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CONFLICTING AIMS OF THE INFLATIONISTS.

Mr. Isaac Buchanan has long been noted for his somewhat misty notions of currency reform. The recent meeting of national currency advocates, consisting of members of Parliament, at Ottawa, furnished an occasion for him to speak again on the subject. Mr. Buchanan, like all inflationists, sees national and individual salvation in a large increase of currency. He thinks the existing amount of currency ought to be doubled. He wants it to be doubled, as a means of enabling farmers to pay off their mortgages —he thinks it is the only means—and he believes this can be brought about by extending "the principle of the postage stamp to all collections of revenue;" only instead of a stamp he would use exchequer notes, which should be made a legal tender. The postage stamp pays a tax, but that is its sole function; and the difference between it and an exchequer note, which should be a legal tender for the payment of all debts, is immense.

If by any scheme of inflation, old debts could practically be paid at a large deduction from their face, it would be dishonest, unless it could be shown that the debts were contracted in a period of inflation, when the purchasing power of money was much less than at present. To double the existing amount of currency by artificial means, when such increase is not necessitated by there being a greatly increased quantity of commodities to be moved, would have the inevitable effect of inflating prices. That inflation would have its limits. It could not extend to whatever we export, and which has to be sold in foreign markets on terms of competition with like commodities from other countries; but the inflation would extend to everything that did not come within the range of foreign competition. The price of land would go up, and would come to bear a disproportion to the value of its produce; for only some portion of the produce which is consumed at home could be subject to a corresponding rise in price. Wages would rise in nominal amount far exceeding the increase in their purchasing power, and general derangement would result. Most people would receive nominally more dollars, but the purchasing power of the dollar would be lessened. All experience proves this. An abundance of currency artificially created, part of it consisting of legal tenders without gold behind them, would certainly be an evil, almost an unmixed evil.

Mr. Buchanan's scheme of inflation is not without its compensations. He thinks that, in time, the present banks should all become National Banks, like those of the United States. But he would not force the change rapidly; would instead give each bank the option of bringing about this change as soon as its circumstances would permit; only compelling them to make the conversion at the rate of ten per cent. a year, which would give ten years for the completion of the operation. No doubt this question will undergo an exhaustive discussion before the expiration of the Bank charters in 1880. It would be quite out of the power of many of the Banks to secure their circulation by a deposit of government securities on a given day, named in a statute, at no great distance in the future. A couple of large banks might make the changes very quickly; but it would take years for most of the others to effect it. The National Bank system certainly presents itself in a very different light from that in which it stood when the present bank charters were passed. Then the system was new, and the instability in the value of government securities was unpleasantly prominent. Now, the National Banks, as affording security to the public, have proved a marvellous success; and the contrast between them and the State banks is greatly in their favor. If a change from the present constitution of our banks to the plan of the United States National Banks were determined on, it would have to be gradual. The change could have been made much easier at the time when the capital of the banks was so greatly increased. If instead of that increase of capital the money had been used in converting our banks into banks on the footing of the United States National Banks, the chances are that much less capital would have been lost than has been through incautious bank loans. When credit forms a large element in what we call capital, much more is risked by the lender than if he lent only gold. When a bank exchanges its notes for the note of two solvent traders there is merely an exchange of credits; and the desire of new banks to get out their notes often tempts them into loose methods of dealing. If a bank could not issue a note for which it had not lodged full security with the Government, it would be lending not a mixture of credit and capital but all real capital; and this consideration would tend to produce caution. We do not say that when the bank charters expire it would be the best thing to adopt the National Bank system of the United States; but it is clear that that system, having emerged from the cloud of doubt and uncertainty which formerly overshadowed it, can no longer be viewed with the suspicion that attached to it in its infancy.

Mr. Buchanan's scheme, he tells us, "would provide twenty millions of dollars for public works and settling the North-west, without taking it out of the banks or trade." But how would it be possible to buy with these legal tenders foreign exchange, which would certainly be required in carrying on public works, without drawing on the resources of the banks? If the banks, in selling exchange, took Treasury notes in payment, is it certain that they could utilize these notes to reimburse themselves? Would people in Europe take our legal tenders? And, if not, how could the banks safely increase the circulation by twenty millions?

It has been announced that a National Currency League has been formed in Toronto. At present, this organization does not promise to become formidable. The figure heads are unknown men; and, unless it can muster a fair stock of brains and a considerable agitation fund, it is likely to pass out of existence without making any lasting impression on public opinion. A very small public meeting of the promoters of the League was held in St. Lawrence Hall on Tuesday night, at which three speakers aired their notions. One wanted a national currency based on real estate, and notes issued to an amount equivalent to the mortgages thereon. Another was quite sure, in spite of experience, that no nation can pay interest and live. A third advocated the national banking system of the United States. So these Leaguers are very far from being agreed among themselves. They have no common programme, except inflation: they all want more currency, and if relative figures would prove their case, they might claim to have shown that there is too little currency in Canada. One speaker said that France has $290 currency per family, Great Britain $176, the United States $142.50, Germany $89.33, Canada has only $40. We need not take the trouble to test the accuracy of these figures; for, in any case, they prove nothing. It is quite.