

ed on these unpaid premiums, and deducted from the gross assets, but whether this is anything like a sufficient deduction is very much doubted. One of the things to be required by the proposed new statement blank is the statement of the actual cost of collection belonging to deferred and uncollected premiums. That the diminution will be shown to be a good deal more than twenty per cent. we have no doubt whatever. While, then, as stated at the beginning of this article, credits in some form and to some extent are and will continue to be a necessity, we submit that the nearer a company comes to maintaining its business on a cash basis, the more satisfactory that business will be, the cleaner its assets and the stronger in every way. An increasing rather than a decreasing percentage of unpaid premiums is at least not a very encouraging outlook.

CANADIAN FINANCE AND CURRENCY BASIS.

On the 15th October we published an article on the above topic, which has excited widespread interest in Great Britain, where we have reason to affirm its effect was salutary at a time when special efforts were being made to throw a shadow over the credit of Canadian financing and securities. We have been favored by a letter thereon from the manager of a prominent financial institution in Scotland, of which the following is a copy:—

"I have read with much interest the article upon 'Canadian Finance and Currency Basis' in the INSURANCE AND FINANCE CHRONICLE of 15th October. The subject is one to which I have given some thought. The law in regard to currency and Dominion notes seems to be contained in chapters 30 to 31 of the Revised Statutes of Canada 1886, and the Canadian Bank Act 1890 appears to regulate the issue of bank notes. My reading of these Acts, so far as they relate to gold and currency payments, is this: that 'payments' in the lawful money of Canada could apparently be made: (1) in British sovereigns, (2) in gold eagles of the United States, (3) in Dominion government notes, or (4) in Canadian bank notes. In considering the provisions of the three Acts referred to, it must not be forgotten that they are Acts of the Canadian Parliament, and that under the British North America Act, 1867, forming the Dominion of Canada, exclusive legislative authority is given to the Parliament of Canada to pass laws relating to the currency and coinage, the issue of paper money, banking and the incorporation of banks. We have, therefore, have we not, to take the risk of the Canadian Parliament passing laws adversely affecting the currency? The article in the CHRONICLE says that, 'Canada conducts all her financing on a gold basis,' and a little further on that 'no gold coins have been minted for Canadian use' and in regard to legal tenders, 'these are the notes of the Federal Government,' etc. But, for securing the redemption of these notes, the Minister of Finance and Receiver General has only to hold an amount of gold, or in gold and Canadian securities guaranteed by the government of the United Kingdom, equal to not less than 25 per cent. of the amount of such notes, at least 15 per cent. being held in gold. If I am right in what I have written, I am not sure that I can go quite so far as the writer of the article when he says that Canadian currency is equivalent to sterling."

The writer concludes his letter by some remarks on another matter, to which we will refer before closing our reply. In regard to the enquiry: "Have we not to take the risk of the Canadian Parliament passing laws adversely to the currency?" let us say frankly that such a risk is run by all who invest in consols or handle any form of British currency. The British

Parliament has reduced interest on consols from 3 to 2½, and it might, it has full power to repudiate them altogether. It might also declare all note issues void and worthless. But such risks have no effect whatever, they are merely speculative. We must take the record of a country and people into account in such matters, and for Canadians and Canada this can be said, since currency was known here, it has always been redeemable in gold, and has never failed to be redeemed in specie, save during a few weeks in the war of 1837, just as Bank of England specie payments have been suspended, temporarily, in such times. The risk our correspondent refers to is as remote as anything can be, it is a risk those who know Canada never dream of in their gloomiest moments. It is quite true that dollar for dollar is not held for "Legal Tenders," no nation ever did have such notes so protected, the necessity does not exist. The Bank of England has about 75 millions of dollars of notes in circulation in excess of its stock of gold, the security for which is the same as is held for the Legal Tenders of Canada for such amount as exceeds the gold stock held by the issuers, that is, the Government. Will our correspondent deny that British currency is on a gold basis because it exceeds the stock of gold held to provide for its redemption? He certainly would not; why then should he decline to accept our statement that Canadian currency is based on gold, on the mere ground that dollar for dollar is not held to protect our Dominion notes? If he holds that a gold basis requires every dollar issued in notes to be covered by an equal stock of gold, he must therefore hold that no currency in the world now is or ever was on a gold basis. The government of Canada by Act of Parliament is bound to redeem its notes in gold, it does so every day, and that obligation and practice is a demonstration that the national, the Dominion note currency, the legal tenders of Canada are "equivalent to sterling." During the American Civil war, the whole business of Canada with the States was done in gold *exclusively*. Our banks held large stocks of gold in New York to meet their drafts in that centre, and all payments by Americans to Canadians were made in gold. Yet during that time the currency of the State was in greenbacks, which were often at a very large discount. No stronger evidence of our currency being on a "gold basis" could possibly be furnished than the fact that for some years we maintained our currency on that basis in dealing with America during the whole time that specie payments were suspended in that country. As to the note issues of the banks, they are redeemable in gold or Dominion notes; if the latter are taken, they can be almost instantly exchanged for gold, so, of the bank issues, it is absolutely the truth that "Canadian currency is equivalent to sterling." No payment can be forced upon a creditor in Canada in any form of money which is not redeemable in gold—that fact, we submit, is incontestable proof of the currency and the finance of Canada being "on a gold basis." Such is the law of the land, and not one single instance ever occurred in Canada since it had a currency, of any payment being tendered in any