

IS GOVERNMENT CURRENCY THE MOST SECURE ?

If the voice of the country trader, farmer and mechanic, were permitted to be heard regarding banking and currency legislation it is more than probable that the wings of Governmental extravagance would find themselves suddenly clipped. Those wings would then be less able to soar amid the ether of a forced loan in Government currency to those lofty heights of indebtedness of hundreds of millions to which their ascending efforts are now directed.

The greatest difficulty is however experienced by the middle classes in making their voice heard. There seems an irresistible tendency on the part of the daily press of all shades of political opinion to roost peacefully on the fence. Now and then when the east wind of public opinion or the west wind of political wooing threatens to disturb that position there is a slight cackle and a perceptible flap or two of the off wing, just as it were to keep up the interest of both and demonstrate that all power of motion is not lost, that it is still possible for the press to descend upon one side or other. But the final flight is never taken till the battle is decided, and from their vantage ground—the fence aforesaid—they can see clearly on which side the prey lies. So long as the press struggles successfully to maintain this attitude it is not marvellous that we find so little straight common sense on practical matters either in editorials or correspondence, for these would unpleasantly disturb its equipoise. Financial journals still insist that currency is a financial problem. They fail to see that common-sense views the currency only as one of the practical matters of business.

Trade and finance are alike based on uses. It is the use which a special trade or a special form of currency serves which decides the value of one or the other. This test of usefulness shows at once the "rag baby" to be only a child's doll, and a poor one at that; for it has no value to anyone outside of those who choose by law to condemn themselves constantly to play with it. Universal dominion for this Dominion is our only chance of making rag-money of the slightest use to any other nation; and according to its use will be its value to those other nations, and thereby to us.

It may be a startling proposition, but it is a true one, that a government cannot—simply *can not*—either manufacture currency nor force its issue permanently. Men will not take its issue in exchange for value unless it is real value. If a government be autocratic enough to be able to compel them to take it—this is, to seize their property and give them in exchange only its "promises to pay"—the process cannot long continue; for the currency so issued being of no use to the world at large will produce no further value, and there would soon be nothing further to seize. "Out of nothing, nothing can be made."

The true "money" of a country is its industry and ability. These produce from the gifts of nature things of universal value. These are exchanged for other articles which can be again used to produce more value even should these be only material food required to maintain these faculties of usefulness, industry and ability in working order. A standard of value by which to measure the relative worth of these products of our powers does not require to be invented. It exists—is found ready in the world from time immemorial—and that standard universally accepted o'er the world, from Japan to San Francisco, is Gold.

Currency of modern times is—must be—a paper promise to pay in gold. There might be, and there is, a currency that promises to pay in gold or house property. Such currency is called a mortgage; but it does not promise to pay a house—but a house of gold. There is another currency afloat in the form of bank, mining or railway share certificates, but that "scrip" promises to pay in gold or in a share of the genuine assets of that company equably proportioned to the standard of gold value represented by the amount of the share. We cannot, therefore, either restrict or expand currency of any kind except by restricting or expanding values relatively to gold, or to those commodities which are universally accepted in exchange for gold.

If our Government were to become suddenly less spend-thrift and more penurious—a thing so improbable as to baffle the stretch of the most wildly imaginative mind—and were to restrict its issue of currency to one million, then, if our present currency is real, useful, necessary, based on gold held, or on real value exchangeable for gold, a naturally evolved currency would immediately become current. Bankers' drafts and private drafts from one upon another, promising to pay in gold held, would at once take its place. Cheques would be drawn for small sums, marked "good" at the bank on which they were drawn, and circulate from hand to hand for months and years till in rags, just as "currency" does now, if the public had cause to know they represented real value. Valueless in themselves they would acquire value as representing and commanding the gold stored in the vaults of corporate or private bankers. A failure to meet these in gold when wanted would cause a sudden peremptory and continued demand for the gold they represented, exactly as it does now.

