

A GOVERNMENT

SPECIE-PAYING BANK OF ISSUE



OTHER SUBVERSIVE LEGISLATION,

PROPOSED BY

THE FINANCE MINISTER OF CANADA.

"Fœnus hoc fecit et nummus percussus."—PLINY.

By THE HONORABLE ISAAC BUCHANAN,

FORMERLY PRESIDENT OF THE COUNCIL IN CANADA.



HAMILTON:

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“The clearest way for us to judge of a great principle is to remember that our children are to be blessed or blighted by it. In this way, we shall generally form a correct judgment and see our path of duty to interfere, when otherwise we would not see it. Take Religion for instance—looking to oneself, we are ashamed to say that it is comparatively the only thing of any value, and which is alone really worthy of engrossing our thoughts; but, looking to the vital consideration *that the decision is for our children*, we at once get quit of our false shame. So is it with that question in Patriotic or Social Economy, which is the only thing of any comparative importance, **THE EMPLOYMENT OF OUR OWN PEOPLE**. To avoid the recognition of this we find to be death, not to ourselves only, but *to our children*. For them therefore, we protest against the attempt to put to one side this **THE ONLY RATIONAL CONSIDERATION—THE ONLY ONE WHICH IS REALLY WORTHY OF ENGROSSING THE ATTENTION OF PARLIAMENT—THE OTHER QUESTIONS OF POLITICS BEING MERE COMPARATIVELY INSIGNIFICANT DETAILS—GENERALLY MORE ORNAMENTAL THAN USEFUL**. Let us, if we dare, decide against this being *the question of questions*—but until we do so, let us admit it to be **THE FIRST QUESTION IN THE POLITICS OF EVERY COLONY, (INDEPENDENTLY OF THE CONSIDERATION OF ANY OTHER PART OF THE EMPIRE,) AS WELL AS OF EVERY COUNTRY, AND KEEP IT PERPETUALLY IN VIEW.**”

“It was under the deep feeling of responsibility now referred to, that I have from time to time, from 1815 downwards, written exposures of what, to me, seemed then, and seems still, *the Delusion of Free Trade*—untruthfully so called, as it is only a system of Free Imports, or the power to us to buy foreign labour, but not power to sell the foreigner British labour. It was under the same feeling of deep responsibility that I have implored Canadians to take warning by the industrial *past and present* of the United States,—although these have not been nearly so bad (unpatriotic) as the industrial *past*, not to say *present*, of Canada. And it is under the same feeling that I now desire to hold up, to the British public at home, what I see is to be the more patriotic Future, industrially, of the United States.—[From a *brochure* by Mr. Buchanan, written some years ago, entitled “The Reorganisation of Party Government the Great Political Necessity.”]

A GOVERNMENT
SPECIE-PAYING BANK OF ISSUE.
AND
MR. GALT'S OTHER SUBVERSIVE LEGISLATION.

“HOMELY INDUSTRIAL PRINCIPLES UNDER WHICH IN ITS PARTICULAR CIRCUMSTANCES, BRITISH AMERICA WILL HAVE NOTHING TO ENVY IN THE INDUSTRIAL PROSPERITY OF THE ADJOINING REPUBLIC, ARE THOSE UNDER WHICH ALONE IT CAN BE CONTENTED, OR IN OTHER WORDS LONG REMAIN A PART OF THE BRITISH EMPIRE.”

*To the Members of Both Houses of the PROVINCIAL PARLIAMENT
now Assembled at Ottawa,*

GENTLEMEN,

HAMILTON, 6th July, 1866.

The above motto is an old Saying and Conviction of mine, which I am sorry to feel would soon be brought to the test of experience, if Mr. Galt succeeds (which I cannot believe will ever be the case) in inducing you to adopt his *European system of Legislation*, for under it I see that prosperity would be impossible in any part of America, whether that be the neighboring Republic or British America. On this all-important subject we have the practical decision of the Americans, and theirs is the only experience in the world worth a straw to us, seeing that the United States is the only country whose circumstances and ours are the same. To Mr. Galt, as a valued friend, and as a man of whom Canada has a good right to be proud, I should be inclined to attribute the least odious or least unpatriotic position possible; but I cannot express less offensively his European system, than by representing it as a *combined Hard Money and Free Import System*, the practical effect of which would be, that we should be *beggared* by being doomed to purchase the manufactures of the Mother Country, although we have nothing to pay her for them. And I feel that it cannot, at this crisis of our fate, be too plainly declared, that human ingenuity could not devise anything worse for a new or poor country, than this British Industrial Legislation! * and that *as a matter of fact*, there has never

* “The merchant and the manufacturer, the shop-keeper and the day-laborer, alike find their trade stopped and their gains swept away. Suffering and want spread over the land as if there were a famine. There is a paralysis of trade, a dearth of employment; and the hard times are felt by the mill-worker and brick-layer, not less than by the magnates of the trading and commercial world. Is there not something wrong here? Ought the presence or absence of a few millions of gold to make the difference between national prosperity on the one hand, and national disaster and wide-spread suffering on the other? How will POSTERITY SPEAK OF US WHEN IT SEES THAT WE MADE THE HUGE FABRIC OF OUR NATIONAL INDUSTRY STAND LIKE AN INVERTED PYRAMID, RESTING ON A NARROW APEX FORMED OF A CHAMBERFUL OF YELLOW DROSS? Will they not laugh at our folly, our barbarism? When the usual supply of gold is temporally diminished, why should our usual credit system be restricted in proportion, or totally suspended? Of what use is credit but to take the place of payment in coin? Was it not for this purpose, and for this alone that credit

been any prosperity in British America or Ireland, except such as arose *in spite of it*. In such countries as these, we have plenty of food and clothing to bestow on artizans if they will come amongst us to manufacture, but we have scarcely any productions that will PAY to export, and therefore we have not cash to send abroad for foreign manufactures.

I see that the experience of the Americans is the only one that can be of any use to us, and I know that *they for long years indulged the same inexperienced appreciation of Foreign Trade which Mr. Galt now does*. The following is from one of their writers, who were instrumental in wakening up the United States to the humbug of that absence of all practical principles, called in the mother country *Political Economy*.—It would be well if Mr. Galt and the proposed MONTREAL FREE TRADE LEAGUE would be satisfied with this experience, and not force British America to go through the same painful ordeal before arriving at the conviction (at which sooner or later it must arrive) that European Industrial Systems will not suit AMERICA. The United States, as a whole, had the assistance of their cotton and tobacco crop as PAYING exports, while the Northern States viewed separately and Canada, have scarcely any agricultural product that will PAY to send to Europe.

“As with the family, the nation that consumes or imports more than it produces is on the road to bankruptcy. A fortunate concurrence of circumstances may for a while keep its tottering head from beating the earth; but in the end, such a country must fall. These continually recurring monetary revulsions are but the too palpable effects of its crippled and debilitated faculties, showing that it is only with the utmost difficulty and pain that it can stagger along. This is the country, the improvident country, that has ever imported more than it has exported. The amount of the excess of imports over the exports is familiar to all who take the trouble to inspect the reports of the departments. A glance at the figures will show what reason would have required us to expect. Passion and party frenzy may blind a man to obvious facts, or render him indifferent to things dimly seen through the mists of prejudice; but every sensible and unbiassed mind will at once confess that *a system which constantly exhausts, and never replenishes our national resources, must be ruinous*. Without going back further than to the administration of Munro, we see that the excess of our imports over exports—taking no notice of foreign goods exported included in the account—was, during his second term, upwards of \$16,000,000. During J. Quincy Adams’ term, upwards \$17,500,000; during General Jackson’s first term, about \$35,000,000; and during the second term, upwards of \$129,000,000. There has been scarcely a year since, that the imports have not greatly exceeded our exports, and the aggregate of the excess of our imports from Jackson to Buchanan’s administration, must amount to several hundred millions of dollars. The excess of our importations during the last term of President Polk, was upwards of \$114,000,000, and the excess from 1847 to 1857, is, in

and paper money were adopted? Why then not make use of our credit system as a means of compensating the temporary absence of gold? Why not tide over the difficulty instead of aggravating it? and so avoid the tremendous sufferings which are ever recurrent under our present system of monetary legislation. Suffering thousands and starving myriads signalise each great monetary crisis. Even during the last year though the crisis of evil has been escaped, the usurious bank rate of 9 or 10 per cent. has swept away the profits of trade into the pockets of bankers and capitalists. Parliament inflicts misery upon the country out of an antiquated deference to some bits of yellow dross. **IS THIS WISDOM? IS IT HUMANITY? IS IT CIVILIZATION? IT IS BARBARISM AND FOLLY, PREACHED UP BY THE MONEYED INTEREST, THE HIGH PRIESTS OF MAMMON, AT THE EXPENSE OF THE COMMUNITY.**”
—*Blackwood’s Edinburgh Magazine*.

