the war was ended and the treaty of San Stefano signed, which enabled it to send the war vessels of England through the Dardanelles in the nick of time to prevent the immediate overthrow of the Ottoman Empire. That action led to the Conference and the treaty of Berlin, and was the means of restoring to the Sultan part of his dominions.

There is no doubt whatever in the mind of an unbiased student of the Eastern Question, that if the British Government was not directly responsible for the late war, it could, at least, have easily prevented it. Why did not the British Government go frankly and honourably hand in hand with Russia and other European powers in their pressure upon the Porte to obtain better government for the oppressed Christians? That the Turk would have resisted vigorous pressure put upon him by England, Russia, Greece and the Christian principalities, is utterly incredible. That would have been too strong even for the Turk, who, although a fanatic, is not altogether a fool, and he would have succumbed to the inevitable with the best grace he could muster. But, encouraged by England, he was led to resist, and the Czar was forced to accomplish by force of arms what might have been done by diplomacy alone, had the powers been in unison. The British Government was prevented from this manly course by its insane and unjustifiable jealousy of Russia, which was so ungovernable as to quench every spark of sympathy for the enslaved Christians. In full view of this fact, "Turk," who is not a Turk, writes exultingly that "England has more than regained her former position as one of the foremost of civilized powers, and what she says is listened to and regarded."

It is a strange perversion of the human intellect surely that causes "Turk" and the English Tories to be jubilant because Great Britain has gained prestige and position among the powers of Europe by prostituting herself, and trampling under her feet justice and humanity. Instead of jubilation, it should be a matter of the profoundest regret with all loyal subjects of the British Crown that the slightest shadow could be discerned, even by its enemies, in the policy of the British Government. I concur heartily with several patriotic and enlightened English writers in thinking Great Britain has not gained by her alliance with the Turk, and I believe that the future historian, instead of eulogising Lord Beaconsfield, as "Turk" sees fit to do, will on the other hand, portray him as the most cunning, the most sinister, and the least patriotic of all the Prime Ministers the country has ever had.

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"THE BUSINESS SITUATION."

Criticism of a personal kind is always better avoided. Permit me, therefore, by reference to the first principles underlying "Alpha's" views on "The Business Situation," to make the *truth* visible to your readers; for truth can be applied usefully, error cannot.

To return to what "Alpha" designates "the noble example of a merchant diligently increasing his liabilities,"—first principles clearly show that a merchant may wisely do so, if, along with increase of liabilities, he also adds to his assets. In the example to which "Alpha" refers, it was not only implied but plainly stated, that in estimating the position of the merchant when he owed \$10,000, with \$1.70 of assets for each dollar of liabilities, and comparing it with his condition and prospects when a year later, after extending his business, he owed \$20,000, with \$1.85 of assets against each dollar of liabilities, there must be assumed a similar genuineness in the valuation put upon assets in both cases. Increase of business necessitates, certainly, increased care to accomplish this, but few will be so bold as assert that it *cannot* be done. Most men, "Alpha" perhaps excepted, would prefer the \$1.85 to the \$1.70; and "when such an estate is brought to the hammer," experience is against "Alpha's" implied corollary, the large estate *does* realize better proportionately than the smaller one, because there is more to work on, and more chance for good management to tell. The more good sound business a merchant does, the better it is for himself and others; but there is no quarrel between "Alpha" and I on the point that extension of trade should only be attempted on sound principles. I have humbly endeavoured to show all through that sound trade does not *necessarily* become unsound because it is extended. "Alpha" now generously assents to that proposition. That larger trade of an entirely speculative and unsound character brings larger measure of disaster than a similar smaller trade can do is also true. That the losses of 1875 and since were, and are, caused by unsound trading, is true, and expresses my own belief. Neither merchant nor banker were free from blame in the matter. But the adverse balance of trade neither caused nor showed that. It was the unrealizable, dubious character of the assets held to meet that debt which made it formidable, and not either the large or small dimensions of the debt itself. It was precisely because "active capital (and labour) had been converted into unavailable shape" by our own foolish investment of it within this country, that our united balances of trade debts, outside of the country as well as within it, embarrassed us. The policy of our Finance Minister can do extremely little to prevent such individual folly, though he should consume the midnight oil in constant reckoning of our debts to other nations, and insist perpetually on our daily attention to his interesting calculations. Individuals must judge of their individual transactions—their individual debts—and all they have a right to ask of Government is liberty to trade as freely as possible, and reap the fruits, be they profit or loss. None is to blame but themselves, so long as they enjoy such freedom of action.

"Alpha" pleads "that sound, political economists admit that all the products of labour should be given a bearing on the market." If they did not admit this self-evident truth, they might possibly be sound in political economy, but they would most certainly be unsound in mind. Whether they admit it or not it is the fact all the same. The laws of nature, which are the laws of God, are so ordered that all products of labour have a bearing on all markets, whether "Alpha" and political economists like it or not. Investments of labour, or its price, in real estate are no exception. If money paid for labour is

invested largely in real estate which is not wanted, which is not rented, and so remains useless to the community, producing nothing, it has a very decided bearing indeed even on the money market, for it is just so much "active capital converted into unavailable shape." How then in the name of everything that is rational are real estate banks to prevent the natural operation of the laws of trade? Real estate is merely another form of merchandise. Even were it possible to create capital by this means and utilize it in paying our debts, how could it benefit our position if the money so obtained were secured only by the unsound investments presumably already held as the equivalent for these debts within the country and found to be unrealizable, as "Alpha" avers they are.