In the same way, if a Government issues currency more than is required it will return rapidly for redemption. It cannot prevent this except by paying

it out again for new Government works it may undertake. When thus paid out it will most certainly come back for redemption—all of it, that is, which is not earned in the way of profits by contractors. Thus it would seem actually as though public works cost money, real money, gold, after all. The "rag baby" says it is not so; but what can that limp, inanimate, mis-shapen imitation of a live baby be expected to know about it? It follows, then, that the only possible real use which a Government can perform either for itself or its people with regard to money is to establish a coinage ratified by a mint stamp which shall guarantee the purity of the metal contained in it. A Government has nothing to do with promises to pay in gold except to see that the conditions on which these promises are issued are faithfully carried out, or if not, are punished as fraud. The public individually, or collectively as corporate banks, will supply all the currency which the gold held by them will enable them safely to do. This freedom of trade in money is the only safety. Yet a Government, while permitting free trade in money, has every right to enact such laws as shall make it next to impossible to commit a fraud upon the public in issuing as "money" that which is not "money." For that reason it should issue no paper currency itself. It should pay only in gold or in notes for the redemption of which it holds dollar for dollar. And this because Government has literally no resources to fall back upon to redeem any over-issue except by taxation, or, worse still, forced loans, upon the people, if its credit with other nations be gone. It has no other means of supporting its credit. In times of financial stringency or panic, Government cannot borrow gold reserves from the banks, for then these dare not lend it without imperilling their own safety. With a system of free banking, such as now exists among us, the case is wholly different. If law has fixed and enforced for these banks, by charter, a certain fixed amount of gold to be held against notes issued, no financial stringency can possibly affect all of them at once. A drain of gold upon the one will very probably find its way into the others, and these by lending their surplus gold upon the good securities held by the bank on which the "run" is made can support its credit and probably carry it through. Free banking also will always, by necessity of trade, have transactions with foreign countries from whom it can collect payment in gold and so turn part of its assets into gold rapidly if required to meet its issue. This pre-supposes a sound position as regards the nature of banking assets: and as already hinted at, all banks are not likely to be unsound at any one time. Government, on the other hand, if it has over-issued its currency has almost inevitably done so from necessity; for a Government has no temptation to over-issue for the sake of profit on loans made, but rather from its inability, by weakened credit, to obtain further loans itself; and thus precisely at the moment when it requires to redeem that over-issue its ability to do so legitimately is gone almost beyond recall. It can only fall back upon the resources of its own people for support by forced loans or taxation. It then inflicts upon them not only that evil but the further one of a currency depreciated in value for all purposes of use outside of its own domains. Every imported article, money inclusive, will then cost exactly the added amount of depreciation.

The day is rapidly approaching when such a state of things will become history in this country if the continued over-issue of Government currency and the reckless career of extravagance in useless public works so long carried on by our Governments be not stopped. It might be well for voters, Grit, Conservative and Liberal alike, to give these facts their consideration. If so, they will ere long conclude that it is safer, wiser, more practically prudent to trust to our free trade banking system to supply us with the needed currency for use in our transactions rather than to that "collective wisdom" which has not displayed itself so very practically in the spending and borrowing of money that it is likely, even though it be "conservative" in name, to conserve or preserve to us the "money" as a reality. Direful visions of the sickly complexioned and altogether hideous "rag baby" already begin to inflict themselves, in the witching hours of night, upon the already sufficiently harassed trader.

THE LAND QUESTION.

Persistent and laborious perusal of what "H. B. S." would probably describe as his article at length results in a partial comprehension of some of its statements; but there are portions of that singular performance which come not within the scope of an humble capacity.

The first puzzle presented is to discover a parallel said to exist between certain negotiations concerning the Victoria Bridge at Montreal and competition for farms in the British islands,—an idea somewhat far-fetched and largely incongruous. The Grand Trunk Railway of Canada, it appears, demanded from "a railroad corporation wishing to send cars through the Bridge" fifty dollars per car for that privilege; whilst another railway, in order to monopolize "the traffic" (of the Bridge it is presumed), offered seventy-five dollars per car. "H. B. S." not having said anything to shew whether in the one case the demand was complied with, or whether in the other case the offer was accepted, the manner in which "these two railways" came to "fix the rent practically" is not understood. That for a partial use of the Bridge something like an