round numbers upwards of \$250,000,000. An inspection of the tables annually presented by the Secretary of the Treasury will show the following astonishing facts: The specie imported during ten years, from 1847, immediately after the reduced tariff of 1846 * to 1857,

Including these two years (fiscal years) was.....	\$84,208,889
Export of specie and bullion during same period.....	343,062,217

Excess of exports over imports.....	\$258,853,228
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The total amount of imports of goods and specie during the same period was.....	2,566,350,318
Exports, specie included.....	2,512,120,741

Leaving a balance of indebtedness.....	\$54,220,577
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Or thus:

Imports, exclusive of specie from 1847 to 1857.....	2,482,141,329
Exports, exclusive of specie " " ".....	2,169,067,524

Balance of trade against this country.....	\$313,073,805
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"What does this show but a clear loss to this country, in consequence of its want of policy, of upwards of *three hundred millions of dollars*? What a commentary on our national system! We have cast the specie exports since the California mines commenced their products, to shew into whose pockets their treasures find their way. [This table is unnecessary here.] The reader need not be told that this is all wrong; that our commercial system should have been such as to have saved the products of our gold mines, and, instead of paying to have received by foreign trade, a balance of one or two hundred millions annually."

In the meantime in the face of all this American experience what says Mr. Galt?

"We should always, (says Mr. Galt in his late Budget Speech) endeavour to approximate to that system of political economy which has borne such *rich fruits* in the mother country."

Now, many years ago in England I described this Political Economy as follows:—

"And it is not only as regards colonial labor, but as regards the labor of the mother country, that British statesmen have adopted the most disloyal principles, for they do not pretend to owe more allegiance to the **BRITISH LABOURER (WHO SHOULD BE THEIR POLITICAL MASTER) THAN THEY DO TO THE FOREIGN LABOURER**. On the throne of Patriotism they have set up Political Economy! Perhaps however we should be nearer the truth if we hold that in England there never was, among her legislators, any more than the *pretence* of devotion to the interests of the British people. The success of the American Revolution showed them, that no government could exist that had not the hearts of the people, and the subsequent troubles in France made this still more clear. The Political Economists, instead of honestly associating the Government with the people in their interests, *humbugged* (to use an unmistakable word,) both the Crown and the people. That truly popular interests should prevail was no doubt the interest of the Crown, but this would not suit the British statesmen as representatives of the men of money. They knew that **WELL PAID LABOR** is a convertible term for **CHEAP MONEY**. They therefore introduced a contrivance which blinded both the Crown

* This, after all, was not what we in Canada would call a Low Tariff.

and the people. At Cambridge they had learned that "*things which are equal to the same thing, are equal to one another*," and they taught this both to the crown and the people. Their object of course was to prevent any actual *oneness* of interests between the Crown and the people; so, they had to use considerable *sleight-of-hand*; and the *juggle* succeeded admirably:

‘ Indeed the pleasure seemed as great
Of being cheated as to cheat,
As lookers on feel most delight,
That least perceive the juggler’s sleight;
And still the less they understand,
The more they admire his sleight-of-hand !’

“They accordingly set up this thing called Political Economy, and succeeded in convincing the people that it WAS PATRIOTISM they were called upon to worship. Political Economy (said they) is the people’s interest. Political Economy also they averred to be the Crown’s interest. And so, by the easiest *geometrical* process, the interests of the Crown and the people were proved identical, as being both identical with Political Economy! But the great popular condition was never fulfilled, of money being *permitted* to become cheap, seeing that this was the convertible term for labor being made dear, or employment fairly remunerated. The Political Economists knew well that there are but *two* ways of paying taxes. Taxes must either be ADDED TO PRICE (as they ought to be) or *deducted from wages*. If they could continue to be deprived of PAPER-MONEY * the people must be driven to the latter cruel alternative, and THEY WERE, AND STILL ARE, DRIVEN TO IT. There was never so refined a hocus “*heads I win, tails you loose*,” as was the action of the Bullion Committee of 1810, which was able to make little or no progress till 1815, and the fact of the ministerial members of it having had, as their part of its dirty work, to silence by the bribe of the infamous Corn Bill, the great Landed Interest, is at once the condemnation of these heartless hard money men, and reason enough (apart from the question of its operation) for the eventual discarding of that greatest conspiracy against the masses the world ever witnessed—always excepting this monetary revolution which imposed on the country’s industry generally *the worse than Egyptian Bondage of Hard Money*, to the success of which the yielding of the exception in favor of Corn was a necessary condition, so comparatively intelligent and keen was the agricultural interest. But they took the same line, *as we have seen the most unworthy politicians in Canada take*,—to prove themselves *pure*—they cried out against an imaginary corruption. But as in the one case so in the other, it was mere empty words. The actual fear was that money would fall and labor rise in value, but the *modus operandi* was to get up the “cry” that paper money might be OVER-ISSUED, and by this expedient the money-mongers, as I have before said, succeeded in simultaneously *humbugging* both the Crown and the people. The air we breathe exists in SUPERFLUITY around us, but the *lungs* only appropriate the necessary quantity, so Trade *could* only absorb money to the extent of its transactions, which are the *lungs* of Trade. And as with the air, so with the paper money, or *legal life’s-blood of the Trade*, the only question should have been as to its purity, for were the legal tender one pound note properly secured, and *secured even from any idea that it could be in over issue*—by being only issued to the extent of gold in possession of either the government or chartered Banks as the law may arrange—it is clear that no one but a lunatic would part with it for less than twenty shilling’s worth.”

* I intended here to have put an explanatory memorandum, but shall put it at end of this letter.—ISAAC BUCHANAN.

BUT IN THE CIRCUMSTANCES WHAT IS OUR PRACTICAL COURSE TO PREVENT RUIN TO THE GREAT INTERESTS OF THE PROVINCE, AND DANGER TO THE EMPIRE.

An instantaneous decision and momentary action by members of the Legislature are imperative, so that we must not waste our time fighting shadows. I would, therefore, divide Mr. Galt's propositions into two—those on which he desires immediate action—and those comparatively harmless anticipations of his policy hereafter. The measures on which he desires immediate action are his new Tariff and his unrectonized specie paying Bank of Issue. And as to

THE NEW TARIFF,

Although there was no necessity for any alteration of the Canadian Tariff at present, or till after the consummation of the Confederation of the Provinces, and although this step of Mr. Galt's places us worse in a future adjustment of the Tariff, yet as under Confederation we looked to our general duties being reduced to *fifteen per cent.*, I would not be a party to oppose its passing, *except in such parts as would force manufacturing industry to remove from the Province, which I would view as too dear a price at which to purchase even Confederation.* I of course see however, that if under CONFEDERATION WE SECURE A LOCAL CURRENCY THAT CANNOT BE REMOVED FROM THE COUNTRY, MUCH SMALLER CUSTOMS DUTIES WOULD BE SUFFICIENT to retain among us our manufacturers and prosperity (these being convertible terms in a country which must have rotation of crops and a market for its produce which cannot be exported,) than if we had a hard money system, and its natural results in America,—a *scarcity and dearth of money, and as a necessary consequence, absence of general prosperity.* My great aim has always been the contrary of that of Mr. Galt, who has merely thought of getting an increased Revenue, and has not stopped to consider the terrible evil of the trade and people generally being involved in debt and difficulty to pay for over-importations of goods; while my long experience of the Province and its Trade and Resources have shown me that the smallest amount we can import is more than we can pay for by legitimate exports.

MR. GALT'S GOVERNMENT SPECIE-PAYING BANK OF ISSUE.

Lord Bacon warns us against the tendency of the human mind to *the worship of system*, from its being inclined to believe in a greater degree of order, regularity, and conformity with general rules, than really exists: and this is, I consider, the error of Mr. Galt.

"Intellectus humanus ex proprietate suafacile supponit majorem ordinem et æqualitatem in rebus quam invenit. Et cum multa sint in naturâ monodica, et plena imparitatis, tamen affingit parallela, et correspondentia, et relativa, quæ non sunt."—(NOV. ORG.)

"The human mind, from its peculiar constitution, readily supposes a greater degree of order and equality in things than it actually finds. And, though many things in nature are unique and disparate, it yet frames for itself parallelisms and correspondencies where none exist."

