

H. SUGDEN EVANS & CO.

(LATE EVANS, MERGER & Co.)

WHOLESALE DRUGGISTS
MANUFACTURING**Pharmaceutical Chemists,**
41 to 43 ST. JEAN BAPTISTE ST.,
MONTREAL.EVANS, SONS & Co., EVANS, LESCHER & EVANS,
Liverpool, Eng. London, Eng.**WILLIAM DARLING & CO.,**

IMPORTERS OF

Metals, Hardware, Glass, Mirror Plates,
Hair Seating, Carriage
Makers' Trimmings and Curled Hair.
Agents for Messrs. Chas. Ebbinghaus & Sons, Manu-
facturers of Window Cornices.No. 30 St. Sulpice, & No. 379 St. Paul Streets
MONTREAL.**A. & T. J. DARLING & CO.**
BAR IRON, TIN, &c.,
AND SHELF HARDWARE.
CUTLERY A SPECIALTY.

[6 FRONT ST., EAST.]

TO ONTARIO.

The Journal of Commerce

FINANCE AND INSURANCE REVIEW.

MONTREAL, MAY 7, 1880.

THE GOVERNMENT CURRENCY.

It was certainly unfortunate that the currency and banking measures were introduced at so late a period of the Session, although it cannot be denied that the chief cause of delay was the necessity of conferring with the representatives of the banking interest on many of the details. We have elsewhere had occasion to notice the very important change in the banking law, for which we have been unable to discover a precedent, by which the bank notes are made a preferential charge on the assets of a bank, and which practically will have the effect of giving those depositors, who are the first to run upon a bank, and may thereby cause its downfall, a preference over those who refuse to join in the run. We infer from what we have heard that the bankers have consented to this change, and, if so, they cannot complain if it should turn out unfortunately for themselves.

The really important measure is the new departure regarding the Dominion note issue, and it seems to us most unfortunate that the regular opposition wasted their energies in opposing the fiat money scheme. There is no ground, so far as we can discover, for the supposition that there is any intention on the

part of the Government to issue convertible paper money, although there is great reason to fear that, by trying a rash experiment, it may irretrievably damage Dominion notes in the estimation of the public. The Mail is correct in its statement that "public opinion is largely unformed on the subject" of the currency, and he is justified in that opinion by the tone of the press and of the speakers in Parliament. It is far from clear what the policy of the Government on the subject really is, or whether it has any defined policy at all. The Monetary Times, which has a long article on the subject, considers that it is legitimate enough for the Government to endeavor to secure to the public a fair share of the profit on the note circulation. It is probable that in this proposal there would be a pretty general concurrence of opinion. But we have to consider how Dominion notes can be substituted for the present circulation. No fact is better established than the impossibility of keeping in circulation a larger amount of convertible bank notes than the public exigencies require. There is the greatest possible misconception in the public mind as to bank circulation. The rapidity with which it is returned to the issuers is not generally credited. We noticed in a leading journal a few days ago a statement that the proposed issues to the Indians in the North West would be likely to remain permanently in circulation. This is a complete delusion. No money will be more rapidly spent, and when spent it will go to the merchant and from him to his banker. The restrictions in the bank issues of 4s may be expected to increase the circulation of the Government 2s and 1s, and likewise of the banks' 5s, but the Government increase cannot be safely estimated at more than one million of dollars.

As to the bank reserves, they are already much greater than the law requires, and greater than is prudent on the part of the banks, some of which have almost denuded themselves of gold. The banks are holding Dominion notes at present far beyond the amount originally calculated on, and, taking the most favorable view, no increased circulation can be obtained from that source. The true policy for the Finance Minister to have adopted, if he wanted increased circulation of Dominion notes, was to have restricted the banks to the maximum circulation of last year. This would have given the Government a fair chance to obtain the circulation of the banks that have gone into liquidation, and likewise to have got the benefit of any future increase. Inducements might also be

offered to bankers to surrender their circulation, and they might be required to reduce it very gradually, perhaps 50 per cent. during ten years. It is rather remarkable that Mr. Wallace, whose fiat money views are so objectionable, should have moved a most sensible resolution on this subject, which was rejected by an immense majority, but which simply proposed to confine the banks to the amount of their present circulation.

We have seen in a monthly periodical of great pretension an objection to the Government scheme on the ground that the Minister proposes "to hold his own indebtedness for the redemption of his debt." This has special reference to the guaranteed debentures, and it is further suggested that the Imperial Chancellor of the Exchequer, "would see with interest this unexpected use of a railway guarantee." The Monetary Times likewise states that, "besides its gold reserve and its guaranteed securities, the Government has nothing with which to meet its notes." Now every note issued by the Government is secured either by debentures of the Dominion, gold or deposits in banks. The new proposition is to substitute for a portion of the gold guaranteed debentures. It must be obvious that, whether the debentures are sold and their proceeds applied to public works or whether the gold on hand is used for the same purpose and the debentures retained, the effect, as far as the guarantor is concerned is precisely the same. Those debentures will be held in London, and can be converted into gold at any time, at a few hours' notice. But the objection to holding his own indebtedness for the redemption of his debt might be raised just as well to the Bank of England issue, which is based on national securities and gold precisely like the Dominion notes. The Monetary Times must be aware that Dominion unguaranteed debentures are marketable, and daily changing hands, and that they are at least as convertible at short notice as the bank assets to which he refers.

Our chief objection to the Dominion note scheme of the Government is that it does not provide any mode of keeping in circulation the increased issue which the Minister demands, and because the reserve of 25 per cent. is wholly insufficient on that portion of the issues which is held by the chartered banks as their reserves, and which is largely in excess of their legal requirements. Those reserves may be required at any moment, and it is the duty of the Government, having made these notes a legal tender, to take special care to keep up an adequate reserve in