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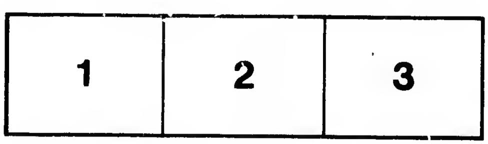
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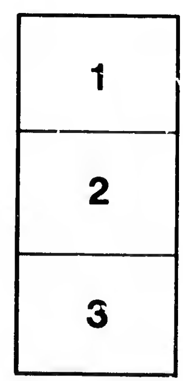
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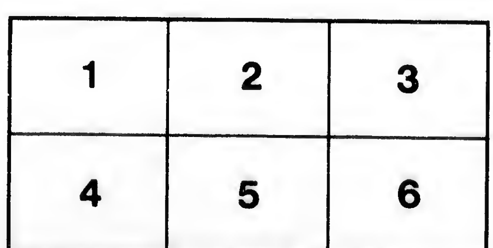
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THE CURRENCY;

WHAT IT IS

AND

WHAT IT SHOULD BE.

BY ROBERT DAVIS.

Ottawa:
PRINTED BY HUNTER, ROSE & CO.
1867.

PREFARATORY NOTE.

Discussions upon the nature and uses of the Currency are far too dry and uninteresting to be attractive to the general reader. In almost every dissertation upon this subject the primary question gets involved with the collateral questions of Banking and Exchange, and the character of the true issue is lost in amplification and complexity. The consequence is that a Gordian knot is woven, the complications of which not all the Davenport Brothers of financial jugglery have yet been able satisfactorily to unravel. It is no wonder, therefore, that the subject is generally repulsive, and its discussion confined to the few whose avocation or habit of thought has led them to find gratification in the pursuit of one of the dullest enquiries into the least attractive branch of social and political science.

I make no apology for the reproduction of many observations contained in the following pages, which have at various times appeared in the daily Journals with which I have been connected. The ephemeral character of a newspaper article is unfavorable to a lasting conviction unless the argument be frequently repeated; and a series of articles upon so dry a subject as the Currency could only be ventured upon at long intervals, when the effect of the earlier productions had passed away. These former fragmentary effusions are now thrown together and placed before the public, in connexion with gleanings and deductions from the writings and comments of the ablest and most practical moneyists of our day, and from the pregnant history of the Bank of England, from its establishment in 1694 to the fatal return to cash payments after the close of the long war. The object of this *brochure* will be fully attained if its contents should be instrumental in attracting public attention to a subject which has necessarily so large an influence upon the domestic commerce of the country, and upon which the early development of its resources must mainly depend. As labor is the source of all wealth, so must the advancement and progress of the country be in proportion to its power of furnishing the means by which labor is commanded. The acquisition of these means is through the agency of a free and untrammelled currency, controlled and circumscribed solely by the exigencies of the enterprise and domestic trade of the people.

R. D.

Ottawa, *July* 1, 1867.

THE CURRENCY.

MONEY: ITS USES AND ITS FORM.

There are few things with which people are more familiar than the ordinary dealings with money; yet there is nothing in common use the true nature and functions of which are so little understood. It is, perhaps, a somewhat startling predicate which affirms that nine-tenths of those who daily and hourly handle money in their avocations, or in the usual transactions of domestic life, are entirely ignorant of what money really is, or the definite purpose it subserves. This large proportion of the community look upon a dollar bill or a metal coin as so much actual value. Nothing can be more erroneous. Money is wealth only in the degree that it has the power of producing wealth. A man might be shut up with countless millions, yet die from want of the necessaries of life. Wealth consists alone in that which is useful, as contributing to the comfort and pleasure of mankind. A great deal has been said, and quite as much written, to prove that the characteristics of money are involved in some special mystery. But this is not so.

The functions of money are of the simplest character; it is not until they are applied to the complications of international commerce and the labyrinthian theories of the money-dealers that any mystification appears; left to its legitimate use, money is the simplest of simple agents.

It is unnecessary to revert to a very early period of the world's history to prove that all trade is barter, or to produce examples of the inconvenience and impracticability of a direct exchange of commodities, in even a slightly advanced stage of civilization. It is enough for our purpose to know that a very small proportion of our wants is supplied by ourselves, and that we seek to provide our requirements from the productive labor of others. As none will give his services without an equivalent, it becomes indispensable that we should possess some commodity which others are willing to accept in exchange. To obviate the embarrassments inseparable from a state of primitive barter a medium was early adopted; and this medium, in whatever form it has appeared, has been the *currency* of the country in which it has been used. The American aborigines who used pieces of rudely-fashioned coal and wampum, found nothing darkly mysterious in their simple currency; neither do their descendants of the present day discover any peculiar magic in our stamped metal or the engraved paper of the banks. They trouble not themselves about the material of which it is made or its convertibility into gold, nor the complexities with which banking and brokerage surround it. All they care to know is that it possesses the power to obtain for them the thing they require. Unsophisticated as this view may be, it is, nevertheless, the true estimate; for, as long as the subject is kept free from the complications of foreign exchange and bullion-dealing, money is simply a convenient medium of barter, which at the present day is confined, among all civilized nations, to metallic coin and bank notes. The peculiar characteristic of money is its being acceptable to all men for anything they have to exchange, or, as we ordinarily say, to sell. It measures the value according to an arbitrary and factitious price, affixed by an English Act of Parliament to gold; and when in some particular form, whether of metal or paper, it circulates amongst a people—by virtue of a social compact and general confidence—it becomes what is termed the currency of the country. From this shewing it is clear that very little more is wanting to establish any medium of exchange as a currency than credit or its equivalent—confidence. Evidently, value is not necessarily an element of an efficient currency; were it otherwise, the utterly worthless nature of the money in use amongst the ancients could never have answered the purpose for which it was used.