But to speak in more homely phrase, I think Mr. Galt's weak point that which he and his friends consider his chief strength, HIS ONENESS OF VIEWS WITH THE STATESMEN OF BRITAIN. He and they have taken for granted that Political Economy is a science; but I deny that it is entitled to such distinction. A science is a thing of fixed facts, whereas the facts of Political Economy are ever varying circumstances! Beyond these I might have been glad to have had an opportunity to admit the *subdivision of labor*, and the *law of supply and demand*, as fixed facts, on which to begin to form a science, but both of these have been shamefully outraged by the *soi-disant* Political Economists. They have given

away our Nation's labor, or all they could of it, to the foreigner, leaving little to *subdivide*. And they have grossly abused and violated the law of supply and demand, in *fixing the price of Gold*, the moral crime of which was greater than the scientific, for no legislation could fix the *value* of gold or any other commodity; and the practical injustice of this divorce of these synonymes is so great that it has been the cause of all the financial panics in England which have occurred since 1819. These have all arisen from the foreigner having it in his power to demand gold at a fixed price as a *money*, instead of requiring to purchase it for exportation in the market as a *commodity*, or, in other words, from our money being an exportable article, liable to exportation.

And now Mr. Galt, by his proposed Legislation, seems to take for granted that Canada is a rich country, with large realized means, in such circumstances as England *—Trade having in that country preceded Banking; and Banks of Issue, even now being few in comparison with the Trade—rather than a comparatively poor country like Scotland, in which Trade was the creature of Banking—a system like our own of Banks of Issue, which were the means of collecting together the Savings of the people, and in this way securing for the use of the country, a vast deal of outside assistance and credit, especially in London. Now WHAT WOULD BE THOUGHT OF A PROPOSAL TO DO AWAY WITH THE SCOTCH BANK NOTE CIRCULATION! But to come nearer home, what would be the effect of a proposal to do away with the local Bank note circulation in the United States, and to have as the circulation of the whole country, an issue at two places FOR GOLD, of only an amount of *Specie-paying Greenbacks* limited to the amount of Gold that the Banks could extort from the Trade to pay for them! And even supposing there was left in *existence* (which does not necessarily involve circulation beyond the great centres of Trade and indebtedness on the sea-board) an amount of Specie Paying Greenbacks as large as all the present Greenbacks and Bank notes, (which are more than seven times as much per head of the population, as the circulating medium of Canada), the Banks would not issue them in accommodation to the Trade until it became their interest, by the Trade agreeing to pay them a greatly increased rate of interest, to compensate them in some degree for their having been deprived by Government of the advantage they hitherto had in circulating their own notes; and here we see the inevitable effect—A GREATLY INCREASED RATE OF INTEREST—of Mr. Galt's measure. It is seen to be, in reality, not the Banks that he robs, but the Trade, and the public through the Trade, though this is done indirectly.

And we know that (even without the aggravation of a universal Bank of Issue in England) this greatest of curses on a country's industry—an increasing price of money—the necessary effect of a combined Free Import and Hard Money system, is gradually becoming more and more unbearable even in rich England, nevertheless that the realized means of that country increase every year so much, that *naturally under the law of supply and demand, the industry of England ought to be getting the advantage of a yearly reduction of the price of money.*

Surely this continually advancing price of money is not one of those *rich fruits* of the Political Economy of the mother country, to which Mr. Galt desires that we should approximate more and more, although his proposed *Government Specie Paying Bank of Issue* is exactly fitted as has been shown to effect this cruel result to the Province.

* Mr. Galt's plan seems exactly borrowed from the rules which regulate the Banks within a radius of 65 miles of London, which are permitted to issue nothing but the notes of the Bank of England,—a system which may suit the richest part of rich England.

Only that the details have been thoroughly brought out in various newspapers, I intended going into the figures to show that our Provincial Banks would have a greatly lessened Power of accommodating the Trade and Public under Mr. Galt's plan of the Government re-assuming the circulation. But indeed this is a self-evident Proposition; for under such change the Banks could only assist the Trade and Public by means of their Capital and Deposits say \$58,969.539 while at present they have in addition to this, the amount of their circulation, making in all \$70,228,848, as under:

Paid up Capital of all the Chartered Banks.....	\$39,540.112
Deposits in ditto.....	29,421.427
	\$58,969.539
Circulation of ditto.....	11,259.309
	<u>\$70,228.848</u>

I knew of course that in their getting the use of the specie not wanted to secure depositors, and of that part of their capital which is lying comparatively dead in Government Debentures required to secure their circulation, there would be some deductions from the difference indicated by these figures, but still from one cause or another, (especially looking to the lessened inducement to Business from the difference of profit hereafter to be gained by the Banks, *unless the rate of interest is so greatly increased as to be a fearful injury to the Trade*) the blow to the usefulness of the Banks will practically not be less and perhaps much greater, than these figures indicate; while IN ADDITION TO THIS THERE WOULD BE AN INJURY TO THE COUNTRY GENERALLY TO THE GREAT EXTENT THE CIRCULATION OF THE PROVINCE IS DIMINISHED.

So now, as in 1841 and 1860, should all the great interests of the Province rise up as one man to oppose this crude, ill-considered, and most ruinous scheme, which would reduce incalculably the circulation, and thus be the cause of a very general bankruptcy in the Trade, and of an incalculable reduction in the demand for the productions of our farmers, besides doing away with all money value from Real Estate of the Province. Even if financial relief could be expected by the Government from this measure, it would be most unjustifiable and short-sighted, as a mere killing of the goose for the golden egg. It would be to sacrifice the permanent requirements of the Trade, and of the country, to the temporary necessities of Government; and rather than submit to the overthrow of OUR PRESENT MAGNIFICENT SYSTEM OF CHARTERED BANKS OF ISSUE, WITH LARGE PAID UP CAPITALS, THAN WHICH THERE IS NOT A FINER FINANCIAL MACHINERY IN THE WORLD, it would be far better for every citizen to pay directly to the Government, his share of the five (or more likely ten) millions of dollars, which Mr. Galt pretends to see no other way of raising. I cannot, however, believe that this position can be otherwise than a mere morbid misconception, not to say pretence, because I see clearly that all Mr. Galt has to do, is to sustain the present prosperity of the Trade, to enable him in Canada, (and by going no further than the Banks and their depositors,) to borrow on Government debentures, five millions of dollars, as cheaply as he can get it in any other way at present.

But I deny that Mr. Galt would draw financial relief from this measure, except to the extent which the Government determines to hold, for the security of the notes, less gold than the Banks hold at present. There will be no relief to the Government if he does not apply to some

other purpose, than securing the notes issued, the funds in gold and Government Debentures, which he would get from the Banks for these Government notes. It cannot be shewn in what other way COULD COME FINANCIAL RELIEF TO THE GOVERNMENT? It would be a somewhat different thing if the Province were clear of circulation, and the Government could make its payments to its employes and other creditors in these notes; but even in such case, the proportion that would not return for gold would not be anything like so large as the Banks could keep out, if they issued the same amount.

And Mr. Galt's having never had any opportunity of practical experience of the Trade of the Province, in its Origin, Nature, and practical Operations, has always led him to make the grossest miscalculation as to the amount of circulation which could be kept afloat in the Province by a Government Specie paying Bank of Issue. Seeing the handsome volume of Bank Note Circulation which *our widely ramified system of chartered Banks* has influence to put out and keep out—forming a financial atmosphere which seems to follow the operation of our Banking system with as much regularity as does the atmospheric air which accompanies our earth in its journey through the heavens—Mr. Galt makes the great practical mistake of supposing that the centre of this influence (which puts out and keeps out the circulation) is *the Trade of the Province*. Whereas in a country like Canada, which however rich in internal resources is poor in realized means, the Trade rather enjoys than creates the circulation, as our Banking creates the Trade, (through the object it has in issuing its own notes, and in making profit otherwise) more than the Trade the Banking. And our Banks could not have issued to half the extent they have done if compelled to pay the proportion of their notes in Gold, which the government would practically have to do. Our Banks have avoided this, by getting the wholesale Trade of the Province to mortgage their collections by Cashing with them their Bills Receivable for which the Banks have made payment in Foreign Exchange at a profitable price; while at the same time this has practically constituted all the Retail Businesses throughout the Province, who are the customers of their CONNECTION, into so many TRAPS for the collection of the Bank's circulation, advanced to produce buyers, thus keeping it out of hands who would bring it in for payment in Specie at par.

THE MISERABLE EUROPEAN SYSTEM WHICH MR. GALT WOULD HAVE US ADOPT.

