

ments for earning government money," and "are trained for scholarships as horses are trained for races." Doubtless the expressions are strong, but they are not exaggerated. Dr. Knight says quite truly that there is no educator "who has ever espoused the doctrine that the main end of education is to win a money prize or a professional post;" but we cannot go with him when he continues, "and there are very few—even among the satirized 'crammers' who act as if it were so."

We have not the least doubt that Professor Knight is saying what he thinks and believes. But in that case, his experience must be decidedly limited. If parents and children, and crammers and examiners could be got, separately and without previous consultation, into the witness box, we imagine that the resulting convictions produced upon the jury would leave in their minds no doubt of the truth of the protest and the insufficiency of the defence.

It is quite beside the question when Professor Knight says that it is much more common to have a keen eye for existing defects, than the constructive instinct to devise a remedy. The protesters had already said this very thing, although in less grandiloquent language; but neither they nor any one else—not even Professor Knight, we imagine—would think of laying down the principle that the diagnosis of a disease was of no value, unless a remedy were forthwith provided. At least there can be no perfect cure so much as thought of until we understand the malady; and a tolerably complete knowledge of the disease will bring us on our way towards its removal.

Again, the Professor denies that the present system tends to make education all of one type and to destroy individuality. The Professor has evidently never crossed the Atlantic, or he would have seen that which is only a tendency in England and in Scotland turned into a concrete fact on this side of the ocean. Only the other day a Canadian speaker at an American Congress lamented the loss of individuality in the Dominion, expressing the hope that matters might in this respect be in a better condition in the States. "Why," said an American clergyman afterwards, "in this country we turn them out of our schools like so many yards of calico, all alike."

On some points the critic agrees, in a measure, with the contents of the protest; but he almost makes merry over Mr. Max Müller's proposal to have two kinds of examinations. "It is curious," he says, "that when Mr. Max Müller hints of [at?] a remedy for the evils which we all deplore, he actually proposes another examination." It would be almost rude to suggest that he had not taken the trouble to understand the meaning of the proposition to which he objects; for it certainly did suggest something that would have proved at least a partial remedy for the acknowledged evil.

Mr. Müller had been complaining of the amount of cramming that, more particularly in the case of Honour men, was taking the place of education. Now, he said, in effect, with regard to Pass men and all men, we must secure that they come up to a certain standard, and, in order to this, their knowledge must be tested by examination in the contents of authorized text-books. But with regard to Honour men, the examination must be of a different kind, of a kind that will test and recognize not the mere possession of the contents of a certain number of books, but the general intelligence and education of the examinee. It is quite true that this is, in a certain sense, the addition of another examination, but it is for the purpose of substituting a rational method for one that is irrational and mischievous.

The second paper in the series is partly sarcastic and scornful, but partly also in agreement with the representations of the "Protestants," as the author calls them. He agrees that examinations are too frequent, and examinees are too numerous, and, in accounting for this fact, he dwells upon a consideration to which we have, on former occasions, drawn attention, namely, "that growing hatred for manual labour, which is fostered by cheap schooling, cheap printing, and cheap politics. Crowds of candidates, with constitutions enfeebled by bad food and want of care in infancy, are now engaging in educational competitions, which are far more trying to them than any handicraft would have been. . . . Hence the victims whose physical collapse is deplored in the Protest."

We quote these words for the sake of the timely warning against the "growing hatred for manual labour;" but we cannot in the least agree with the writer that the breakdown of young men, at or after those examinations, is accounted for by their being badly fed and cared for in early youth. It is quite well known that many young men have had quite good constitutions shattered by the present competitive system of education, and that some of them have never wholly recovered.

The writer of the third paper disposes of the protest, signed, as our readers will remember, by nearly all the most distinguished scholars and teachers in England (!) in little more than one page; and his arguments are of a very peculiar character. Here they are: "I have been successful in two open competitions: the appointments were for the Indian and Home Services, with £1,000 and £500 per annum respectively, the highest ever given direct in open competitions. . . . I left a small London day-school at fourteen years of age, and taught myself all I know after that in the evenings and anyhow; but I never had an hour's 'coaching' or 'cramming' from any one," and so forth. Consequently, argues the writer, cramming is not necessary, and more to the same effect. But who needed any such proof? All that the argument proves is that Mr. H. Temple Humphrey is a very clever, perhaps a very able, man, and, like other able men, overcame difficulties under which most men would have succumbed. But this no more affects the general contention of the Protesters than one swallow makes a summer; and we find ourselves only more convinced of the substantial truth of the protest, and of the necessity of publishing it, by the reading of this "Reply."

THE GOVERNMENT AND THE BANK CIRCULATION.

FROM a report in a commercial journal of an interview with a leading banker it appears that the Treasury having been depleted by largesses to the C. P. R., Better Terms and grants to constituencies for local works, the Government propose to replenish it by appropriating the circulation of the banks. Dealing with the currency is a time-honoured expedient of governments in financial difficulties. They used to debase the coin; now they issue paper currency and make it legal tender. In addition to the expected profit, Government, by seizing on the circulation of the banks, may earn a little popularity among the State Socialists and the partizans of the Rag Baby, and not only among these theorists, but among those who hate the banks and would rejoice in any mischief done them, simply because they are prosperous institutions by which other people are making money. Where commerce and commercial communities would be without banks to keep deposits, to sustain trade by supplying credit and to economize gold by affording a trustworthy basis for a paper circulation the enemies of these corporations probably care little to inquire.