A word we have anglicised directs our revision to what kind of thing money was in the olden time; and that which, in its nature, it then was it is now, and will be to the crack of doom. The adjective *pecuniary* we get from the Latin *pecus*, a sheep, and the Romans stole the term from the Greeks, who passed cattle as the equivalent for a commodity exchanged, or, as we now say, the thing purchased. The Romans stamped their early coin with the image of a sheep, and the coin became *pecunia*. Shells of a scarce kind were issued in Africa; and stamped pieces of leather was the money in use amongst the Carthagenians. At the siege of Milan, Frederick II. issued stamped leather for money; as did King John, of France, who became prisoner to the Black Prince. The leather money of France had a small silver nail in the centre of the piece; and if John the Good was ransomed by payment in this money, it is not improbable that a large amount was demanded for the king's release. Salt has also been used as money; and we have the authority of Adam Smith that, at his day, in a certain village in Scotland, it was no uncommon thing for workmen to carry nails instead of money to the baker's shop and the alehouse. Marco Polo found, in China, the bark of the mulberry tree, bearing the stamp of the sovereign, which it was death to counterfeit, passing as money. Tobacco was used as money in Virginia up to 1660. In 1641 the Legislature of Massachusetts enacted that wheat should be a legal tender—should be received in payment of all debts; and the Convention, during the French Revolution, long discussed the propriety of adopting wheat as the measure of value of all things. Instances of the various kinds of money, which are and have been in use, might be multiplied to shew that money, *per se*, is not value. Take a gold sovereign and you have no further real value than the weight of metal has intrinsic worth for consumption after labor has rendered it fit for utilization,—labor alone rendering everything useful which is so, and utility alone giving value. Thus, it is labor and intelligence which alone give value to the commodity used. But the law has excluded gold from this category. The English Mint price is £3 17s. 10½d. It is no longer a mercantile commodity regulated by the demand and supply of the market—a price is fixed beyond which it rarely passes; because this fixed price is far above its value as a commodity, and it is, therefore, shut out of the world's markets. "In short," says a highly intelligent writer upon this subject, "the precious metals must be looked upon in a two-fold aspect: firstly, as metal; secondly, as money; and to a confounding of these totally different natures, characteristics and functions, may be traced all the confusion of thought and apparent mystery which have puzzled every writer upon this subject." The confounding money with wealth; the considering it the end instead of the means; the regarding it as a thing in itself instead of the representative, is undoubtedly the source of much confused apprehension concerning money as wealth, capital and currency. All things useful are wealth, and money is wealth only in its useful character. Aristotle asks, "May not money be an imaginary wealth? What value has it from nature? Should public confidence or opinion, which gives it circulation, experience a change, what would be its real price? What real want of humanity would it then supply? Alongside of a heap of gold one might be in want of even food. What folly, then, to call a thing wealth in the midst of which one might die of want!" Thus spoke the sage two thousand years ago, yet we are still inclined to dispute the fact, so strongly has habitual error confirmed our obstinacy.

GOLD AS A CURRENCY: ITS EMBARRASSMENTS.

MONEY, then, is not necessarily value, but the accredited representative of value. For, as Mr. McCulloch puts it, when it is coined metal, the transaction in the adjustment of which it is the instrument is as purely a case of barter as if it had been carried out in its most primitive form by the direct exchange of commodities in kind. And it is only just a hundred years since tobacco was the circulating medium of Virginia, and scarcely more than a century ago that the highly civilized State of Massachusetts made wheat a legal tender in discharge of all obligations. It is perfectly true that gold and silver are the universal media of international exchange, and have been so for ages; but this fact in nowise alters their representative character. The price of the *precious metals* has varied as largely in the different periods of the world's history as it was possible that commodities so factitiously favored could fluctuate. Even so recently as the wars of the first Napoleon, gold rose in Europe to over forty-five per cent., and the British guinea was worth from twenty-eight and sixpence to thirty shillings, according to weight and the wear the coin had undergone. The increased value was not intrinsically in the gold, but in the increased demand for the medium of exchange, which all countries had agreed to recognize and accept in settlement of their foreign balances. To a limited extent the fluctuation in the price of gold is constantly going on, and the amount oscillates with the Exchange between the great commercial centres, the flow at one time setting in towards Hamburg, at another towards Paris, and anon reflowing to the capital of Britain, when its price or value is greater in London than on the Continent.

It is clear that that which partakes so largely of instability can never be a perfect standard of value, or a true measure of the value of all other commodities. It may be that gold, from its paucity and indestructability, offers facilities for a standard in advance of any other known material; and as by common consent it is the universal medium of international exchange or balances, it is the only really available measure by which values can be commercially regulated. Its utility in such a character is undeniable. But because of this adaptability to a certain function in the monetary system which prevails between foreign countries, its despotic obtrusion as a test of the domestic currency is as preposterous as it is unnecessary and injurious. "Our system of currency," said *The Times*, speaking at the time of a recent panic, "will remain imperfect until some mode shall be discovered of enabling it to apportion the supply and demand, without reference to the influx or efflux of specie."

