council was more prudent than the citizens. It is desirable to arouse the citizens to the danger. Another by-law ought to be put before them, that they might have a chance to retrieve their former error.

FIAT MONEY.

(*From "False Hopes," by Professor Goldwin Smith*)

Then, there is the hope of vastly increasing the wealth of the world in general, and that of the artizan in particular, by means of an inconvertible Paper Currency. Of this illusion, it may be said, that not even the wildest dream of the alchemist, or of those adventurers who sailed in question of an Eldorado, was a more extraordinary instance of the human power of self-deception. Among the champions of paper currency there are, no doubt, knaves—many a one—who know very well what they are about, and whose aim is to defraud the creditor, public and private, by paying off the debt with depreciated paper, an operation, the sweetness of which, under the Legal Tender Act, has been already tasted. But there are also honest enthusiasts, not a few, who sincerely believe that a commercial millenium could be opened by merely issuing a flood of promissory notes and refusing payment. This prodigious fallacy has its origin simply in the equivocal use of a word. We have got into the habit of applying the name money to paper bank bills as well as to coin, the paper bill being current as well as the coin, we fancy that with both alike we buy goods. But the truth is that *we buy only with the coin, to which, alone, the name money ought to be applied* The bank bill is like a cheque—not money itself, but an order and a security for a sum of money, which, the bill being payable on demand, can be drawn by the holder from the bank, or the government, when he pleases. When a man receives a bank bill, he has virtually so much gold as the bill represents put to his account at the bank by which the bill is issued. The bill is a promissory note, and the bank in increasing the number of its bills, like a trader who increases the number of his promissory notes, adds not to its assets, but to its liabilities.

In the slip of paper itself there is no value or purchasing power; nor can any legislature put value or purchasing power into it. Greenbackers point to the case of postage stamps, into which, they say, value has been put by legislation. But a postage stamp is simply a receipt for a certain sum paid to the government in gold, and, in consideration of which, the government undertakes to carry the letter to which the receipt is affixed. No paper money, it is believed, has ever yet been issued except in the promissory form, pledging the issuer to pay in gold, upon demand, so that each bill, hitherto, has borne upon the face of it a flat denial and abjuration of the Greenback theory. Suppose the promissory form to be discarded, and the bill to be simply inscribed "one dollar," as the Fiat-money men propose, what would "dollar" mean? It would mean, says the Greenbacker, a certain proportion of the wealth of the country, upon which, as an aggregate, the currency would be based. What proportion? Let us know what we have got in our purse, and what we can get or exchange for the paper dollar on presenting it at a store; otherwise commerce cannot go on. This, however, is not the most serious difficulty. The most serious difficulty is that while the coin, which a convertible bank bill represents, is the property of the bank of issue, the aggregate wealth of the country is not the property of the Government, but of a multitude of private owners. The Government is the possessor of nothing except the public domain, and a taxing power, the exercise of which it is bound to confine to the actual necessities of the State. In issuing an order for a loaf of bread, a coat or a leg of mutton, to be taken from the possessions of the community at large, it would be simply signing a ticket of spoliation. * * * * *

In one sense, of course, government can, by its fiat, put value into paper. It can make the paper Legal Tender for debts –in other words it can issue licenses of repudiation, and these licenses will retain a value till all existing debts have been repudiated, and all existing creditors cheated; but, from that time their value will cease, since everybody, from the moment of their issue, will refuse to advance money, or sell on credit.

In all the cases known to economical history in which governments have issued inconvertible paper, depreciation has ensued, and such value as it has retained, has been exactly in proportion to the hope of resumption. * * * * * *