Mr. Galt's new system is the present miserable one of England—her combined Free Trade, and *Hard Money System*; meaning by the latter the existence of PEEL'S MONEY LAW OF 1819, which compels the Bank of England to part with, at a low attractive price, to foreigners, the Gold, the presence of which Legislation had made necessary as a basis of the Bank Note circulation, thus reducing the Bank Notes out. This makes money scarce and consequently dear, until prices of all exportable articles are brought down to the gold level. *This is exactly what would be our experience of a Government specie-paying Bank of Issue.* A tree is known by its fruit, and the *first fruit* of "the Hard Money system" was *dearness of money*, if indeed this was not the object for which it was invented at first, as certainly this was the object for which it was resurrectionized in 1819, and is still used, by the designing class who made use of Peel and his great name. Pliny says: *Fœnus hoc fecit et nummus percussus*—"Usury did this and coined money." And the legislation of Sir Robert Peel and Mr Jones Loyd tends to realize exactly the same injustice and ruin from extortion and

Usury as caused the downfall of Ancient Rome. The insultingly cool calculation either on the want of reflection or all independence of Peel's audience, (if it was not evidence of want of experience on his own part,) is made very apparent by his well-known question in Parliament—"What law can prohibit such a rate of interest?" Until within a few years, the law in England had prohibited more than 5 per cent. interest! It was only the 2 and 3 Vic., chap 37, that enacted that Bills not having more than twelve months to run were not to be affected by the Usury Law. In fact the circumstance that, at the period of the currency discussions, 1810 and 1819, money as a matter of interest was by law *priced*, was what alone enabled the *men of money* to succeed in getting gold *priced* by law. What will you do then? (said a remarkable pamphlet published in 1847, soon after Peel's speech, on Parliament being called together at an unusual period of the year in consequence of the Financial Distress.) The *worst* may not yet be past; and certainly is not so, should a demand for bullion similar to that of this year be early renewed. An *immediate* revival of the *Bank-restriction Act*, or a scale of commercial and political confusion far surpassing anything that had yet occurred, must in that event ensue. And suppose it should be otherwise; what may yet be the *sequel* of the money panic of 1847? Are its consequences confined to the losses of the fallen houses? We fear this impression is too general? What proportion can these bear to the aggregate of those losses sustained by houses which *stand*, many and perhaps the larger of them, on the very brink of the precipice; over which, too, they must *yet* fall, indeed, *are* falling weekly; and from which nothing can save them, short of the restoration of their *capital*—(not *property*, of which they still may hold *as much as at any time*)—their *working capital* which has *evaporated* in the falling market price of their stock in trade." It is however, obvious that with the new Element—Free Trade—which gives foreigners a claim for the precious metals, the evils and losses here described would, this summer, have been greater had the Usury Law not been repealed. If no more than five per cent. could have been taken, money would have been scarcer than if 10 per cent. could be taken by the Bank of England, as was the case. And the fact that it is only under a system of Paper Money (or a *system in which the exportation of gold does not cause the scarcity of money*) that the Usury Law can be re-enacted, will eventually find Paper Money many advocates among those who themselves have been ruined by Usury, or who have seen their neighbors so ruined.

"The greatest mystery of the age, among the European financiers (says the *Boston Traveller*) is the drain of silver from Europe to Asia, and disappearance from England and from France of all the immense amount of the gold of Australia and California, which has been carried to those countries. This drain of bullion from the great marts of trade in Europe has continued so long, and takes so great an amount, with as yet no diminution in the flow, that serious fears have been entertained of its deranging the business of Europe, and involving the nations in revolutionary troubles; these being, there, usually the attendants upon financial distress, which, in densely-peopled countries, acts most disastrously upon the condition of the mass of the people. The unexpected and simultaneous discovery, at this late period, of extensive deposits of gold, in the isolated countries lying midway between the civilization of Europe and the barbarism of Asia, as well as the *unavailing efforts of the great commercial nations to retain this gold*, and its disappearance from the marts of traffic, and diffusion throughout the world, in a manner which can neither be traced nor satisfactorily explained, are doubtless acts in a great drama which is now

being performed in the world's history ; but neither the magnitude of its power, the extent of its duration, nor the nature of its *finale*, is yet within the ken of human vision."

In corroboration of this, *the most recent evidence is always the strongest*, showing clearly that it may be a question if the evils of the trade of the East to England are to the working classes (and all to whom the going wrong of the money market is destruction) not greater than the benefits, magnificent as are its appearance to the uninitiated, and much as selfish individuals and classes crack it up. Under our hard cash (specie paying) system, the India and China Trade certainly involve England at all times in the greatest uncertainty, and on occasions, which latterly recur with more and more frequency, the most heart-breaking calamities. And what a fearful responsibility rests with those who have the power to do away with both these results, by simply rendering England independent of the trade in the precious metals, which can be done in a moment *by making the Bank of England notes a legal tender to the extent the Bank holds gold.* * So great is the drain of the precious metals to the East, under our present suicidal system, that England is not more secure against money panics than before the late great discoveries of gold in California and Australia!

The most dreadful effects in England, followed in 1846, 1847, and 1848, from the adoption by her of a system adroitly called Free Trade, (but which is only freedom to the Englishman to purchase the labor of the foreigner, without being freedom to the Englishman to sell his labor to the foreigner,) from its not being seen, how utterly incompatible this opening of her ports was with her specie-paying enactments ; and no one was more rejoiced and thankful than I, that practically these effects were (by the great, though unlooked for, gold discoveries to which I have above alluded,) afterwards qualified.— But I shall never admit that Peel's Free Trade measure was otherwise than the most revolutionary that ever was put on the statute book of any nation, as that most certain to reduce the employment and the wages of the working classes of his own country, while it, so far as it could do it, laid the foundation of the loss of England's Colonial Empire. The following were my remarks on this subject in 1849 :

"No one rejoices more than I do, or is more thankful to God than I am, that by the most marked interference of Providence in the discoveries of gold in California and Australia, our mother country is in the meantime saved. But let who will admit that, humanly speaking, there is any certain guarantee for the continuance of these gold importations, I shall never stultify myself by doing so. And when Peel originated the *Free Import Legislation* which was sure to take away gold, he had not the slightest right to anticipate them. The plan now suggested by me for the consideration of the Legislature of Canada is (and I shall always be anxious to have this understood) the very reverse of the theories before which Sir R. Peel succumbed in 1846."

If any thing could have made Peel's system work it would have been the large and continuous supplies of gold from unexpected quarters in addition to those known to him ; but the secret is told in the following extract from the money article of the *Times* of 13th Nov., 1862.

"Owing to the Indian absorption, the present drain of bullion has been of a more extensive and protracted character than any that has been witnessed since the panic of 1857. With two slight exceptions, it has

* The Bank of England directors themselves proposed in 1819, that the Bank should pay gold at the market price.

now gone on uninterruptedly for fourteen weeks, until a total diminution has been sustained of £3,022,633, which may probably be further extended by the return to be published to-morrow evening. The last previous outflow of any consequence was in 1860, when there was a falling off during eight consecutive weeks, and an aggregate reduction almost precisely similar to that just witnessed, which led to an advance of the rate of discount from 4 to 6 per cent. In the period which preceded the panic of 1857, the drain was uninterrupted for eighteen weeks, or four weeks longer than has yet been witnessed in the present instance, and the total reduction sustained was £4,576,980, while the rate of discount was carried from 5½ to 10 per cent." [The writer then shows wherein the present demand for the precious metals differs from that of 1860 and 1857, and concludes his observations by remarking, that] "there would apparently be no great reason to expect any further or rapid upward movement in the terms of the Bank *if there were any symptom of a probable pause in the remittances now being made to the East.* Reckoning the £500,000 of bills "drawn by the India Council, we seem at present to be transmitting to India at the rate of about three millions sterling per month, and pending the uncertainty as to the point to which these operations will extend, all calculations regarding the future of the money-market must be vague. Enough, however, will be apparent to every observer to indicate a necessity for the exercise of caution."

To the same point is an article in the number of the *Westminster Review*, for January 1864.

In spite of our troubles in India, and a state of chronic warfare in China, the increase of our trade with the East during the last ten years has been enormous. This, too, may be looked upon as only the beginning of a commerce that must grow to proportions which cannot be estimated. The most important feature, too, of Eastern trade, is the manner in which it absorbs the precious metals. This is a peculiarity so intimately bound up with the social condition of the East that it is likely to last as long as their ignorance and mutual mistrust. Until a system of credit can grow up among them like that which in Europe dispenses with the use of gold and silver for almost all things but retail transactions and the payment of labour, *the East must ever remain a perfect sink for the precious metals.* What amount of money would be sufficient to saturate the hoarding propensities of these hundreds of millions of men, who believe in nothing but the little store they know of under some hearthstone or other favorite hiding place? There is no practical limit to the demand of the East for the precious metals, except the industry that they can develop in its acquisition, and that industry is susceptible of indefinite development."