The radical error of Mr. Peel's Currency laws is the assumption that gold has an intrinsic value exactly equivalent to the Mint price, whereas that price is purely arbitrary and factitious. If, for example, £3 17s 9d., the price at which the Bank of England is bound to take all gold offered, were really an intrinsic and staple value of the commodity, how comes it that the precious metal has been so frequently found to fluctuate in price? In the years 1797–9 the price of gold was under the Mint price, but through 1800, 1801 and 1802, the market price of gold rose above the Mint price from six to eight shillings per ounce, and during the subsequent years of the war it continued to keep far above the Mint price: moreover, from 1808, when England was making large foreign expenditures, it not only retained the augmented price of previous years, but actually reached £5 12s. 0d. per ounce, and the gold which the guinea contained was worth, as a commodity, eight shillings and sixpence more than the value attached to it as an English coin. Now, there is no doubt but this largely increased price resulted from the increased demand—the demand being more powerful than the law which fixed the price at seventy-seven shillings and tenpence halfpenny. It is to be observed that, during all these first fifteen years of the present century, the Bank of England was relieved from cash payments; bank-notes were a legal tender; wherefore the enhanced value of gold could in no way have been stimulated by the bank being a competitor in the market, but arose solely from the demand occasioned by the war. The bank suspension lasted from 1797 to 1819—the bank-note during the whole period being inconvertible. And what was the result? Ruin, distress, embarrassment? Nothing of the sort. Yet such should have been the consequence if the creed of the "hard money-bigots" is worth anything—if it have anything more than the most effete bigotry for its foundation. Never had England been more prosperous than during the suspension of specie payments. A very able writer upon the monetary system of England remarks upon this period: "While this great demand for gold continued there were, of course, very few guineas in our home circulation; but bank notes proved such an effectual substitute that the public experienced no difficulty in carrying on the internal commerce of the nation in them, and the great body of the people thought no more about the price of gold than about the price of diamonds. During that period labor was generally in plentiful demand, and the employers of it were generally well repaid for their outlay—especially those who were engaged in improving and increasing the productions of the soil." Thousands are yet living who can attest to the prosperity which reigned in England during the suspension of "hard-money" payments; and the same witnesses can prove how quickly all this was changed after Peel's restoration of convertibility. Convertibility! What, in the name of common sense, does the laborer or mechanic care about the material of the medium in which he has wherewith to supply his necessities? But, then, the "bigots" say importations and foreign liabilities have to be paid in gold. The answer the public have to make is like Pilate's: "Look ye to that." Let those who do a foreign trade transact their own business; it is not for the mass of the people to be inconvenienced—nay, impoverished, and, peradventure, ruined—because the foreign liabilities of a mere fraction of the population have to be discharged in a costly metal. To an agricultural community the hard-money basis is a positive injustice. "The system of convertibility," says an intelligent and experienced financier, "operates against industry; because when prices are high the foreign merchant will draw gold and buy elsewhere and in other markets, but when they are low, then gold flows in and is locked up, giving no benefit to the producer."

When Mr. Peel introduced his bill into Parliament the market price of gold was eighty-one shillings, but it was imperative upon the Bank of England to provide bullion in exchange for bank notes at the rate of £3 17s. 10½d. per ounce. The market price had to be forced down to meet the bank's difficulty. The only way this could be accomplished was by withdrawing Bank of England notes from circulation; and by the time the reduction in price was effected the currency became contracted by *seven million pounds*, or nearly one-third of the note circulation. The consequence was natural. Prices fell twenty-five per cent.; great numbers of workpeople were thrown out of employment; within three months of the passing of Mr. Peel's bill there were riotings and burnings, and the disastrous Peterloo meeting in Manchester took place. Farm produce in like manner declined, and ruin and discontent were wide-spread. "In Ireland," says one remarking upon the return to cash payments, "the condition of the farmer was much worse. The chief of his produce had to be sent to England to find a market. The high price of agricultural produce which had prevailed during the war had stimulated the Irish farmers to invest all the money they could obtain in the improved management of their land, in which they were greatly assisted by the local banks; but the great decline which took place in farm produce, after the passing of the Act of 1819, brought sudden ruin upon the Irish farmers and (through them) upon many of the Irish banks." *No less than eleven banks in Ireland failed in one week of* 1820, *so sudden and terrible was the effect of the restoration to convertibility!* These disasters continued in both countries until it culminated in a dreadful famine in Ireland; not from the failure of crops, but, as Lord Liverpool stated in the House of Peers, "from lack of money" wherewith to purchase food.

That the Bank of England should adopt stringent measures to bring down the gold, which the system compelled them to provide against their notes, is not surprising; it was only self-preservation; and we see the same thing, under another phase, operating in Canada. The consequence to us is still more depressing to the internal trade of the Province than it is to England, where they have always a large amount of gold coin in circulation. A decrease in our bank issue is, *de facto*, a decrease in our sole medium of exchange, and the result is ruinously embarrassing to the internal trade of the Province and the labor market. The agriculturists of Canada are severe sufferers by this fossil of convertibility. Necessarily the banks have to protect themselves against a run for gold, which would be fatal to them. The currency is therefore controlled by the caprice or interest of the banks, and the whole internal commerce of the Province—which depends in a great measure upon the abundance of the circulation—is entirely at their mercy.

The effect of such a condition of the currency is clearly illustrated by the following hypothetical case of a high British authority:—"Suppose that gold is used as money, as it now is, that Government issues a certain amount of coins and then shuts the mints; and that, after such limitation, the population of the country and the products to be circulated are largely increased. In such case it is plain that the exchanges which the limited amount of money would have to perform would be proportionally augmented. A smaller sum would, therefore, have to be appropriated to each transaction, or, which is the same thing, money prices would be diminished. This conclusion is so self-evident as to admit neither of doubt nor cavil; and therefore it appears that, when the supply of money is limited, the amount of it given in exchange for commodities varies inversely as the demand, and is affected by nothing else. It follows that, if double the usual supply of commodities be brought to market in a country with a limited currency, their money price would be reduced one-half; and that if only half the usual supply were brought to market it would be doubled; and this whether the cost of their production had increased or diminished. Products are not, then, exchanged for money; because, when metal, it is a commodity which may be advantageously used in the arts, and has cost a certain quantity of labor, but because it is the universal equivalent, or legal tender, adopted by society and, as such, willingly received by every one." It is needless to point out how irresistably this applies to Canada, where we are solely dependent upon the issues of private banking establishments, whose interests must often unavoidably clash with those of the trading public. It is a most undesirable condition of our domestic trade and productive labor, making these two comprehensive interests dependent upon the will or greed of soulless corporate bodies. The circulation of Canada is always under what ought to be its average, by several millions; because, forsooth! our system must be a sham. No greater humbug exists than the pretence that the banks are always prepared to meet their notes in gold; nor is there the slightest necessity that they should be so if a proper order of things obtained. But while we go on with this "bigotry" about convertibility across the counter, the banks simply protect themselves by a contraction of their issues, trade becomes crippled by the operation, and the resources of the country go undeveloped. What is wanted, in order to give the Province a forward movement, is a consistent, unfluctuating currency, of a national character.

