

outrageous act of favouritism, such as we do not hesitate to affirm is without a precedent in modern times. It invited tenders for a loan of four millions, which it was ready to place at par. It got one or more tenders considerably under par but some parties in its confidence, possibly the very banker interviewed by the *Star's* representative, tendered at a price verging upon par, and the Government immediately increased its price beyond its own declared limit, with the certain result of benefiting the unknown tenderer. Why, if it is an "open secret" that the Government are about to inaugurate such a policy as stated, was it not publicly announced prior to the advertisement of the loan? Surely no intelligent man in the community will venture to affirm that if Government 4 per cent debentures are to be made a basis for bank issues such debentures would not be materially increased in value.

The very extraordinary course taken by the advocate of the United States system of Bank issues will, we hope, be an excuse for a few remarks on the relative merits of the British and United States systems. The first striking fact is that the English system was adopted after the greatest possible deliberation, and with the cordial concurrence of the most eminent statesmen, political economists, and practical bankers in the United Kingdom. The United States' system was adopted during a period of national insolvency, and at a time when it was absolutely necessary for the Government to secure the assistance of the principal capitalists in the country. As regards the security to the note-holders, that furnished under both systems is the nation itself. The advantages of the Government note issue are that the profit would be derived, as it ought to be, by the whole Dominion, and that, instead of a vast number of issues of different banks, there would be but one description of bank notes. Again, the Bank of issue is already in existence, and as regards small notes of ones, twos, and fours, is a sole bank of issue. Moreover, if the bank circulation were to be suppressed, the 4 per cent debentures would be equally required, as they are now as a security for the circulation, and would be held by the Government as a security for its own issues instead of those of the banks.

It is said by the *Star's* informant that about twenty-six millions of dollars would have to be invested by the banks in Government debentures which "are now employed in loans and discounts at at least 7 per cent per annum." This led to a disquisition on the effect the change

would have on "the earning capacity of the banks," and it was suggested that the banks would hardly be satisfied to take bonds at less than five per cent, and this the banker was naturally quite willing they should have, omitting to point out that the unfortunate and duped public would have to pay 5 per cent for money which it is admitted can be borrowed at 4, and at a time when the Government is asking 2½ premium for 4 per cent bonds. This is not all the public loss contemplated by this infamous and fraudulent scheme. The Government notes by the issue of which the people of the Dominion have been for years earning a profit, are to be suppressed. It is likewise suggested that the notes should be engraved on one side by the Government, and on the other by the issuing bank. After the development of the scheme it is frankly admitted, first that its effect will be to *make money scarce*, when "borrowers will gladly pay "higher rates for its use, thus enabling the "banks to earn as much now on a smaller "volume of business." Very well for the banks, Mr. Banker, but hardly as well for the borrowers. Then "any attempt at "abrupt action could not fail to convulse "the monetary system of the whole "Dominion." Precisely what we have repeatedly pointed out as the sole objection to the suppression of bank issues, and the universal use of Dominion notes. The banker proposes five years as the period within which the change should be effected. The period is altogether too short. We have nothing to guide us in the circumstances of the United States when the change took place there. In England Sir Robert Peel made his Act prospective only, limiting existing banks of issue to their average circulation for 3 years previously. Moreover, no bank within a limit of 60 miles from London had been allowed to issue notes, and in the provinces the principal joint stock and private banks had never been issuers of paper money.

The difficulties in the way of substituting Government securities for commercial paper to the extent of some twenty-five millions are so formidable that we shall not enter on them at length. Our object has been to point out that if they could be overcome, it would be infinitely better, especially as all the machinery is in working order to have a sole Dominion note issue based on Government securities and gold than a variety of bank issues based on similar securities. It must be borne in mind that the change can only be effected at risk of loss to the banks and their customers. As to the former, public faith is pledged to the shareholders, and

fair compensation should be given at the expense of the public which would profit by the change immediately, but in a much greater degree prospectively. As to the customers a very gradual change would be absolutely necessary, five years being altogether too short.

OVER SANGUINE.

It is a hazardous step for Ministers of the Crown to put themselves at the mercy of interviewers, as we have no doubt Sir Leonard Tilley is by this time convinced. Knowing nothing whatever of the Exchange Bank's affairs, he ventured to state that the failure of that bank was "really due to the depression in the cotton trade," and the consequence has been "a flat contradiction" by a director who states that the cotton bills held by the Bank were quite an insignificant item in their assets. That, however, is a matter of secondary importance. In the same interview the cotton manufacturers are assured that the present depression in the trade, caused by over-production, is only temporary, and that "there is profitable employment for all of the mills in "the various cotton productions," and it is further said, "I consider the trade outlook very satisfactory." Sir Leonard Tilley has heard quite enough of late of former utterances of a sanguine character, and we should have thought would have been more cautious in future. Although he assures the Canadian people that "everything is eminently satisfactory in regard to trade," and "there is not the "least cause for alarm or gloomy apprehension on any account," there is no doubt whatever, that there is considerable uneasiness in the public mind, and, moreover, great danger of a large number of operatives being thrown out of employment. In reference to the statement that "a few years ago, there was great demand for grey cottons, it is to be borne in mind that long prior to the enormous increase in duty, Canadian mills were amply supplying the local markets with grey cotton. The effect of the stimulus of the high duties has been that, to use Sir Leonard's own words, "other mills "were built all over the country for the "same purpose." We have reason to believe that persons more experienced perhaps than Sir Leonard Tilley are of opinion that the total consumption of such cotton goods as can be advantageously produced, in Canada, even with the present tariff, will not greatly exceed what the existing mills can produce. There must be a general desire that the very sanguine views of the Minister of Finance should be realized, but it is, to say the least, rash