It is the business of the Government to stamp the coin and thus to assure us that the pieces are up to the proper weight and fineness. But with the issue of bank bills, Government, I would venture to submit, has nothing to do, any more than it has with discounting or with any branch of the money trade, or indeed of any trade whatever. The impression that it has, and that the profits of the paper circulation properly belong to it seems to arise partly from a loose use of the name "money," which ought to be confined to coin, but is extended in common parlance to that which only represents coin. A bank bill, like a check, a bill of exchange or a promissory note, is not money but an instrument of credit. It is not a payment but a promise to pay on demand. When it changes hands, gold passes, just as it does when a check changes hands, from the credit of the giver to the credit of the taker at the bank of issue. Bank bills differ from other instruments of credit only in being generally current. As they are generally current it is necessary, in the public interest, to surround their issue with special safeguards, such as the requirement of a sufficient reserve, secured by inspection, and that of a double liability. To provide these safeguards by legislation is the function of Government. A Government has no other function that I can see in regard to bank bills any more than in regard to other instruments of credit.

At the time of the American Civil War the Secretary of the Treasury issued a flood of legal tender bills which he called money. He was told, but refused to believe, that this proceeding was simply a forced loan, and that when the day of resumption came he would have to pay an enormous rate of interest, besides the mischief which would be done to commerce in the meanwhile. When the day of resumption came he had virtually to pay a rate of interest measured by the depreciation of his paper, which had sunk at one time to more than fifty below par. The example is a good one to keep in mind if we wish not to forget the difference between currency and money. Mr. Chase's printing machine, aided by the Legal Tender Act, made currency with a vengeance, but the event showed that it could not make money.

In the annals of commerce, I will venture to say, there

is not a cleaner page than the record of the banks of British Canada during the last twenty years. One very bad case we have just had; and the Government, in its raid upon the circulation, may perhaps be supported by the feeling which this case has excited. But even the Central Bank pays the holders of its bills, and not only the holders of its bills but, in part, its depositors also. The bills, I believe, were offered at a discount of about ten per cent.; but they were accepted the day after the suspension by the other banks at par and the redemption of them began within a week. The bills of the American Government were at a discount of more than fifty per cent. The English bank notes were at a discount at one time of twenty-five per cent. The paper currency of the Jacobin Government of France, that paragon at once of State Socialism and Greenbackism, sank to zero; the Government then forced the circulation with the guillotine, and the results were the wreck of commerce, the ruin of industry, and a national famine. It is needless to recount the doleful history of Government paper in Austria, Russia and Spain, to say nothing of the South American Republics and Hayti. Bank paper, under proper regulations, must always represent cash; Government paper too often represents the want of it.

The circulation, while it is in the hands of the banks is under the control of the Legislature, which can impose all needful restrictions in the way of reserves or inspection, and is pretty sure not to be too indulgent to the banks. A Government commanding a majority can vote itself all the license that it pleases; it is its own inspector, and is subject to no double liability. Some day we may have Greenbackers in power. The reserve held by the Government against its paper circulation at present in gold or guaranteed securities is twenty-five per cent.; and of the twenty-five per cent., only fifteen per cent. is required to be in gold, the gold moreover being English gold, which is not well suited for the purposes of commerce on this continent. Of the Chartered Banks the resources immediately available are large and the bank note issue is a first charge on all the assets, including the double liability of the shareholders. The paper of a bank is not legal tender, and can be refused if there is any ground for suspicion. The paper of Government is legal tender even when tendered by the Government itself. Nobody's paper, surely, ought to be legal tender. When the paper is good it will be taken; if it is bad or doubtful the people ought not to be forced to take it.

So long as the paper circulation is issued by the banks, its volume, like the volume of every other instrument of credit, will be regulated by the requirements of commerce. But what is to regulate the volume of the paper circulation when it is issued by the Government? The theory of the Finance Minister for the time being, who, as I have said, may some day be a Greenbacker. Even honest attempts at government regulation of the volume of the paper currency made by the most skilful hands, have failed. The English Bank Charter Act has been several times suspended at the very junctures for which it was intended to provide. Its chief effect seems to be a sort of hysterical constriction in the money market whenever a crisis comes in view. It should be borne in mind, by the way, that the Bank of England, by which the bills are issued, is a corporation entirely distinct from the Government, and strictly regulated by law.

The standard of commercial morality among us is unquestionably higher than the standard of political morality. Political morality, in fact, is almost a jest. In transferring the control of the paper currency from the bankers to the politicians we shall be transferring it from the higher morality to the lower. The "State," of which State Socialists talk as if it were an earthly vicar of the Supreme Being, is nothing but the leading politician of the hour. Again, the hands in which the circulation now is are skilled hands, the hands of men chosen for their financial capacity and experience. But men are often pitch-forked into the office of the Minister of Finance, as well as into other Cabinet offices, by the mere convenience of party. The present Finance Minister is, I believe, a very good speaker and very useful to his party through his influence over the Prohibitionist vote; but nobody seems to think that he owes his appointment to special fitness.

In laying its hands on the currency, Government, it is needless to say, touches the very life of commerce and industry, and its proceedings, especially when it is acting under the temptations arising from financial deficit and difficulty, ought to be closely watched by the commercial world.

GOLDWIN SMITH.

JOHN STUART MILL says, in one of his works, that it is a very doubtful question whether the great mechanical discoveries have ever eased the daily burdens for any human being.