

either have faults inherent in themselves or, though sound and safe, are unsuited to our circumstances. Is it not possible to combine the best features of two or more into a plan adapted to the needs of Canada? The task seems hopeful, and although the writer feels diffidence in passing from the discussion of facts and systems into the region of theory, he feels that it may be worth while to make some suggestions for the consideration of others with more technical knowledge.

The first requisite, of course, is absolute security; the second is such a measure of elasticity as will allow the public to get all the currency they require at any time; the third includes such arrangements as will provide a self-acting check on over-issue.

Our object then must be to choose some guarantee, which seems to furnish perfect security, and which may yet be consistent with elasticity of issue, and such a source and mode of issue as are least liable to cause inflation.

Perhaps we had best take the latter consideration first. We have already stated the objections to direct issue by the Government. We may recapitulate the advantages possessed by the banks as sources of issue. They have in their deposit account, and in the presentation of their notes for gold from time to time, a most accurate gauge of the requirements of the public in the way of paper currency, and, since an excess of issue inflicts an immediate penalty, they have no temptation to do more than satisfy those requirements. Nothing but political motives could induce even a Government to do so, and banks are conducted on business principles alone. Of course one bank may, and does, strive to outrun another in competition for the supply of the existing demand. But none of them is anxious to force its notes on a market already known to be filled.

It seems then that banks are the best sources of issue. We may ask then what means shall we take to secure their notes?

It is clear that none of the plans which involve the covering of the whole issue, either by gold reserves or a deposit of bonds or other securities, can permit much elasticity. We are therefore reduced, by the terms of our problem, to the consideration of those under which only a portion of the note issue is so covered. It appears from our own experience