GOLD AN UNRELIABLE STANDARD.

THE Government of New Brunswick, some two years back, introduced and carried through the Legislature a measure for empowering the issue of Treasury notes to the extent of four hundred thousand dollars. These notes are received by the Government for taxes, duties, and the like. Hon. R. D. Wilmot explained the nature and operation of the proposed measure, and observed that the issue of Treasury notes was no new idea; that two bills of the same character had been passed on former occasions by the Lower Chamber, which were subsequently rejected by the Legislative Council, at the instigation and through the influence of the banking interest. The Secretary contended that it was perfectly justifiable to issue Exchequer notes to the amount of the revenue; and that inasmuch as the revenue was $700,000, all of which, under the law, was payable in gold, the notes now proposed to be issued were of equivalent value to the metal coin, as far as the amount on their face. This would necessarily be the case when they were paid in as *duty or taxes.* No valid objection appears to have been offered to the principle; most of the speakers, in the discussion upon the bill, admitted that a considerable saving would accrue to the Province, but the more cautious feared the possibility of abuse of the privilege of issue. But surely this is a most ungrounded apprehension, when Parliament has the power to restrict the amount.

It is not so often because a thing is novel in itself that we object to its adoption, as to the habits and predilections for old usages and customs. We have learned to believe in gold, intrinsically the most worthless of metals; and, without the aid of an arbitrary compact and legislative enactment would be one of the cheapest and least prized. But men put their trust in it because they have been so taught. And what is this trust but confidence in the stability of the general agreement to accept it as the universal representative of value? Its modern history, as recently exemplified in the United States, has proved what an amount of fallacy we have been fostering in our theories concerning money, capital and currency. "Why," said the New York *World*, a short time since, "do not prices follow gold? Our currency is probably as redundant now as it has been at any time during the war, and the prices of most articles of immediate consumption are correspondingly high. This is perfectly regular, and in strict conformity with the general theory. But here gold, which is the *accepted weather-guage of the monetary atmosphere*, the universal measure of values and standard of prices, comes in to perplex our conceptions. *Gold has gone down without any corresponding reduction of the currency.* Gold has gone down without bringing down the prices of consumable commodities. If we could lay the fall of gold out of view all would seem consistent. There would then remain the simple phenomena of an inflated currency, and high prices correspondent to and consequent upon the inflation. If commodities should fall to the level of gold, it would still remain to be explained why prices have fallen without a reduction of the swollen volume of the currency. If commodities should not follow gold, it would still remain to be accounted for *why gold has lost its power to regulate the prices of other things.* As a first step towards the solution of these enigmas, let us suppose our coasts surrounded by a wall of fire, intercepting all intercourse with foreign nations; gold remaining, as at present, demoneytized. The immediate consequence would be a great fall in gold, without any material disturbance in the prices of other things. Gold would be of little value, because there would be but little use for it; and the prices of other things would be regulated by the amount of paper money in circulation."

According to this illustration, gold is merely a factitious standard, which caprice or circumstances may at any moment *demoneytize.* Yet political economists insist that the currency of a country must be based upon this unsteady foundation. In the United States gold has been demoneytized for the last six years, and, notwithstanding this departure from all the ancient theory of Adam Smith and company, trade has flourished, the people have been prosperous, fortunes have been made and public works proceeded with; and all has been carried on—the war to boot—without gold either as currency or its basis. Then again, the same journal teaches that "*The precious metals are neither wanted for domestic monetary transactions nor for purposes of ornament.* They are in demand only for the payment of duties, and the great falling off of importations has reduced this demand to one-half of what it was a year ago. Gold, therefore, falls under the laws of supply and demand—just as cotton might fall, without immediately affecting the prices of other things." Nothing can be more easily understood than the commonplace fact here stated. Gold is not wanted until we require value to be sent abroad; and as that metal is the universally-acknowledged representative of value, it is the medium by which we can make payments at a distance, where our paper is unknown. A Bill of Exchange answers the same purpose, and the subsequent transactions arising out of a payment made by bill might go on *ad infinitum* without gold being seen in any one of them. Domestic monetary transactions require only confidence in the medium of exchange—a something which the whole country recognizes as a national representative of productive labor; and that confidence once established, it matters not whether the circulating medium be a piece of bone, a leather medal or a nicely engraved note, payable to Abraham Newland, Bill Sykes, or other notability of high or low degree, so that the bearer can discharge with it the debt he owes or obtain the commodity he requires.

