

We conclude that the plan in question would not only encourage extravagance in the amount of the public expenditures, but would induce negligence as to the profitable investment of the capital for which the nation would incur obligations.

In general terms, moreover, we may say that as the Government is not in such immediate contact with the business of the country as bankers are, and would have no such delicate and instantaneous tests of over-issue as they have, it would be very apt, even with the best intentions, to cause frequent inflations. Of course they would be slight and short, but it is just as well to avoid them altogether.

X The assumption by the government of increased power to issue Dominion notes—even though they were not made the sole currency—would also injure the business of the country. They would, in that case, have to monopolize certain new denomination—say “fours,” “five,” and “tens”—which would involve the restriction of bank issues to the same extent. The most obvious effects of this would be to limit the accommodation which banks could afford to their customers, and to prevent the mobilization of a large part of their assets in the form of currency. For the banks can now issue notes up to the amount of their paid-up capital, whereas they would then have to buy these notes, or make a large deposit with the government to obtain them. Either plan would tie up a part of their available capital, in the same way that the necessity of keeping a large reserve would, and with the same bad results. We know that elasticity is a prime requisite in a Canadian currency. It follows that any plan which restricts, or makes unprofitable, the required periodical issues is an injury, not to the banks alone but to the trade and prosperity of the country. It could only be justified if it were absolutely necessary, in order to secure the payment of the notes. Of course all the evils which would arise from the monopoly of the whole issue by the government would arise in some less degree from the monopoly of any considerable part of it.

On the whole, then, it hardly seems as if the advantages offered by a system of direct government issue beyond those of other systems counterbalance its especial failings.

In fact, it will be seen that all the systems spoken of