

CANADIAN CURRENCY.

WHETHER a currency can be provided which will at all times and under all circumstances, be a fair and equitable medium of exchange between Traders, is a proposition which has engaged the attention of some of the profoundest thinkers of modern times, but it is one which has never as yet been satisfactorily answered. So many interests have in the course of years been allowed to enrust the principles on which the currency is based, both in this and the mother country, that it seems an almost impossible task, to separate arguments put forth from motives of self-interest from arguments deriving their force from principle alone, and to say in exact terms what is right and what is wrong.

Besides this difficulty of "vested rights," which meets one at the very outset, there are other most important matters involved in a consideration of the subject; for we are not only called upon to say what measures would or would not be a vexatious interference with the freedom of trade, but we are also compelled to consider what powers might with safety can be placed in the hands of the Government of so young a country as Canada, where every power is liable to be abused in the strife of party. Those and other difficulties that surround the consideration of the currency question, have led to a general acquiescence in the present system, a quietude which has been rudely broken by the failure of two of the oldest banks in Canada, and a quietude which cannot again pervade the public mind until the present system is somewhat altered.

It is not our intention to enter into a discussion of all the various points which must very soon come up for consideration. We shall confine ourselves in the meantime to a few remarks on certain well acknowledged principles, and review briefly by that standard, the system now in vogue in Canada.

One of the chief duties of the Legislature in every country is to provide a currency, metallic or otherwise, which shall place all traders on an equal footing so far as this medium of exchange is concerned, in order that the trade of the country may be carried on upon a sound, and not upon a mere chance or speculative basis. According to the best authorities, this currency ought to combine at least the following conditions:

1. It must be readily convertible.
2. It must be convenient of form.
3. It ought to be subject to as few fluctuations of value as possible.
4. Its denominations, however varied in name, form, or amount, should be not only nominally, but really and actually, of an equal value, (whatever that value may be) to every citizen alike.

To legislate in such a manner that the currency, or any portion of it, shall be depreciated, is quite as reprehensible as a mutilation or debasement of the coinage, and we have only to glance back a little way in the pages of history, to see the way in which our fore-fathers met such a grievance; it was by threats of rebellion and revolution, so serious that the Crown alarmed, abandoned the intended depreciation. Practically a debasement of the coinage and a depreciation of the circulating medium, are one and the same thing, and as we shall presently see, the Legislature of Canada has been guilty of this very grave offence. If we quietly submit to such an intolerable grievance, it is because we feel that however unjust and oppressive the results of their legislation, there was no intention on the part of the Legislature to defraud any portion of the public.

The regulation of the currency is undoubtedly one of the prerogatives of the Legislature, and that power of regulation carries with it certain responsibilities. That the Legislature can delegate that power to private individuals or public corporations, and, at the same time, transfer to them and *rid itself* of these responsibilities, seems to have been claimed less on the abstract principles of the British Constitution than on the erroneous hypothesis that the King and Parliament combined can do no wrong. There is a doubt—a very strong doubt—in the minds of many, whether the Crown has the power to transfer to others what may be called its inalienable rights and duties, such as the administration of justice, the regulation of the currency, the impost of taxes, the defence of the country, and other matters. Independently of this, however, and as if such argument had no weight let us ask in what condition has Canada placed herself with regard to the currency? Theoretically, gold is the standard, and until recently was the only legal tender, but it

must be observed that in pronouncing gold to be the currency, the Legislature failed to provide a coinage. It is true, American gold pieces and British sovereigns were made legal tender; but, unfortunately, that was forcing the public out of the country to provide themselves with a currency for use in the country, and left them to the mercy of independent Governments (and in the one case possibly a hostile Government) should these at any time see fit to alter their system. It is needless to say that the American system was altered years ago, and scarcely more needful to say that that alteration involved more or less the permanent withdrawal from Canada of a portion of coinage supposed to be in use there. Canada was thus left to that only other resource, British sovereigns, representing a value of \$4 86 $\frac{1}{2}$, in other words, to a coinage so very inconvenient in form as to be practically useless for the purposes of internal commerce. The general public were thus placed by the Legislature in this dilemma—theoretically the currency is gold—practically there is no available gold coinage.

But while, on the one hand, the Legislature were thus derelict in their duty, by failing to provide for the common use that which they have pronounced to be the only legal tender; they, on the other hand, granted to banking corporations such power and privileges, that practically the public were thrown upon them for that convenient form of currency they had failed to provide. And in thus placing the regulation of the currency with the chartered banks, the Legislature was perfectly sensible of the necessity there was to protect the public from an undue wielding of the vast powers thus put in their hands; for, as safeguards to the public, they demanded that each bank issuing notes should have ten per cent. of its paid-up capital invested in Government securities, and they ordered that each bank should give an average statement of its assets and liabilities. They decreed that these statements should be published every month for the public information and at the public expense, in the *Government Gazette*; and lastly, and most important of all, it was ordained that each shareholder should be liable to a call equal in amount to the full capital for which he subscribed, that capital itself having first of all to be fully paid up—a precautionary measure which is technically known as the "double liability clause" of the charter.