The Legislature of New Brunswick has acted with a wisdom that speaks well for the progressive intelligence of that body. "The only objection I have to the bill," said Mr. Needham, "is that it does not go far enough,—that it does not make the notes legal tender." This is precisely the weak point of the measure. It will necessarily be the unpopular feature in its operation. It has the appearance of being a scheme rather for the relief of the Government than a measure devised for unshackling the currency—freeing it from the limit with which a gold-paying basis fences it around; thus restricting the supply to the amount of gold held by the banks. The only real advantage of making the current bills of a bank redeemable in specie is the security it offers against over-issue. And even in this respect the security is more of a pleasing fiction than a fact; for while the issues of Canadian banks amount to twenty millions, there is not, in all probability, in the whole Province, four millions of coined bullion. If, then, the security against over-issue were found in some other way than the locking up the eleven or twelve millions which the banks return as their safety-fund to meet their current liabilities, that amount would be added to the capital of the country, and be available for investment. That the currency of a country being based on its redemption in gold is by no means the unmixed good that the money-doctors would persuade us is most certain. We have only to note the havoc in mercantile houses which the sudden determination of the Bank of England to curtail its issues inevitably entails; but it is the buffer against which the bank receives a heavy run for gold. By this means it saves itself, but ruin ensues to those who have made engagements upon the belief that things would continue without any sudden and violent derangement.

Blackwood's Magazine has a very able article upon this subject, from which the following valuable remarks are taken :—

"These, then, are the causes which produce the occasional drains of gold from the bank, and such are the limits by which these drains are circumscribed. But never—not in a single instance—is gold demanded from the bank from any loss of faith in its notes. NO ONE DOUBTS THE VALUE OF THE BANK OF ENGLAND'S NOTES, AND THE POWER OF CONVERTING THEM INTO GOLD IS NEVER DESIRED, SAVE AS A MEANS OF PROCURING GOLD FOR EXPORT, BY THE PARTIES AND FOR THE PURPOSES WHICH WE HAVE SPECIFIED. This city of gold is based upon gold, and the foundation is found to be pre eminently unstable and perilous. The gold base perpetually oscilates to and fro, and each of its greater oscillations is felt like the shock of an earthquake. It rises and falls, expands and contracts, and sometimes seems to slip away from beneath the city altogether. Then goodly houses go down by the dozen—not because they are ill-built—not from any fault of the architecture or occupants, but simply because the foundation on which they all stand has given way. Of late years these oscillations have become more frequent and more serious, and every ten years or so a convulsion takes place—not of nature, but *by Act of Parliament*—which spreads terror and disaster throughout the Golden City, and paralyses the whole country as effectually as if an earthquake had strewed with ruins the great seat of our national industry. The merchant and the manufacturer, the shop-keeper and the day laborer, alike find their trade stopped and their gains swept away. Suffering and want spread over the land as if there were a famine. There is a paralysis of trade, a dearth of employment; and the hard times are felt by the mill-worker and brick-layer not less than by the magnates of the trading and commercial world. Is there not something wrong here? Ought the presence or absence of a few millions of gold to make the difference between national prosperity on the one hand and national disaster and wide-spread suffering on the other? HOW WILL POSTERITY SPEAK OF US WHEN IT SEES THAT WE MADE THE HUGE FABRIC OF OUR NATIONAL INDUSTRY STAND LIKE AN INVERTED PYRAMID, RESTING ON A NARROW APEX, FORMED OF A CHAMBERFUL OF YELLOW DROSS? Will they not laugh at our folly—our barbarism? When the usual supply of gold is temporarily diminished why should our usual credit system be restricted in proportion, or totally suspended? Of what use is credit but to take the place of payments in coin? Was it not for this purpose, and for this alone, that credit and paper money were adopted? Why, then, not make use of our credit system, as a means of compensating the temporary absence of gold? Why not tide over the difficulty instead of aggravating it? and so avoid the tremendous suffering which are ever recurrent under our present system of monetary legislation. Suffering thousands and starving myriads signalise each great monetary crisis. Even during the last year, though the crisis of evil has been escaped, the usurious bank rate of 9 or 10 per cent. has swept away the profits of trade into the pockets of bankers and capitalists. Parliament inflicts misery upon the country out of an antiquated deference to some bits of yellow dross. IS THIS WISDOM, IS IT HUMANITY, IS IT CIVILIZATION? IT IS BARBARISM AND FOLLY, PREACHED UP BY THE MONEYED INTEREST, THE HIGH PRIESTS OF MAMMON, AT THE EXPENSE OF THE COMMUNITY!"

"When, in 1825," says Fullarton, "the run on the banks was averted, and the Bank of England itself probably saved by the discovery of a box of eight or nine hundred thousand one pound notes, which had been laid aside in some corner of the Bank and forgotten, it has never been alleged or pretended that anything but benefit ensued from the issue of these notes on that occasion. * * * * Had the experiment been thought of earlier, some portion of the severity of the crisis might very possibly have been spared." And this able moneyist regards this instance as the "illustration of a great principle, and an important lesson and example for after times." It was this principle which Mr. Chase had the courage to put into practice, and which has so astonished the bullionists of the old world, where they are not prone to believe in innovations, even though adherence to old usages brings ruin periodically to thousands. Thus is it in the moneyed world of Europe; and, to compare small things with great, so is it in Canada. The banks only act with prudence in restricting, or withdrawing, their issues when they perceive cloudy weather ahead, or when they fancy the trading bark is carrying too much sail. It is unquestionable that with us gold can only be needed to pay the balance of importations against us, and therefore perfectly useless in all domestic transactions. Immediately that circumstances beat the controllers of the currency in the States gold became a trading commodity, and was dealt in precisely as any article of merchandise, subject to a species of barometrical influence. And, call it what we will, a depreciated currency or a high price of gold, there was the fact. The paper currency performed its functions without the aid of the metal. In Nova Scotia, too, they have long since been accustomed to Treasury notes, and the result appears to have been satisfactory; but, like their neighbors in New Brunswick, they have halted at the point where most general good was to be achieved; where labor and enterprise would have been aided, and where the development of the resources of a new country would have derived facilities—that of a free paper currency, upon a legal tender and not a gold basis.

