matter how strongly such enactments may be hedged about with precautions, they are always systematically evaded, and that their effect, in practice, has been found to be always to make the evil worse, by raising, instead of lowering the rate of interest. It has been truly said that well-intentioned ignorance has inflicted more evil on the world than any other thing whatever.

The particular mischiefs which usury laws occasion has been pointed out and discussed by numerous writers during the last 300 years. One of the first by whom it was partially recognized was the great Reformer Calvin. He it was who first pointed out the absurdity of Aristotle's dictum that "all money is sterile by nature," and consistently he maintained the lawfulness of taking interest. He was followed by Salmasius (the celebrated opponent of Milton), who, about the year 1640, wrote some works attacking the old doctrine. Then came Locke, who, in 1691, in his "Considerations on the lowering of Interest," showed that interest depends on supply and demand, and that all attempts to restrict it would be pernicious and abortive. The next important work on the subject was that of the great French economist, Turgot, "On Usury," published in 1769—just one hundred years ago. In it the modern doctrine is laid down so fully and clearly as to have left little to be added since. Hume and Adam Smith (1776), though somewhat infected with the old errors, were, on the whole, strongly inclined to the modern and and liberal view. The *coup de grâce* was reserved, however, for Bentham, whose masterly "Letters on the Usury Laws," published in 1787, gave the death-blow to the old ideas, and added the finishing touch to the correct theory. Since then the policy of restraining by law the rate of interest has never received the support of a single writer of any note, while all the great writers, such as Say, Mill, Buckle, McCulloch and Lecky, are at one with Bentham and his predecessors on the same side. It usually takes at least a hundred years for new truths, after they have been thoroughly uuderstood and settled by the speculative thinker, to permeate down to the level of ordinary politicians. As, therefore, nearly that time has elapsed since Bentham gave the finishing touch to the theory of the subject, we may perhaps indulge the hope that the present attempt is nearly the last which will be made in this country; that it is no more than the fitful flash of the candle expiring in its socket. With a view of hastening its total extinguishment, we give a few of the results which may be gathered from the works of the writers named. We begin by pointing out the nature of interest. It is compossed of three elements:

1. The price paid for the use of the money. This depends upon the laws of supply and demand, as affected by the profit on production. In countries where the natural productive power is small, interest will be lower (other things being equal) than in those where the productive power is great.

2. The interest (or price) of insurance. This is to insure the lender against the risk which he runs of losing the whole or a part of his principal. As in other species of insurance the greater the risk, the greater will be the premium required to meet it. A money-lender, of course, charges more where the debt is not well secured. The better the security the lower will be the rate.

3. The business of money-lending is, even now, though far less intensely than formerly, the subject of some popular odium. To repay a person adopting the business for this disagreeable adjunct to it, a rate of profit (or interest) is charged higher than could be obtained by investing money in ways not subject to a similar social stigma. Men cannot be expected to undergo humiliation of this kind for nothing. Formerly, when the feeling referred to was so strong that hardly any but Jews could be induced to become "money-lending dogs," as the common phrase went, it had an immense effect in raising the rate of interest. Now, when the feeling is comparatively very feeble, it operates very slightly. So long, however, as any stigma exists, so long will an extra rate be charged as compensation. So much, then, as to the nature of interest. The foregoing analysis will be sufficient of itself to indicate to many the impolicy of tying down to a fixed limit a thing affected by such varying circumstances.

THE GOVERNMENT BANKING SCHEME.

The Government scheme which it is proposed to substitute for our present system of banking is now before the country. It is substantially the National Bank system of the United States on a *quasi* specie basis. The difficulty is to discover why a change of system is necessary. The Finance Minister asserts that the Government are not in pressing want of money, and he admits that conservative and cautious management has on the whole distinguished the operations of the Banks. It is not denied that the present system has proved itself well adapted to the circumstances of the country, and that there have been fewer losses to the holders of bank notes in Canada than in any other country which possesses a similar bank-note circulation, or even one based on Government securities, while it is contended by those most familiar with the working of the system that the new scheme will, if adopted, affect disastrously the interests of the country, and, in all probability lead to an irredeemable currency. So that, at the outset, it is a fit subject of inquiry why it is deemed advisable to jeopardize immediate and continuous convertibility for the certainty of ultimate redemption; to substitute a non-elastic currency for one which has proved itself so well suited to the wants of trade; to attach a Dead-Weight to all our banking institutions and lessen by so much their available resources. The *onus probandi* is clearly on those who would effect a change which almost all our bankers condemn as fraught with injurious consequences, and our merchants protest against as uncalled for, and nicely calculated to tell on their interests not only now when their circumstances are embarrassed, but in the future as well.

The Government scheme has some good features. No one has asserted that our present system could not be improved. These good features to which we refer might be easily grafted on that system, and there would be no dissentient voice. All our bankers are willing to see proper provision made for the security of note-holders, and, have, themselves, suggested most of the restrictions which the Finance Minister has so dexterously twined around his scheme to secure a forced loan.

The great objection to a currency system nailed to government securities is its want of elasticity. In every country the amount of currency fluctuates at different periods to accommodate itself to the volume of transactions to which its instrumentality is requisite. In England it was stated that these fluctuations are in the proportion of three to one. In other words, it requires a currency of seven millions to maintain a circulation which, for the whole year, averages only three millions. In Canada, circulation attains the highest point in the month of October. In the Province of Ontario an elastic currency is an absolute necessity, and any system not characterized by that great element is likely to prove ruinous. It would be a mistake to suppose that twelve millions of bank notes would imply an uniform circulation of that amount. At no time could the banks get on without a reserve of greater or less amount of notes in their vaults, so that to issue a given amount of notes would not ensure a circulation of that amount. The amount of securities deposited would then, with those the banks already possess, be the measure of the future circulation. Herein lies the great fault of the Finance Minister's scheme. By way of glossing it over he says it would pay the banks to keep an extra six or seven millions and the twenty per cent. gold reserve lying in their vaults until required in the autumn! Ontario,