Now if a guarantee was exacted at all, it were surely only reasonable to suppose that the guarantee would be a sufficient one to protect the noteholders from the losses and inconveniences of a fluctuating or a depreciated, or an unconvertible currency. But what are the facts? In the first place, the ten per cent. to be invested in Government securities is upon the *paid-up* capital and not on the *subscribed* capital, holding out to banks an additional inducement to their many other natural inducements to transact business less on capital than on credit. So that we have the anomaly of two banks having an equally large circulation—the one with \$400,000 invested in Government securities—the other with an amount much under \$100,000. Nor is the insufficiency in the amount the only absurdity, so far as a guarantee to the noteholders is concerned. Small though it be, it was not even provided that these Government securities should be realized for the redemption of notes. They are simply so much assets applicable to the general liabilities of the banks, and capable of being hypothecated, as any other of their assets may be hypothecated, between the first day of January of any one year, and the first day of January of the next, for it is only once a year that a statement under oath is required of the amount of Government securities held and owned by the banks. In the second place, the "average statement" may be made up on any day of the month, the bank itself having the option of selecting whatever day or days it pleases, and thus a wide door is left open for a misrepresentation of these two positions by any two or more banks who choose to combine for the purpose of misleading the public.

Independently of such combination, (which we do not say is made, but which, we assert, *might* be made,) it has been but too clearly manifested by recent disclosures, how very unreliable these statements are in their most important particulars. In the third place, the publication of these "statements" in the *Gazette* has led the public into the belief that they are examined at least in a general way by Government officials before publication. There is no provision by the Legislature for such examination, nor are they examined. In the last place, the Legislature has left the double liability of shareholders in such a posi-

tion that it cannot be called for until the whole assets of the bank have been first realized. Comment upon the utter futility of such precautions as these, is quite unnecessary.

It may be argued by some that the Legislature leaves it quite open to the public to accept or refuse the notes of any bank in which they have not implicit confidence. We demur to any such conclusion, and would ask the careful attention of our readers to the following passage which occurs in the writings of Dr. McCulloch, one of the ablest writers on political economy of the age. Speaking of the bank-note circulation in Great Britain he says:—

"Everybody knows that whatever notes may be in law, they are in most parts of the country *practically* and in fact legal tender. The bulk of the people are totally without power to refuse them. The currency of many extensive districts consists in great part of country notes, and such small farmers as should decline taking them, would be exposed to the greatest inconveniences. Every one makes use of or is a dealer in money. It is not employed by men of business only, but by persons living on fixed incomes, by women, labourers, minors, in short, by every class of individuals, very many of whom are necessarily, from their situation in life, quite incapable to form any estimate of the solidity of the different banks whose paper is in circulation. The paper that comes into their hands is part of the currency or money of the country, and it is quite as much the duty of Government to take measures that this paper shall be truly and substantially what it professes to be, as that it should take measures to prevent the issue of spurious coins or the use of false and deficient weights and measures."

And if this be true in regard to England, where a gold coinage is actually provided by the Government, and to a considerable extent used by the people, with how much greater force does it apply to Canada where no such coinage exists.

Here in Canada we have the ignoble spectacle of a Government without a coinage, and not even having the authority to establish a mint, delegating its powers of regulating the currency to certain joint-stock institutions,—exactng one per cent. per annum from these institutions for the profits on that currency, —pretending to exercise a certain supervision on them for the general weal,—and yet holding the doctrine that in delegating its powers it also rid itself of its responsibilities; holding the doctrine that the public may look to the banks which issued the notes for redress, and not to the Government which practically forced them upon the public—the ignoble spectacle of an uncertain, if not an unsound, currency, a large portion of it depreciated, a large portion of it unconvertible.

We do not advocate the immediate establishment of a bank of issue, and a withdrawal from the banks of the right to issue notes. Such a course would but aggravate the evils under which the country labours. But we do assert that the public have the right to expect a perfectly sound and reliable currency; and we affirm that past legislation has conferred on comparatively irresponsible institutions the power to create an unsound and unreliable currency which the public were forced to use because they had no other, and because they supposed it was in some way guaranteed by the Legislature. The continuance of such a state of things is not only disgraceful to our country, it is most ruinous to our internal trade. Fortunately, our banks have, on the whole, been conducted with wisdom and prudence, and the remedy is comparatively easy and inexpensive, if our legislators have but the boldness to face it. Let them respect "vested rights," but let them also prepare for a gradual resumption of the rights which properly belong to themselves. Meanwhile let them appoint a Government oversight over the circulating banks guaranteeing their circulation, and exacting from the banks reasonable security for such guarantee. Let the investment in Government securities be on the basis of circulation and not merely on paid up capital, and let these securities be specially held for the circulation. And let the double liability of shareholders be brought into force the moment a bank goes into liquidation. And as for the two banks which have gone down the remedy is not difficult. In the case of the Commercial Bank, should it fail to resume, let the Government lend its credit for the immediate payment of the circulation, reimbursing itself out of the first assets realized; for there cannot be a doubt that the assets will more than meet all the liabilities. And in the case of the Bank of Upper Canada, the whole liabilities to the