PAPER AS CURRENCY: ITS ACHIEVEMENTS.

It was a bold step of Mr. Chase to take upon himself the responsibility of supplanting the private issues of the banks by Government paper, irrespective of the liking or disliking of the measure by the banking interest; and the result goes far to prove how greatly inimical to the public welfare are those vested monopolies which confine the trade in money to formal and antiquated grooves, out of which he who would travel is cried down as a reckless innovator. It can hardly be denied the the spirit and magnitude of the several warlike expeditions—armaments which for promptitude and extent have never been equalled—have been due to the boldness and freedom of the financial policy. It is true, we may be told to wait and see the consequences of a departure from the acknowledged and well-tried laws observed in money operations, but we have already certain facts which lead to inevitable conclusions. Prophets have not been wanting who predicted a grand collapse; but there is really no absolute reason for very general disaster ensuing from a temporary superabundance of the circulating medium, so long as the people are content to receive it in exchange for goods and labor amongst themselves, that is in the transactions of domestic commerce. Even granting there is danger from a redundancy, the evil is one that must eventually cure itself; the surplus being either wasted or lying idle; while, on the other hand, an insufficient currency necessarily cripples all enterprise and renders labor unproductive.

It is of little importance of what material the medium is made if it answers the purpose of parties requiring its agency. The medium by which we exchange thoughts is mere arbitrary signs, used by common consent to represent any and every given idea; and it is not until we want to convey the idea abroad that we find a difficulty; our sign, our symbol, our medium is not current; it is not accepted at the value we place upon it and which it readily commands at home, where it answers every purpose. So is it with the currency or circulating medium of any country; it is perfectly good so long as it keeps within its own bounds, but offer it to the foreigner and he declines to recognise it. Which then is of the first importance, to feed and foster our own population and its interests, or to look to the convenience of foreign intercourse? The financial statesman will tell us both are essential. But, he could not, we apprehend, say that we should only use that particular material for a domestic medium which would be accepted in a foreign market. If such a rule were to prevail there are few countries that would be found to have gold or silver enough to carry on all the transactions of their domestic commerce. And after all, the value of gold as a standard is entirely arbitrary, and only remains less fluctuating than other metals by virtue of its limited quantity. Had Mr. Chase adhered to a currency convertible into gold he would have been brought to a stand-still long before the fourth year of the war, and the country would have been bankrupt. He had wisdom enough to see that currency was indispensable to call into operation the latent resources possessed within the United States; but he also perceived that currency was not necessarily coined metal. And here we may illustrate what the American Secretary seems to have discovered by quoting an English writer upon "Banking and Currency Reform":—

"Currency is coin or notes that have been declared legal tender by Act of Parliament; all else is only capital or money. Gold, Silver, Copper Coin and Bank Notes is, strictly speaking, currency and not capital, for they are the means of transferring property from hand to hand irrespective of their intrinsic value, which is the use and object of Currency.

"Currency is coin and legal tender notes or circulating medium, by which property or capital is transferred from hand to hand. It is therefore quite distinct from capital, for the thing which transfers cannot be the same as the thing transferred. Such being the important functions of currency, it will be understood that great calamities must ensue whenever a want of it occurs, or a want of confidence in the ability of the system to supply it in the future. Look at a game of cards when a short-coming of counters occurs. A kind of panic and a stoppage of the game takes place, although every one knows there is sufficient capital in the pool to meet engagements. This panic, it will be observed, occurs not from the want of capital, but from the want of currency, as in the case of the money crisis through which we are now passing, which has caused a serious stoppage of trade, as shown by the falling off of our imports and exports. Coin and bank notes may be considered mere counters; and all we have to do to perfect the system is to see that there is always enough of counters, and these of a sound description, equal to any strain that may come upon them. At present we have neither enough counters, nor these of a quality equal to the contingencies of trade. We may have enough for fair weather, but certainly not for foul, and it is principally to provide against contingencies that the Exchequer notes are wanted."

Although the above remarks were written in reference to the evils which have flowed from the fluctuations of gold in the cellars of the Bank of England, they are of such universal application that they meet alike the approval of Mr. Chase's policy and the present need of Canada. A country with great natural resources, whatever be their nature, requires currency or, as we loosely call it, capital for their development. This development is denied to the Province because, as in the allegory of the card-party, we have not sufficient counters to carry on the game. Look, for example, at our rich and inexhaustible mineral resources; and, again, at the oil districts; in neither case are Canadians able to open up this latent wealth. They are compelled to stand aside, while Americans, more happily circumstanced in the facilities their monetary system affords, come in and reap the harvest the native is unable to garner. But what is the remedy? Evidently that which, giving the currency an elasticity, would make it adequate to the wants of trade and enterprise. So long as all business must be done upon a gold basis, so long must our business transactions be restricted, and all trade confined within the limits of the banker's fears or his interest. The true remedy for the evil which weighs so heavily upon the enterprise and energy of the Province is an issue of Government Legal Tender notes. Ah! but these notes will not be convertible, say our currency doctors of the old school. Exactly that. And therein lies the virtue of the remedy. Make them convertible across the counter as now, and, as now, you will have them come back as fast as you pay them out. If our bank bills had had less of that convertible element in their nature the Province would have been less inundated with American silver, and the banks would have been able to keep their gold. For all the purposes of domestic trade no convertibility is needed, and a legal-tender note, it is presumed, would purchase exchange or gold as readily as one that is not a legal tender.

