

than the Canadian system, and leaves the central Government with only a meagre proportion of the public revenue.

The Commonwealth plan is reported to have had the following results in 4 past years:

	Revenue. \$	Expenditure. \$	Returned to States. \$
1902-3.....	59,362,000	24,506,800	39,850,000
1903-4.....	57,170,000	21,262,500	35,907,000
1904-5.....	56,588,000	21,592,000	34,996,000
1905-6 Estimate.....	56,548,000	23,031,000	33,516,000

The spending powers of the Federal Government under this system are very limited, and the temptation is strong to impose taxation to provide a revenue entirely independent of the several States. Those States have each authority to impose taxes, much after the plan in vogue in Canada.

This system seriously complicates the question of Free Trade and Protection in Australia, for, as the revenue of the States is so largely dependent on customs duties, there is a natural objection to this source of income being cut off by a Free Trade policy. On the other hand, the Protectionists are desirous of increasing the revenue from customs, not only to enlarge the Federal, but to give the States more spending money.

The unification of the country has had a very beneficial effect upon the postal and telegraphic services, which, naturally, are more economically administered and with greater convenience to the public than when the several States had each its own post and telegraphic service.

The Commonwealth Parliament has taken action against charging certain classes of public works to capital. Such works as in Canada are quite justifiably charged to capital in the Commonwealth are to be charged to revenue. Although this policy is defensible on some grounds, it seriously hampers a Government in undertaking public works for the cost of which the yearly revenue will not provide. Had such a policy been imposed on Canada at Confederation this country would have made little progress. It may sound somewhat paradoxical, but it is a demonstrable fact that the debt of Canada has been a source of wealth and of development.

The naval defence of the Commonwealth is a live question in Australia. In the table of expenditure we find the sum of \$3,651,000 down under the head of Defence. A conviction exists and is growing that the colony ought to have a navy, but its finances, at present, are not equal to this provision.

The proposal, to consolidate all the State debts, is favoured, but it hangs fire; hence several of these debts are being renewed.

The Commonwealth is not yet clear of the financial and administrative difficulties incident to the consolidation of a number of independent States into one political unit, while leaving wide freedom of action to each of them.

The wisest course is to avoid rushing new methods and policies. Patience is strength under such conditions as exist in the Commonwealth, which has in its physical resources and its people splendid materials for building up a powerful, prosperous State.

Canadians have nothing but good will towards the Australians. We, however, are vain enough to consider our political and financial system as examples which our friends of the Commonwealth would benefit by following.

THE UNITED STATES' CURRENCY SYSTEM.

A STORM SIGNAL RAISED BY THE SECRETARY OF THE UNITED STATES TREASURY; THE AMERICAN CURRENCY SYSTEM IS DANGEROUSLY NON-ELASTIC, CURRENCY BASIS IS CONTRACTING WHILE CURRENCY NEEDS ARE EXPANDING; OPPOSITE FORCES AT WORK; AMERICAN BANKS ARE HAMPERED BY BOND BUYING AND SELLING FOR CURRENCY PURPOSES; A NATIONAL DEBT NO RATIONAL BASIS OF A NATIONAL CURRENCY; TEMPORARY DEVICES TO RELIEVE THE SITUATION BASED ON NO PRINCIPLE; FOLLY OF IGNORING THE WORLD'S EXPERIENCE; CANADA'S EXAMPLE THE TRUE SOLUTION OF THE UNITED STATES CURRENCY PROBLEM.

The main defect of the currency system of the United States is its inelasticity, and this quality is the natural result of the note issues being bound up with another non-elastic financial system with which it has only a very artificial connection.

The amount of the circulation of bank notes by a bank in the United States is regulated by the amount of the bank's deposit of Government bonds with the Treasury. As the national debt of the United States is being gradually redeemed the volume of Government bonds available for the banks, as security for their note issues, as indeed the basis thereof, is growing smaller while the requirements of the country for more enlarged note issue are growing larger. Here then are two financial forces at work which are made to be most intimately associated by the currency system, yet they are being affected by influences which are directly contrary the one to the other. The mercantile and the financial needs of the United States for more currency are expanding rapidly while the basis of the currency, the outstanding bonds of the Government, is being gradually narrowed.

A parallel to the currency situation in the United States would be a gradual reduction in the amount of the paid-up capital of the chartered banks while the demand for circulation was simultaneously increasing. This would create in Canada a difficulty of the same nature as exists in the United States, only we should have this remedy, the banks could call up more capital so as to obtain a larger circulation, but the enlargement of the national debt of the