The value is in the gold. It is in exchange for the gold that, whenever a sale takes place, the commodity is given. Trade was originally barter, and, in the sense of being always an interchange of things deemed really equivalent in value, it is barter still. I give a cow for three sheep, and then give the three sheep for a horse, which it is my ultimate object to purchase. What the three sheep here do in a single transaction, is done in transactions generally by gold. This fundamental and vital fact is obscured by the language even of some economists who are sound in principle, but who speak of the precious metals as though their value was conventional, and like that of symbols or counters. It is nothing of the kind. The first man who gave any thing in exchange for gold or silver, must have done so because he deemed gold or silver really valuable; so does the last. The precious metals, probably, attracted at first by their beauty, their rarity, and their intrinsic qualities; then they were felt to have special advantages as mediums of exchange and universal standards of value, on account of their durability, their uniformity, their portability, their capability of receiving a stamp, of being divided with exactness, and of being fused again with ease. Thus they, and in the upshot, gold, displaced all the other articles, such as copper, iron, leather shells, which, in primitive time, or under pressure of circumstances, were adopted as mediums of exchange and standards of value. But they have now the additional value derived from immemorial and immutable prescription, which would render it practically impossible to oust them, even if a substance, promising greater advantages for the purpose, could be found. The French Republicans tried to change the era, and make chronology begin with the first year of the Republic, instead of beginning with the birth of Christ. But they found they were pulling at a tree the roots of which were too completely entwined with all existing customs and ideas to be torn up. It would not be less difficult to change the medium of exchange and standard of value over the whole commercial world. A value which is moral, or dependent on opinion, is not the less real; the value of diamonds, as symbols of wealth and rank, may be dependent, not only on opinion, but on fancy, yet, it is real so long as it lasts. An enormous find of gold would, of course, by putting an end to its rarity, destroy its value; this is a risk which commerce runs, but it does not seem to be great. Any inconveniency that might arise from the bulk and weight of the precious metal, is indefinitely diminished, while in use they are vastly, and in an increasing degree, economized by the employment of bank bills and other paper securities, for gold, which are currency, though money they are not."

FIRE INSURANCE BY MUTUALS.

(COMMUNICATED.)

I am unable, with the rather limited stock of information in my possession, to treat, as I would wish, the editorial which appeared in the June 15th number of the *Journal of Commerce*, regarding "Purely Mutual Companies;" but I fortunately possess the Ontario Insurance Report for the years 1880, 1881 and 1882, and desire to draw the attention of the editor of that journal and its readers to the inaccuracy of many of his statements. By way of apology I would premise that I am a Mutual Insurance man and have been for many years.

The data furnished in the article in question are frequently, in some cases glaringly incorrect. Here are some examples:—The unpaid losses of 1881 by mutuals did not amount to $15,847, but they did amount to $10,595.47; and the amount of cash held by the companies at the end of the year was $40.108 03 not $40,800. The ratio of the surplus of the admitted assets over the liabilities of the Dominion Grange Mutual to its amount at risk, at the close of the year was 2.24, as against 2.16 in 1881. The Dominion Grange is not therefore "increasing its liabilities in a greater ratio than its assets," but the reverse.

While the comments upon the principle of borrowing money have some foundation, I must remark that the statement that the Missouri Mutual Company charged its borrowed money to interest account is altogether untrue. The Usborne & Hibbert Company did not pay $164 in 1881 for borrowed money; it only paid $100, which was the amount that it owed on that account. The Williams Mutual does not add its interest account to its borrowed money account. The Brant County Mutual in 1882 had not paid out $30, on borrowed money, more than it had received, but it had apparently paid out $10.70 more, which in all probability was for interest. At the end of the year 1880 the liability of the Blanshard Mutual for borrowed money was $218 not $128. In 1881, $18 was paid for interest, the liability remaining unchanged, and in 1882 the original debt had apparently been increased to $265. At the end of the year 1881 the Huron & Middlesex was under no liability whatever for money borrowed. The total amount of liability under this head would seem to be correctly represented in the abstract statement of 1882 as $1 300, and not $1,718.35 as represented by the *Journal of Commerce*.

The Westminster did not report, in 1882, a liability of $332.66. Under the heading "borrowed money" it appears that the liability as $32.66, and this may have been money advanced by the treasurer, in the same way that he had advanced $7.77 during 1881. And it may appear to the eye of the writer in the *Journal of Commerce* that the Wellington is "embarking on the dangerous course" of borrowing money, but it is a fact that the Wellington has never sustained any injury by borrowing money during the whole of its singularly prosperous career. At the end of a year (it has been in business nearly 43 years) borrowed money has frequently appeared amongst its liabilities, but has invariably been paid off at the commencement of the next year. The total amount of the liabilities of this company at the end of the year 1882 was compressed in one item, "borrowed money," and amounted to $9,567.09. Its custom has been to assess in December of every year for such an amount as shall suffice to pay off its then outstanding liabilities. It apparently had, in December of 1882, assessed its premium notes of $253,000, for $13,000, and this sum would have been, to a very large extent, paid in January, 1883, so that I do not think I shall be far astray