If the Government were to issue Exchequer notes not bearing interest nor convertible, making them a legal tender for all sums and purposes, to be purchased and acquired by banking firms and others, with Government securities or cash, not only would an enormous saving accrue to the Province, but an impetus would be given to manufactures, a greater enterprise amongst our people would be evoked, and a general advancement in prosperity would result from the increased facilities which the monetary establishments of the country could then, without danger to themselves, afford to the various operations of commerce and industry. The abundance of the currency has had, at least, one wholesome effect in the States; whereas credit used to be the general and prevailing system, all are now cash transactions. Of course it is not pretended that no man owes for a coat or a pair of boots, but that the mode of carrying on retail business as well as wholesale has undergone a great change is most certain. This would seem to indicate that the insufficiency of the currency for the wants of the community may, in a degree, be measured by the prevalence of credit amongst retail dealers. There certainly appears to be an *a priori* cause in the non-possession of money payable at once that a deficiency makes delayed payment a positive necessity. Certainly there is an alteration for the better in this regard in the United States; and it is a very reasonable inference to assume that, as the currency has become plentiful the necessity for deferring payment no longer exists. These are considerations which will now have to be weighed upon this continent. The civil war of our neighbors has elicited a financial policy that has astounded the world, and upon the dire consequences of which a great deal has been prognosticated. Up to the present time nothing serious has resulted; and if three thousand millions of indebtedness can be worked off as skilfully as it has been created, without incurring a foreign liability, our cousins will have taught the world a lesson in finance that will explode the long cherished bubbles of Adam Smith, Ricardo, *et hoc genus omne.*

GOLD AS A MEASURE OF VALUE.

Money is the one commodity which all have agreed to accept as the general equivalent of exchange for their productions or services; and it is from its usefulness in this office that, whether of metal or paper, it is usually termed the currency of the country in which this peculiar function is exercised. But as we all know even money—and that good money too—is not necessarily currency. Not only is foreign coinage not currency, but that which is hoarded or withdrawn from circulation under any pretext, although native and legal, is no longer currency; while it still remains money. It is evident, therefore, that money withdrawn from the circulation is worthless simply because it has ceased to be useful. This is precisely the condition of all the gold locked up in the cellars of the banks. It is withdrawn from circulation, disabled from being productive—in short, useless; and since nothing has value which has not utility, this fancied treasure turns out to be valueless. "Not so," cry the gold-basis men, "this is the foundation of our currency, of our bank bills." But, we reply, is it necessary to lock-up one dollar for the sake of putting forth another. Is your gold dollar not as convenient as that of paper; does it command less confidence, or, in using the paper dollar, have you two producing dollars instead of one? Nothing of the sort; you have locked up one to replace it with another; which other has value, not because it can be exchanged for metal, but from its power of production in the service it will purchase; it will convert a valueless log into a cord of fire wood; it will make a set of horseshoes out of a worthless piece of iron, and leave the world the result of its productive ability. What has the gold dollar been doing in the interim? Lying in the coffers of a bank, idle and unproductive. It has had no value; it has contributed nothing to the material wealth; it has been without service to humanity, while its supposed representative has effected an amount of good in the services its activity has commanded—its circulation has created material wealth. All transactions between man and man, reduced to their primitive elements, are barter or exchange. We don't seek money for itself, but for the enjoyments of life, which it enables us to obtain. And, inasmuch as the world has progressed beyond the age of the rude commerce in which commodities were accepted in exchange for others, the world has agreed to recognise a general media in gold and silver. This is done by common consent, and not from the intrinsic value of the metal. "The exchange," says McCulloch, "of a quarter of corn for an ounce of pure unfashioned gold bullion is undeniably as much a barter as if the corn was exchanged for an ox or a barrel of beer; but supposing the metal to be formed into a coin, that is impressed with a stamp indicating its weight and fineness, that circumstance would evidently make no change in the terms of the barter. Coins, instead of being in the same light as bullion or other commodities, have been regarded as something mysterious; they are said to be both signs and measures of value. Gold and silver do not measure the value of commodities more than the latter do gold and silver. The quality of serving as a measure of value is therefore inherent in every commodity; but the slow degree by which the metals change their value render them peculiarly well fitted for forming a standard by which to compare other and more variable articles. The desire of uniting the different qualities of invariability of value, divisibility, durability, facility of transportation and perfect sameness, doubtless formed the irresistible reasons which have induced all civilized communities to employ gold and silver as money."

Again, the price of gold is £3 17s 10½d per ounce—at least so the Mint and the law will have it. But commerce, the need of the times and its contingencies, are sometimes stronger than even the legislature and the mints. This strength on the part of the market is only apparent when some fortuitous circumstance, as war or the like, causes a sudden and large demand, and then gold exceeds the Mint price, which it did at several periods anterior to 1815, and during the long war. Gold, however, as we have seen, has to be considered in two aspects, as a commodity and as a measure of value. As a commodity its market is not comparatively extensive. The arts requiring only a limited quantity, and the demand appears to be fully supplied without the artizan coming into the market as a competitor with the Mint. The natural inference is that the Mint is the larger customer, and by having a fixed price at which it will buy all gold brought to it keeps up an artificial price. The large influx from California, Australia and other places have made no change in the price of gold, as a corresponding increase in the production of any other commodity certainly would have done. "The commercial man," says Mr. Galbraith, in his clever pamphlet on the *Monetary Theory*, "sensitively awake to the changes continually going on in the markets, caused by a deficiency or excess of supply in any of the commodities, is perfectly confounded by the anamalous nature of gold in this respect." Where does it all go to? into what vortex is it absorbed? It is hidden away in dark cellars as the basis of the monument of the financial ignorance and stupidity of the nineteenth century. Mr. Galbraith remarks, "The arts are fully supplied, and there still exists over and above the demands of the arts an immense quantity, in the circulation and vaults of the banks throughout the world, as money and its basis. This it must be understood is already an overplus, or it would not remain there. Of what use or value can it be? That is the question. I do not hesitate to draw the conclusion: All the gold in the circulation and in the vaults of banks, in bullion and coin, as money, is valueless." And again, "with a determination to pluck out the secret of this mystery we arrive at this conclusion, startling as it may at first appear—that every ounce of gold in the world, over and above what is required by the legitimate demands of the arts, is valueless." If this be true, what a cruel robbery is the fixed price of the Mint, and what a wretched imposition is the pretended gold basis. "I really know not," says Fullarton, on the Regulation of the Currency, "why such enormous stores of coin are hoarded up at so vast an expense, if they be at all times inexcrably withheld from the public, whatever be the urgency of the need." Mr. Ricardo said that money in its most perfect state is paper money; and Moran remarks that "paper money is preferable to any other, because it is lighter, more easily handled, counted and transported, at the same time that it offers the greatest additional advantage of being the cheapest material out of which an instrument to facilitate the exchanges of commodities and services could be made." Again, we have Adam Smith declaring that "the substitution of paper, in the room of gold and silver money, replaces a very expensive instrument of commerce with one much less costly and sometimes equally convenient. Circulation comes to be carried on by a new wheel, which it costs less both to erect and to maintain."