If what "Alpha" states were true "that a \$1,000 promissory note is discounted by the maker, and becomes by law a basis of issue in the hands of the banker" there might be some slight point in his contention, although even then there are advantages in favour of the promissory note, representing as it does a transfer of portable property, which render it superior as a basis of credit to the mortgage, as we shall presently see. But it will be news to bankers to learn either that their issue is based on the promissory notes they hold or that gold is not the basis of issue in the hands of the banker. Every merchant, every workman, like myself, knows better than that. If "Alpha" will trouble himself to look over any bank's monthly return published in the daily papers, he will find that gold and Provincial notes form the basis of issue of its own notes. Each bank is required by its charter to hold a proportionate reserve in gold or Government issue against its own notes issued.

These bank notes are promissory notes no doubt, but they are promises to pay at any time *in gold*, as can be read on the face of them. Their circulation is only maintained by that fact. They could not long be circulated otherwise, for few would care to give value in exchange for them. A bank's lending power consists of these notes, and its capital, less the reserve it is required by law to hold against said notes in circulation. In addition to that, it lends moneys deposited with it. With the moneys so obtained, it discounts promissory notes made in the course of trade, and bearing two or more good names, or, one name and the bill-of-lading or transfer of the books handled. When said deposits are claimed, or its circulation is returned upon it, it must pay both in gold if asked to do so, or stop payment. To do this in trying times, it may have to realize on its securities—the promissory notes and goods aforesaid—and then comes the test of the quality of its investments, showing whether they are sound or unsound. Because it has lent \$1,000 on a promissory note of that amount, it does not at all follow that it can take that same \$1,000 and re-lend it—that identical \$1,000—on another promissory note, as "Alpha" seems to imply. No doubt it may re-discount that \$1,000 note in some other bank if it is good value, and re-lend the money so obtained, or use it to pay its own debts, but in this respect the \$1,000 note in no way differs from a \$1,000 mortgage. The man who has lent a \$1,000 on a mortgage, and wishes that \$1,000 restored to him, can, if he chooses, sell that mortgage, if he can find a buyer who considers it good value and has money to invest. The banker and the mortgage holder are so far exactly in the same position. What more does "Alpha" want? He is free to sell or re-hypothecate his mortgage at any time he can. Debentures are not illegal here so far as I am aware. The banker is free also to sell or re-hypothecate his promissory note security, if he can find a market for it. But, first, here appears the difference. Promissory notes are for short dates generally, or at least ought to be. Mortgages are almost invariably for long periods—years instead of months. Hundreds of men will always be found with cash to lend for short periods. It is only the few comparatively who can afford to make permanent investments. The goods for which a promissory note is given are transferable from place to place at slight cost. If they cannot find a market here they may be conveyed elsewhere. They are useful anywhere almost and will command *some* price, if not a profit. They are portable property in a bulkier form than gold. Houses are not. Land is not. If they are not saleable on the spot where they are planted, science has not yet developed a cheap method of conveying them elsewhere. Any Company, therefore, which issues notes payable *in gold on demand* on the basis of such security, "however sound it may be, would find great difficulty in gaining currency to any great extent for such issue, for the simple and self-evident reason that they do not possess the *gold* wherewith to meet such issue if suddenly returned to them," but, instead of gold, possess houses and lands realizable only when trade and commerce are brisk and money plentiful, and not capable of being cheaply and readily carted away to countries or districts where they are really wanted. Furthermore, when a man wants his *money* returned to him in circumstances where only *money* can be used—for travelling, for instance—it would be discouraging to be told that he can't have it, but that it is all right—quite secure—secured by mortgages transferred to the custody of the Government, who will no doubt advance it to him if he asks them. Sometimes "more *is* wanted by a creditor than to have his money secured by mortgage and bearing interest from the date of protest." He wants *money*—not security for it—and when it is refused it will be a day of loud protest with him; and just when many men want money is the time of all others, as we have said, when real estate is depreciated in value and hard to realize.

How "Alpha" reaches from such facts his certainly "startling corollary," that "the amount of paid-up bank stock in this country which may be made available is equal to the sum of the good mortgages," is simply incomprehensible. It would be startling if it meant anything. It is a form of words which means nothing. The one fact has simply no relation to the other. What it does mean must ever remain a mystery, or—if capable of solution at all—solvable only by "Alpha."

Verily "Alpha" is worthily blamed for "putting money matters in a new and interesting light." New, his views certainly are. Interesting, to the speculative mind, as the embodiment of the baseless fabric of a vision—though much more likely, if they contained any elements of possibility and could be carried out, to differ materially in leaving a very decided *wreck* behind. If it is "welcome news" to traders and manufacturers to learn from "Alpha" of a "plan by which the capital of the country may be doubled or quadrupled—redeemable in *Gold*," without first doubling or quadrupling the reserve of gold needed to redeem it, then "Alpha" has found the Philosopher's stone, and wise men will be careful not to butt their heads against it, lest they should hasten for themselves and their country the direful advent of another OMEGA.