This view is supported by the following extract from a work just published by Dr. Nassau Lees, on the Drain of Silver to the East:

"Will," he says, "the drain of silver to the East continue? After what has been stated above, it is hardly necessary to state that A DEMAND FOR AN INCREASED SUPPLY OF THE PRECIOUS METALS *will* CONTINUE; AND NOT ONLY CONTINUE FOR A VERY LONG TIME, BUT, JUDGING FROM THAT FUTURE PROGRESS OF THE COUNTRY, WHICH PRESENT EVENTS FORESHADOW, THE DEMAND WILL YET BE ENORMOUS. The experience of America gives us some data on which to found an estimate of what the demands of an intelligent and enterprising people, rapidly forming themselves into a great nation, on the precious metals of the world *may* be; and though it cannot be asserted that the circumstances and prospects of India are precisely similar, they are nevertheless such as fully to warrant the

above conclusion. Indeed, since 1857, it may be said that India has entered upon a career of progress, the limits to which no living man can define. Regarding the amount of gold and silver afloat as currency, in the various countries of the civilized world, there are very conflicting opinions; but estimating the amount of gold and silver calculating as coin in Great Britain—the country in which, perhaps, the greatest economy of the precious metals consistent with the maintenance of proper safeguards is observed—at £80,000,000 * and the population at 30,000,000, and estimating the currency of India in 1857 at an equal amount †—an estimate I venture to think high—and the population at 180,000,000 it requires but very little calculation to show that India is capable of absorbing silver to the amount of 4,000,000,000 roupes or £400,000,000 in addition to this amount, for the purposes of currency alone. Nor must it be forgotten that India is able to support a population of many millions more numerous than she at present possesses; nor, on the other hand, that England has many means of economizing the use of coin which, in consequence of her immense extent of area, will be denied to India, if not forever, for many years to come. If, then, it be admitted that there is even a shadow of truth in these estimates, it may not be unreasonable to conclude that there is a possibility—distant it may be, yet still a possibility—of the requirements of India for currency purposes approaching the enormous sum of £500,000,000 in silver coin. It is not any fall in the value of silver which has brought about the drain of this metal to the East, but simply THE NATURE OF THE INDIAN AND CHINESE DEMAND FOR OUR MANUFACTURES, WHICH IS VERY SMALL COMPARED WITH OURS FOR THEIR PRODUCTIONS, BUT WHICH IS IMMENSE FOR SILVER, WHICH REPRESENTS TO THEM EVERYTHING DESIRABLE IN THEIR CONCEPTION OF LUXURY, COMFORT, AND SECURITY."

It seems the most unaccountable fatality that leads the English public to support, or even to tolerate, the combined Free Import specie-paying system which has been the cause of such terrible distress after the plainest evidence on this point has been adduced. It was shown by the evidence before the currency Committee of the Governor of the Bank of England, the precarious position of the Bank of England, on 12th November, 1857; that she had on that day only £580,751 of money in hand, of which she could legally make use, while she held deposits of £22,500,000; that of the deposits £5,500,000 belonged to London Bankers; that if only one million pounds of this sum had been demanded, the Bank of England must have stopped. And a Mr. Smith, partner of Beckett & Co., the great Bankers, Leeds, stated, before same Committee of the House of Commons, "that only one mercantile house failed in Leeds at the time of the panic; and yet" he adds, "*if the treasury letter had not been issued on 12th November, the entire commercial body of that district must have gone to the wall.*"

But we cannot, however, shut our eyes to the fact that the hard money *virus* still remains, making Free Imports impossible, even in England, without the necessary accompaniment, periodically, of intense financial disorder. The too little popular opposition to it, is at present the worse feature in English politics. It is surely unaccountable that no remonstrances are made against the individual ruin and public calamity which flow from these ever-recurring financial

* It has been estimated by various authorities at seventy, seventy-five, and even ninety millions, and that of France at one hundred and forty millions sterling.

† Mr. Wilson estimated the quantity of coin in circulation in India, in 1860, at 100,000,000; and though this estimate was based upon very uncertain data—viz., the aggregate of the amounts coined in the preceding twenty-five years—it may not be far wrong.

revolutions. Surely the cause might be made transparent. And indeed perhaps the best explanation that can be given of the enigma, is that there is periodically the show of an investigation; and you cannot get a better idea of the sort of investigations that are made than by my saying that they are conducted upon the same principle as Mr. Galt's *Committee on the rate of Interest* will be—money lenders are called as witnesses, and asked if they are of opinion that the rate of interest is too high! or, if on the contrary they do not think the Province would not prosper much more if the rate were much higher!!

But there are some indications of the workings in the Business Mind at home, from which fruit, if not immediately, may be expected. People are beginning to see (what I have for a long time pointed out) that the British money laws are wrong in *principle* rather than in detail—that in a word the evil, which is unbearable, arises from Peel's Money Bill (which says what is to be the legal tender) of 1819, the perpetually dangerous tendency of which to create financial panics called for Peel's Currency Bills (whose great mission was to secure the Bank Notes in the hands of the public) of 1844 and 1845. And secondly, the cruel experience of the increasing price of Interest is at length, having the natural effect of leading the people of England to doubt *whether the prosperity, which has been attributed to the introduction of Free Trade, is not* (as I have always considered) *attributable altogether to another cause, viz., the discoveries of Gold in California and Australia, which providentially occurred simultaneously with the late Sir Robert Peel's Free Trade Legislation, or, at all events, before England had more than two year's experience (the dreadful years of 1847 and 1848) of the ruinous consequences which must naturally flow from any country with a specie-paying legal tender, establishing a system of Free Imports without reciprocity.* And in pursuing their enquiry, they see that from an annual production of the commodity, gold, (the basis of the currency, and representing many hundred or thousand times its own amount in Bank Notes and general credit) of six millions sterling, the world's production of it has been gradually raised to five or six times that amount per annum, a process by which the demand for English labor was gradually increased for exportation, and gold became less wanted for that purpose in proportion to the quantity of it in England. They see that a general prosperity has been the consequence which soon increased also the home demand for English labor. For many long years the contrary had been the case—a cruel effect of British Legislation, which the *Times* newspaper did not shrink from admitting, in its noble stand in favor of the ten hours Bill, against the Political Economists or Free Trade party.

“For a whole generation (said the *Times*) *man has been a drug in this country. It has scarcely entered into the heads of Economists, that they would ever have to deal with a deficiency of labour. The inexhaustible Irish supply has kept down the price of English labour, whether in the field, the factory, the army, or the navy; whether at the sickle, the spade, the hod, or the desk. We believe that, for fifty years at least labour, taking its quality into account, has been cheaper in this country than in any part of Europe; and this cheapness of labour has contributed vastly to the improvement and powers of the country—to the success of all mercantile pursuits and to the enjoyment of those who have money to spend. This same cheapness has placed the labouring classes most effectually under the hand of money and the heel of power.*” (See *Times* of 5th July, 1851.)

It certainly seems much more natural to suppose that an increased quantity of money has increased the demand for, and therefore the price of, human labour in England (this being the prosperity in question), than that the increased amount of Foreign manufacturing labour introduced into England in the shape of untaxed goods to compete with England's highly taxed artisans, should have had the beneficent results alluded to! And it may surely be reasonably questioned whether the result of the great increase of gold would not have been far more beneficent, if England had not made herself a slaughter-house for all the sweepings or refuse of all the markets in the world; while it may also be fairly argued that the rates of interest must have gone much higher but for the arrival of so much gold.

And it would be in violation of the law of supply and demand, which may be called the solitary principle of political economy, (although of course even this is shamelessly violated by the political economists in their preventing, by their legislation, the commodity gold, from altering in *price* when it alters in quantity, and as a consequence in *value*) to charge against the *increased quantity of money* that the price of money has latterly risen so much in England. This serious feature can only be accounted for by the fact of over importations of Foreign goods, or stocks, and by England's requiring in consequence of her Hard Money system to pay for these in *Gold as a money* instead of in *Gold as a merchantable commodity*—by which latter arrangement she would be saved the financial convulsions occasioned by the periodical withdrawal from England of what her law has made her legal tender—a cruel result which, under a hard money system, must perpetually occur whenever industrial prosperity is enjoyed from any length of time, and prices of British labor have so risen that its products are a less profitable export than Gold at its raw material price. One would scarcely believe that it would take the public so long to open their eyes to this damning fact that the *least degree or perception of prosperity in England is under her Hard Money system necessarily the immediate cause of the deepest distress to her industry*, the only means of reducing prices and wages, and thus bringing back the gold, HER LEGAL ONE THING NEEDFUL.

