

federates, whereby they would have entailed on England the implacable and most dangerous hatred of the people of the United States. Nothing could be clearer than that the moment England appeared to be in peril the French Government, though ostensibly on the best terms with her, prepared to take advantage of her embarrassment. Surely this is another reason for thinking a little more of Dover and a little less of Herat.

THE PRESIDENT OF THE BANK OF MONTREAL ON THE CURRENCY.

THE Bank of Montreal is placed in an exceptional position, both by reason of its imperial magnitude and by reason of its relations with the Government, which are beginning to resemble those of the Bank of England with the Government of Great Britain. A proposal emanating from its Manager, therefore, with regard to the legislative treatment of other banks ought to be received with great respect and at the same time with a certain amount of caution. The proposals of a premier bank, like those of an exalted personage, for the regulation of those whom Providence has placed beneath it, are a little apt to be austere; and austerity may be carried to excess. Lord Overstone, who was the Great Mogul of British finance, was certainly excessive in his austerity, and by that highly moral machine for monetary strangulation, the Bank Charter Act, which he persuaded Sir Robert Peel to adopt, he did perhaps as much mischief as any financier of his day. The President of the Bank of Montreal recommends that, with a view of securing the soundness of the currency by putting a tight curb on reckless banking, and of affording financial help to the Government at the same time, all Canadian banks shall henceforth be required to deposit Government bonds against their circulation. Here are two distinct objects; and as they have nothing whatever to do with each other we shall be extremely fortunate if the same device serves both. But with regard to the first object, the soundness of the currency, we must ask where is the necessity for the bit? Is the soundness of our currency under the present system doubtful? Are new securities urgently demanded by the public? In all the troubles and periods of crisis through which the commercial world has passed during the last twenty years, how many holders of Canadian bank-bills have lost their money? How many depositors even have ultimately suffered? Canada is not a raw Western State, nor are these the days of wild-cat banking. If there is reason to apprehend looseness of principle in any quarter at the present day, we should say it was rather on the part of the Legislatures, whose paternal interference with our commerce the Manager's proposal would tend practically to increase, than on the part of the banks. The Manitoba Exemption Law was not the work of Winnipeg bankers, nor would a congress of bankers, if it were called together, be found to swarm as a Legislature does with crazy devotees of the Rag Baby and wild-goose financiers of all kinds. There is more reason, in short, in our time and country for fearing wild-cat governments than wild-cat banks. But supposing a necessity for enhanced security to exist, still the special mode of meeting it suggested by the President of the Bank of Montreal is, we cannot help thinking, as open to question as anything that comes from so high a financial quarter can be. When a financial projector in England proposed to base a national paper currency on the Funds he met with an irreverent reception, and was made, we presume, at last to understand that the Funds, as far as the nation was concerned, were debts and not assets, and that a community could not any more than an individual merchant base its promissory notes upon its debts. What the President of the Bank of Montreal recommends in effect is that the Government shall issue through the banks a mass of promissory notes of which the basis is to be its debt. Not only so, but the Government will be bound to run into debt and to remain in debt sufficiently to provide the basis for the circulation; and if in consequence of the growing population and expanding commerce of the country an increase of the indebtedness should be required, Government will have to increase its indebtedness; otherwise monetary strangulation will ensue. Are not our neighbours in the United States at this moment confronted by a most serious dilemma arising from the reduction of their public debt and the consequent withdrawal of the national bonds on which the circulation of their banks is based? Are not American politicians hostile to the banks and enamoured of the Rag Baby looking forward to this crisis with an eagerness equal to the anxiety of the commercial men, and joyously preparing their legislative projects for shoving the queer? Not the position of the Government, financial or general, but the requirements of commerce from time to time are the proper measure for the expansion or contraction of the bank-bill circulation, as they are for the expansion or contraction of the general volume of commercial paper, such as promissory notes and bills of exchange. Nor ought commerce to be exposed, as with a currency based on Govern-

ment bonds it would, to having a shock sent through its whole system by any act of the politicians which might happen to effect the credit of the Government.

But the plan is open to a still more radical objection. It would give the Government a forced market for its bonds. In the case of the United States the measure was a forced loan in disguise, and is deprived by that fact of authority as a financial precedent. That there shall be no such thing as a forced market for any paper, whether it be that of an individual trader or a government, but that all paper alike shall depend for its currency entirely upon the credit of those by whom it is issued—that it is upon their solvency and their conduct—is a cardinal principle of commercial morality which the President of the Bank of Montreal would, we are sure, be the last man to violate. From a forced market for government bonds there is but a step to a forced circulation of government bills and an inconvertible paper currency. If political power is to be allowed the privilege of fixing its own commercial credit the privilege is likely to be freely used, as in commercial ages, which we deride as dark while we sometimes reproduce their errors in other forms, was the privilege which political power then assumed of fixing the value of its own coin. Nobody will question the President's patriotic desire to confer a benefit on the Government and the nation; but we doubt very much whether the benefit would in fact be conferred; at least whether it would extend to the nation as well as to the Government. To furnish a spendthrift youth with special facilities for floating his paper would surely not be an unquestionable kindness. Would it be an unquestionable kindness to furnish not the most economical of governments with a forced market for its bonds? If the President of the Bank of Montreal could desire some mode of making it a little less easy for the Canadian Government to run into debt and thereby compelling it to consider a little more carefully into what enterprises it plunged the country, he would, perhaps, be rendering the industrial community a greater service than he would by putting a forced value on Government bonds and thus encouraging the power which issues them to continue in its present courses.

Nothing can be sounder than the doctrine preached by Mr. Smithers to shareholders in Banks and to depositors. They must trust, as he truly says, to their own commercial judgment and caution in the selection of investments, the appointment of directors, and the choice of safe places of deposit, not to the government, which has nothing to do with their affairs, but whose intervention some of them are too ready to invoke. It is only a pity that he did not go a step further and point out, as he might have done, that the banking trade stands on the same footing as other trades, and that government has no more to do with it than it has to do with any other branch of commerce. The government must stamp the coin, to assure us that it is of the right weight and quality. There its proper functions end. But a confusion of ideas has been produced by the loose and ambiguous use of the term money, which has been transferred from coin, its proper meaning, to bank-bills circulating as money, though they are not really money but promises to pay it. Hence apparently arises the prevalent notion that the issue of bank-bills, like the issue of coin from the mint, is one of the prerogatives of government, that the profits derived from it belong of right to the nation, and that, if bankers are allowed to reap them, it must be through some sort of usurpation or connivance involving a fraud upon the community. Hence, too, the belief rooted in the minds of many politicians, especially in the United States, that to bedevil the banks is their natural right and duty—a belief which, when the Currency Question comes on at Washington, we are likely to see translated into wise and beneficent action. The issue of bank-bills is no doubt a proper subject for legislative safeguards of a special kind, as are insurance and some other branches of trade. The taker of a bank-bill in the ordinary course of commerce cannot stop to satisfy himself of the solvency of the bank, as the taker of an ordinary note or of a bill of exchange satisfies himself regarding the solvency of the drawer. Legislative safeguards then by all means let there be, either in the form of inspection or in any other form that may seem best, and let their stringency be as great as the nature of the case requires. But it is one thing to provide the legislative safeguards required by a special trade; it is another to compel the volume of bank circulation to conform itself, not to the requirements of commerce, but to so totally alien a standard as the National Debt, at the same time furnishing governments, of which frugality is not the peculiar characteristic, with a forced market for their bonds.

BUBBY stubbed his toe and came crying to his mother. "There, there, Bubby," she said, after she had ascertained that the injury was trifling; "you are too big a boy to cry over a little thing like that." "B-but what a-am I to do, mamma?" he said, sobbingly; "I ain't b-big enough to swear."