The great truth is, however, slowly getting access to the public mind at home, that it is *only by the instrumentality of Paper Money that Britain can ever enjoy the reality of bona fide Free Trade*, meaning thereby that the foreigner will take some British commodity (or at least Gold at a British market price) in payment of the foreign commodity. In fact British Industry (so skilled is Britain's labour) might now prosper without more protection than could be got, *through emblematic money*. For the comparatively infant manufactures of British America, however, protection through the Customs will be required besides the protection which Paper Money would give, although we could do with less Custom duties if we had Paper Money. The advantage to British American industry, in one way or another, of which Paper Money would be the instrument to us would be greater than could be attained by any Customs Duties, although the nominal protection by the latter might be as great as that portion of the advantage to Home Industry which would be measured by the slight rise against the foreign manufacturer of the foreign Exchanges under a *system of Paper Money restricted to the amount of the metal legal tender held by the Issuer*.

And it is becoming a popular view that the way to relieve England from her hard money CURSE is by the Imperial Legislature making the Bank of England's Notes a legal tender to the extent of the eleven millions of pounds which the Government owes the Bank, and to the

farther extent of fourteen millions, the amount below which the Bank's stock of specie should never fall. This arrangement, as the only way of doing justice to *labour*, by putting it on a par with *money*, is the only way to set at defiance all Britain's enemies, external as well as internal, the only calculation of the former being on the deleterious existence of the latter—the Political Economists, Free Traders or hard money men—a generation hated, as known never to have had any unselfish sympathy at any time with the suffering masses. As a *detail*, when writing upon the subject, in England, I used to urge that the Bank of England's capital should be doubled *i. e.*,—raised to twenty-eight millions,—the public holding one-half (seeing that after all, it is the security of the Government on which the Bank exists) and selling consols to furnish the required additional capital of fourteen millions. In this way the public would be saved a large sum in the management of the country's Finance, though to preserve the Bank from politics, the whole management should remain, as now with the private stockholders, while its discounts should probably be restricted to the Government and Banks chartered for the purpose, or Institutions acting under a public Bank Act, specifying the nature of the securities to be cashed.

"In season and out of season," I have done what I could to lead the public mind to this question of money—which I have ever regarded as the most vital of all secular subjects—making up what I lacked in talent by my ardency in the cause I have at heart; and some years ago I took a new plan, and one that has greatly saved my time and breath. I got two engravings made, illustrating my view of our present *National Unthrift*, and of what I believe the true *Homely Industrial Principles of certain accumulation* for the mother country and ourselves. These engravings I shall append to this letter.

THE FIRST illustration shows the cup of Britain's prosperity to be a TANTALUS CUP, and the same thing was equally true of the United States up to their adoption of paper money, except so far as modified by their more patriotic Tariffs. Put into it, what you will, our prosperity cannot possibly rise above a certain point, at which it escapes by a WASTE-PIPE. The moment that prosperity raises the price of British labour over the low-fixed price of gold, (about £4 the ounce) away goes the gold, (THE CAUSE OF THIS PROSPERITY,) as being the CHEAPEST ARTICLE IN THE EXPORT MARKET! and even when not distressed by an export of gold, on account of the higher prices of goods, Britain encounters the still greater evil of having her internal and colonial prosperity interfered with by continual drains by Foreign loans, and by India (India having always been the GRAVE OF BRITISH TREASURE), for which there is neither immediate nor eventual return to the country. It is obvious that to the extent that Gold goes abroad in payment of goods, the demand for the Country's labor, AND CONSEQUENTLY THE PRICE THEREOF, is lessened; but if it is an injurious thing for the Country's labor, that Gold should go abroad in payment of SOMETHING which is, or may be, a comparative advantage to the mass of the people, how much worse that it should be given away for NOTHING, which in any way benefits British Industry?

But—as is shown in the SECOND illustration—there should be no WASTE-PIPE in the cup of Britain's prosperity, and India and Foreign countries should not have it open to them to introduce their syphons into our national cup, but ONLY INTO THE DEPOSITORIES OF ITS OVERFLOW. To leave it open to them to do as at present, is to leave it open to Foreign producers to prey upon the nation's vitals. It is to take our children's bread and to cast it to the dogs. Our gold should be retained AS MONEY, or as a basis or security of money, for the purpose of our own people generally, till it completely fills and

overflows our own national cup, and then, and not till then, should it become available as an exportable commodity, for MONEY IS A THING CREATED FOR THE INTERNAL TRADE ALONE, and should only be so used. This can only be done by the use by us of an EMBLEMATIC or paper money, which will be of no use beyond our own country; and the boon of paper money to the masses, to business, and to Banks, ought to be thus attained, and the independence of the country's prosperity ought to be thus attained, even although by our new system NO DIRECT GAIN IS MEANTIME MADE BY MR. GALT; *i. e.*, although PAPER MONEY IS NOT MADE A LEGAL TENDER TO A GREATER EXTENT THAN THE MERE AMOUNT OF THE GOLD IN THE VAULTS OF THE ISSUER—THE BANKS OR GOVERNMENT—specially held for the security of such paper money, and to PREVENT DEPRECIATION BY MAKING UNEQUIVOCAL THE RESTRICTED NATURE OF THE PAPER MONEY WHICH OUR LAW MAKES LEGAL TENDER.

MY OBJECT IN THIS BROCHURE.

I have now very much the same fear, of the exercise (though it could be only temporary) of a Parliament under middle-men influences over the omnipotence of patriotic principle, as I experienced when I wrote as follows: in England at the Free Trade Era, when the constituencies were outraged by Peel, and the contrary legislation enacted from what had been the voice of the Hustings. *

"My own effort in politics now brought to a termination quite satisfactory to me, has always been an humble one, or one at all events very simple, definite, and quite free from all personal or party objects or ambition. I have, in a word, had it as my object to assist in removing a popular delusion, which one would think a single look at *protectionist* America might dispel, *viz.*; the very general notion that a person who advocates protection to native industry must necessarily be a church tory, the enemy of an enlarged political franchise, or the advocate of monopoly in some other shape. I saw this to be a great object in our circumstances. In 1846 I saw that Sir Robert Peel's assertion of the omnipotence of Parliament, over the omnipotence of principle must lead to the responsibility of our legislation being transferred to the entire people, because omnipotence may become tyranny, which, if exercised at all, should be the act of principals. My words were, 'Peel's assertion of the omnipotence of Parliament, in the room of the omnipotence of principle, moral and constitution, must—if we would prevent unfortunate legislation becoming a cause of revolution—precipitate an extended suffrage; democratic legislation, however, as being synonymous with shielding the labor and fixed property of the

* Being in London in 1846, when Peel's violation of the constituencies was consummated, the following were my impressions as I wrote them on the moment, as they still are my feelings on this painful subject:

PEEL'S OUTRAGE ON THE CONSTITUENCIES.—HIS FREE TRADE IS A MERE DESPOTISM OF CAPITAL, WHICH DECREES FREE PURCHASES BY US OF FOREIGN LABOUR, BUT NOT FREE PURCHASES BY FOREIGNERS OF BRITISH LABOUR.

"The premier has left us in a condition worse than political chaos, as having robbed us of our principles. Even the principle that self-preservation is the first law of nature has been repudiated; and British politics have been reduced into the two original elements of all national politics—the labour-power and the money-power. The labour-power must come to be represented by social economists, or practical men, or patriots, the character of whose legislation will be, that it takes the circumstances of our own society into account; the money-power being represented by political economists or cosmopolitan theorists, who would have this country legislate for the world, while they view political science as a system of pure mathematics, or at best, one for the creation of wealth, without any regard to its distribution.—Indeed, to my mind, it never appeared that the permanently important question was whether it was a right or wrong thing, *per se*, that Peel did in 1846. His impolicy, however great, appears to me to stand, in relation to his repudiation of moral and constitutional principle, just as a misfortune does to a crime. * * *

country from the foreign trade alien money-power, is the best or only permanent security for monarchy in the executive, in these days of revolution.' Such a change in the constitution of parliament must, I saw clearly, be the necessary result of the money-power in Parliament having degraded the question of labor, or the employment of our own people, from being a constitutional question (and the greatest of all those constitutional questions on which members of Parliament are only delegates) to being a mere fiscal question? I saw that there was no longer any guarantee to this country for the permanency to its best secured and most valued institutions (nor even of the crown itself), although no voice may have been lifted at the hustings against any of these; and I knew that the *ex post facto* assent of the constituencies did not make the the proceeding right, but only included *them* in its guilt.

The permanently important point was not whether the new policy of 1846 was right or wrong, but the result of this policy had an immediate importance; for great danger to the public peace must flow from any reduction of employment in this country, especially when the unfortunate legislation was not the act of the whole people, nor even of the existing parliamentary constituencies. The difficulty of our national position was and is the greater, from the public mind in this country having been so drugged by COBDEN AND THE FOREIGN INTEREST, who have deluded the people by calling themselves free traders, while their system is one only of free imports. What then were the working classes to do as a first step? I answered—Let them refuse their confidence to every man who refuses his confidence to them, let them refuse to listen to the details of any man who is not their political friend in the sense of going with them for their political enfranchisement—in a word, for the principle of EXTENDED Suffrage; which I firmly believe (in the absence of government by party, or, in other words, by constitutional principle) to be—in the true or patriotic, and not the party sense of Conservative—the most conservative measure that can be proposed this day in Great Britain, Ireland, and the Colonies, as sure to lead to our foreign trade being made reciprocal instead of one-sided; *the foreigner who is admitted to provide food for a portion of our people being driven to provide them with employment by taking British goods in return; while a just protection to highly taxed British agriculture would be had in the fact, that in the price of the British goods taken by the foreigner, is included our heavy national taxation.* I had always seen that the only means of attaining this great end was a COMPLETE ALTERATION OF THE CURRENCY. Our monetary system must be set free from its present dishonest and absurd basis, the foreign exchanges, and our prices made to represent a high British, not a low foreign or untaxed, standard of value. Thus and thus alone, I still firmly believe, can the property of this country meet the interest of the national debt, and thus alone can we protect British industry, vindicating the rights of fixed property and labour against that usurpation of the money power which has existed since 1819, and rescuing this country from the social confusion which must be the ultimate effect of the jarring principles of Peel's legislation of 1819 and 1846."

The same feeling of their importance which long ago led me to propound these views, now leads me to remind you of them at this crisis in the history of these Provinces. At this moment I feel, too, that the loss from what I call the patriotic ranks, of such a man as my friend, Mr. Galt, renders it more necessary for the advocates of the homely, as opposed to the cosmopolitan, or what Mr. Galt calls the European, principle, to stand "*shoulder to shoulder and back to back*" in defence

of their country's industry. We would not, if we could, pretend that our cause has not, in Mr. Galt, lost one of its strongest men; for, with the exception of the two Attorney-Generals, there is no man of whom so many past, as well as present, members of the Canadian Parliament would have been anxious to say in honest admiration of his ability—as Quintillian said of the great orator and philosopher of Rome—

" Ille se profecisse sciât, cui Cicero valde placebit."

The *PITTITES* were a large political party who saw their duty, in deferring their particular views to support a man whose idea of the patriotism called for at the moment and their's was identical. Alas that we cannot any longer, in this sense, be *GALTITES*! If his so-called *European* plan would give more employment and better wages to our own people, we would thankfully yield it, the reality as well as name of *American*; but our conscientious conviction is the very reverse of the results of a *combined* Free Import and Hard Money system. The Province might bear up against the evils of one of these industrial curses, but to stand up against both would a hopeless attempt.

I am therefore at my old work of "*calling a spade a spade.*" I feel that the higher my estimate of Mr. Galt's talent, the more danger there is for our Industry and therefore for our Country, seeing that I believe thoroughly in the motto at the head of this letter.

" Homely industrial principles under which in its particular circumstances, British America will have nothing to envy in the industrial prosperity of the adjoining Republic, are those under which it alone can be contented, or, in other words, long remain a part of the British Empire."

But in any case, there is no danger in regard to the eventual result; the only fear being that much present misery from want of confidence, if not from want of actual employment among our people, may be superinduced, and as a consequence, the loss of much Immigration, which is far more valuable to us than foreign markets. Of what value to their farmers these foreign markets are, from which they draw their manufactures, is now known to the Americans. Instead of the boundless drain of breadstuffs which were to go to Europe after the repeal of the English corn law, only \$10,789,000 per annum, during the three years preceding the war, went to England, France, and Belgium.

	Total Export.	To Great Britain, France, and Belgium.
Totals, 1858, 1859, 1860...	\$95,463,989	\$32,367,000
Annual average.....	31,820,000	10,789,000

So that all the breadstuffs, with pork, lumber, and wool added, which are annually taken by the countries furnishing the United States with manufactures, do not amount to more than a hundred thousand immigrants would eat, which is less than half the number that arrive each year in the United States. What a commentary this on the comparative value of Foreign and Home Trade! I may, when on this subject, mention that this Foreign Trade, which, in England, seems to be alone thought of (as seems the case also with Mr. Galt) is only 10 per cent. (5 per cent. imports, and something less Exports) of the transactions, using Bank notes for their transfer from man to man. I would also remark that it is only the

absurd necessity of specie-payments (not wanted by the 95 per cent. of the Trade) that gives it any importance. We saw the other day the American Commercial Marine disappear from the sea, yet there was no revolution in consequence. I remember also at the Free trade era showing from Mr. McQueen's great statistical work that the money-value of all the manufactures exported from Great Britain is not so great as the money-value of the manure put each year upon the land!

POPULAR LEGISLATION ALWAYS PATRIOTIC OR PROTECTIONIST LEGISLATION.

And remembering the attention which British industry, both on sea and land, received in the time of Cromwell, and how well the glory of the country was at that time sustained, I shall always have the most unswerving confidence that democratic legislation [and nothing can be much more democratic than our legislature] will in the long run be protective legislation. Indeed I believe that John Bright will find to his cost that the new members which the Reform Bill, (when it comes,) will introduce into Parliament, will be the most protective ones, or as I call it, the most *patriotic* members. And it is from them and the encouragement that they will give to the weak knees now in the British Parliament (who are afraid to call a spade a spade) that I look for a final and not very distant confirmation of my view that AN AMERICAN ZOLVEREIN is the true interest of the working classes at home. They want an additional direct bid for themselves, not for *their labor in the shape of cloth* and the removal of a fourth or a third of the weaving population of Manchester, Leeds, and Glasgow, to utilize the endless water powers of British America, would not only be an unspeakable benefit to those who come, but would haul up to the American level those that remain, however little this might suit the employers of labor.

In Mr. Senior's "*Mercantile Theory of Wealth*" we have the following evidence of the Political Economists, being aware that protection to native industry is popular, and would be the rule under an extended suffrage:—"If the unhappy prejudices that now exist on this subject should continue, and if the *extension of representative government should increase the power of public opinion* over the policy of nations, I fear that commerce may not long be enabled to retain even that degree of freedom that she now enjoys.—I have perfect reliance on the knowledge and good intentions of our present Ministers—but very little on the knowledge possessed by the country at large. * * * * *

And the Rev. Dr. Chalmers says in his "*Political Economy, in Connection with the Moral State and Moral Prospects of Society*,"

"A liberal politics, forms no guarantee, but, we doubt, the opposite, for a liberal political economy. THIS IS A SUBJECT ON WHICH THE POPULAR AND PHILOSOPHIC MINDS ARE NOT AT ALL IN HARMONY: and the very admission into Parliament of so large an influence from the will of the humbler classes may, after all, endanger the cause of sound legislation on every topic where the seeming and substantial interests of the country are at variance."

Innumerable other evidence could be adduced to show that the Political Economists know that they have not the hearts of the working classes of the Mother Country; but I have only room for the following from the pen of Ebenezer Elliott, the Corn Rhymer, dated 16th October, 1849:—

"It is remarkable that Free Trade has been carried by the middle Classes, not only without the assistance of the Working Classes, but in spite of their opposition."

In these last words we have a key to the whole secret of the origin of these subversive or revolutionary propositions. THE PARTIES MOST INTERESTED WERE NEVER CONSULTED, but (which is the best proof that there did not then in England, and does not now here exist, that prosperity, the fruit of which is true independence of individual action,) the circumstances of the parties outraged were so artificial that they dared not kick. Self preservation made it their apparently safest, if not only course to give that a fair trial, to the propounding of which they never would have agreed. This case, therefore, has not the guilt of being a new crime. Mr. Galt follows Gladstone, and Gladstone followed Peel who always was far above taking advice, and always sneeringly talked of those who offered it, as "*Provincial Chancellors of the Exchequer.*"

In no Government of Canada that has ever yet been formed, if not in the present Provisional one, was there more than one or two Ministers who would have taken the responsibility of allowing a *European System* to be propounded, yet Mr. Galt has now done it, and what is more Mr. Brown and Mr. Holton consider his Free Trade principles quite *sound*, and only wish they could have been before him in appropriating the credit—three admirable guardians of our Provincial Industry truly! For this arbitrary course, however, of the Finance Minister there is no doubt plenty of precedent on the part of British Statesmen; but the pity is that if whatever *they* have done is to be considered statesmanlike, the departure from every British principle, the outrage of the constituencies themselves, and the loss of the Colonies into the bargain, may be found to be the evidence of British statesmanship—Alas, alas! Don't we remember that Peel's colleague, the late Lord Aberdeen, held up his hands in dismay when in the Upper House he was told what Sir Robert was saying in the House of Commons—going the whole hog and letting protection go by the board! And can we forget that another colleague of Peel, Lord Warncliffe, the President of the Council, *actually died from grief*, or wounded honor, on the same occasion, although his duty to his Sovereign shut his mouth and permitted no personal justification. This most excellent nobleman had been a devoted follower of Peel, but the principle they had in common had been the very contrary of that which he was now, from Peel's arbitrary precipitancy, forced to defend.

Their principle had been, that protection, quite apart from its abstract right or wrong, had in practice (as was its original mission) been the sheet anchor of British industry as restricting importations, and thus preventing foreigners having a claim on the country for *gold which it had not to give*, and which indeed, to the extent it would be wanted, did not exist in the world. Lord Warncliffe had long seen that even though the currency was guarded by the existence of the protective system, Peel's Hard Money Bill (of 1819), was working the most dreadful cruelty to the country's industry, and he had previously had the moral courage to make his celebrated admission:

"Peel's System must be destroyed by violence."

How many of Mr. Galt's colleagues have similar feelings we cannot tell, but of this I am sure that such a precipitate if not arbitrary course will never be justified by the people in any part of America, even if it did not involve the degrading of the question of the EMPLOYMENT OF THE PEOPLE into a mere fiscal question, or the completely putting it to one side for some paultry consideration of Government Revenue.

"Come the eleventh plague, rather than this should be,
 "Come sink us rather in the sea,
 "Come rather pestilence, and reap us down,
 "Come God's sword rather than our own.
 "Let rather Roman come again,
 "Or Saxon, Norman, or the Dane;
 "In all the bonds we ever bore,
 "We grieved, we sighed, we wept; we never blushed before."

In one thing, we all are at one with Mr. Galt, viz: "in making this a cheap country to live in," but some of us (with more experience than he can boast of) think that this has already been greatly achieved, and can be more and more so by doing away the duties on the articles we do not grow or manufacture especially articles of such necessity as sugar, tea, and coffee. Even without this, however, if a currency is established that cannot be removed from the country,—my word for it—British America cannot fail to be one of the most (instead of one of the least) prosperous countries in the world, and Mr. Galt will get, without going beyond the Province, all the money for government purposes which he wants at all times.

CONCLUSION.

You will thus see that I have perfect confidence in democratic legislation being patriotic or protectionist legislation, and in our thus having security enough against Mr. Galt's ever being able to get his Free Trade, or European theories realized, so far as the Tariff is concerned.

Canadians will not soon forget that Canada herself is not without the most cruel experience of a combined Free Trade and Hard Money system. For long years Lower Canada blindly followed the interested or ignorant advice of British Political Economists, and confined herself to growing *wheat for export*, little dreaming how large a percentage each year it took to represent the deterioration of the soil under such treatment of it. At that time Canada enjoyed practical Free Trade with the mother country, the import duty on British manufactures being only 2½ per cent., and the following is a truthful delineation of of the then state of things from the celebrated report of Lord Durham :

"By describing one side of the frontier, and reversing the picture, the other would be described. On the American side, all is activity and bustle, the forest has been widely cleared; every year numerous settlements are formed, and thousands of farms are created out of the waste; the country is intersected with common roads, etc. * * * * * On the British side of the line, with the exception of a few favored spots, where some approach to American prosperity is apparent, all seems waste and desolate. * * * * * The ancient city of Montreal, which is naturally the capital of Canada, * will not bear the least comparison, in any respect, with Buffalo, which is the creation of yesterday."

Lord Durham, however, did not see Canada in her lowest condition, such as she was in before the days of the extention of Banking to the Interior. Previously to Lord Durham's visit, and within my own recollection, the mightiest amelioration had occurred in the circumstances of the farmer of Upper Canada—the same introduction by us of Banks, followed by business on a large scale, having simultaneously given him a TWENTY PER CENT. REDUCTION AT LEAST ON THE PRICE OF HIS SUPPLIES AND FULLY AS GREAT AN ADVANCE ON THE PRICE HE GOT FOR HIS WHEAT—the latter arising from the trade being no longer wholly in the hands of the foreign merchant, but being also competed for by Canadians through means of the banks, and

the BANK NOTE CIRCULATION. In after years, we adopted the American system of Protection, and Lord Durham's eulogiums on the United States are now nearly as much deserved by Canada.

But my main object in these explanations has been both to point out the *aggravation* to the people's monetary evils, which Mr. Galt's proposed policy would be, and to explain their present evils, which arise from our having a Hard Money System. I am anxious to get Members of Parliament, as well as their constituents, to ask themselves whether it was the intention of the country in establishing Banks, and in establishing a paper circulation, to make these the mere handmaids of the Foreign Trade, thus enabling the Finance Minister to secure more revenue! There was a day in the Province when those Banks and that circulation did not exist. And was it then the intention of the people, in applying for these to the Legislature, that the result should only be to increase Foreign Trade, or, more properly, to increase the importation of Foreign labor, thus BEGGARING THE PROVINCE? So far from this being the people's object, it was the result which, of all others, it was the interest of the Province to avoid. It is clear, however, that though they have been the best possible Institutions, and their paper circulation the most undoubtedly safe to the holder, the existence here of a Hard Money System has prevented their being even in the past, instruments to the required extent of local or internal prosperity. But with the aggravation of Mr. Galt's scheme their business would be still more nearly approximated to Foreign Exchange Brokers. Was this then the purpose the Province had in chartering Banks of Issue, or is this now the interest of the Province? The people generally no doubt had for their object increased circulation as a means of INCREASED EMPLOYMENT TO CANADIANS. They had been told that THE MORE MONEY THERE WOULD BE, THE MORE DEMAND FOR CANADIAN LABOR, and (as a necessary consequence of more BIDDERS) a greater price for it. It was, however, concealed from them that this law of supply and demand had already in FACT been violated in the admission of the principle of the money law of Canada, (in existence before the Banks were created), so that, FIRSTLY, the Canadian Banks' notes could not be safely advanced, except to parties who could sooner or later produce something convertible into Foreign Exchange—and SECONDLY, the increased demand (that greatest object to the producer) is NOT ALLOWED TO SHED ITS BENIGN INFLUENCE IN RAISING THE PRICES EVEN ON COMMODITIES FITTED FOR EXPORTATION; for the Foreigner and others having remittances to make abroad, always have it in their power to exchange his Bank notes for gold near the price it will fetch abroad, and therefore will not of course take wheat or other Canadian exportable commodity at any higher price; and indeed from this price has to be deducted a margin to save him from the contingences of markets, besides the freights and charges to the foreign market. THIS PERPETUAL INCLINATION TO THE BAREST RAW MATERIAL PRICES FOR OUR EXPORTS is, as I have fully explained in the foregoing pages, A VERY SERIOUS CONSIDERATION FOR THE CANADIAN FARMER, and the more so as while this is the highest price he will get, THERE IS NO CERTAINTY THAT HE WILL EVEN GET THIS PRICE FOR HIS PRODUCE, unless he himself sends it to the foreign market, which very few have it in their power to do.

I have thus performed what was, with my convictions, my duty, in offering these words of warning; and I desire to express my anxious hope that hereafter I may not be numbered amongst those who have spoken in vain, and that it may not be recorded in the history of British America, as in that of Troy.

NUNC ETIAM FATIS APERIT CASSANDRA FUTURIS
ORA DEI JUSSU, NON UNQUAM CREDITA TEUCRIS.

[This is Mr. Galt's choice, I am sorry to say.]

NATIONAL UNTHRIFT;
OR,
THE CUP OF BRITISH PROSPERITY
AS IT UNFORTUNATELY IS.

"Actum est de Republica—"The Empire is in Danger."



NATIONAL ECONOMY;
OR,
THE CUP OF BRITISH PROSPERITY
AS IT OUGHT TO BE!

"Res Secundæ"—"The Empire out of Danger."