The great argument against paper money is drawn from the abuse which has attended its adoption on various occasion. But surely the abuse of a thing is no valid reason for its universal rejection. What of the good gifts of Providence is not capable of misuse? Which of these blessings has not been abused? Are we to forego the enjoyment of all luxury because fools have committed excess, and unprincipled men have committed public wrong? With paper money, as with everything else, the great point is to arrive at a knowledge of the commercial requirements of the community. "If there were perfect security that the power of issuing paper money would not be abused, that is," says McCulloch, "if there were perfect security for its being issued in such quantities as to preserve its value relatively to the mass of circulating commodities nearly equal, the precious metals might be entirely dispensed with, not only as circulating means. but also as a standard to which to refer the value of paper." These authorities fully answer the objections generally urged against paper money. In no case does the history of currencies lead to the conclusion that any element inherent in paper money, as a circulating medium, justifies its rejection. On the contrary, whenever it has failed, or evil consequences have followed its adoption, the bad result has been caused by a disregard of the principles which should control its management.

While citing these acknowledged authorities, it may be well to quote a modern and very able writer upon money and its uses, to show that very many of the soundest thinkers of the present day ridicule the theory which governs the great medium of the world's commerce. "If it were once generally and clearly understood that money is a mere instrument that facilitates the exchange of commodities and services, and that the great desideratum of a proper circulating medium is, not its redemption in gold and silver, but its redemption by (which means its acceptance in exchange for) commodities and services, the forced redemption of bank notes in coin might be entirely dispensed with; and, along with specie redemption will inevitably disappear financial panics such as, heretofore, have so frequently occurred, often in the midst of an unusual abundance of commodities, solely from a fear of an inadequate supply of money, of an instrument only useful as a means of obtaining the very commodities of which there exists a glut! Can anything be more absurd than to be panic-stricken from the fear of the lack of a symbol, when we possess in abundance the very things it symbolizes? Whenever bank notes shall cease to be redeemable in coin, on demand, they will be freely issued to those who will pay interest for them and furnish ample security for their return within a specified time. The return of bank notes in repayment of loans is an ample and proper means of redeeming them, and will always prevent the currency from becoming redundant. There will then always be an adequate supply of money; prices will become regular, as they will be solely controlled by cost of production, supply and demand; and we shall no longer see commodities sacrificed, and commerce and industry disorganised, merely because the controllers of money refuse to furnish a supply adequate to effect the current exchanges of commodities and services."

A COROLLARY AND A SUGGESTION.

It is not a little remarkable that in so advanced a stage of industrial pursuits and the extension of domestic commerce as that which prevails in all civilized countries, at the present day, no settled theory concerning the potent instrument that aids and accelerates each operation has obtained a general acceptance. Scarcely any two of the many able essayists who have attempted to prescribe a code of laws regulating money, agree even in the definition of that most useful but ordinary commodity. It is not surprising, therefore, that, if we have no admitted predicate for its chief term, the problem of its best practical adaptation to the hourly purposes of local and domestic trade should also remain unsettled, and the medium by which commercial transactions are commonly facilitated appears in variously modified forms, each having its advocates and opponents.

Rightly considered, the circulating medium of a country has no more to do with banking or the banker than with any other individual who simply buys money with his wheat, timber or other merchandize. Unfortunately, however, those whose legitimate province it is to regulate currencies are rarely, perhaps never, free agents; their actions being fettered by the circumstances which surround their position—circumstances which, although wholly extraneous to the regulations of the currency, are nevertheless compulsory upon those who ought to be its sole and independent controllers. Governments, like ordinary traders, are often compelled to seek pecuniary accommodation, to anticipate the incomings; and from whom should they seek the required aid but from the money dealers? This class, from the very nature of their calling, are ever shrewd hands at a bargain, and might, on an occasion, seriously embarrass a government by a refusal. It is obvious, therefore, that the Minister whose duty is the timely provision of the *Ways and Means* must desire to stand in the most favorable light and friendly relations with persons possessing so much power to assist or inconvenience. In plain English, the bankers must not be offended—*coûte qui coûte* their interest must be favored, and in what more effectual way can they be propitiated than by giving them a monopoly of the coinage of the currency, with the irresponsible control of its circulation. Such is the fortunate position of the bankers in Canada, and such is the inconvenient and fettered condition of its currency. To attempt any innovation upon the antiquated system would bring such a hornet's nest about the ears of the Minister, who should have the hardihood to venture upon its revision, as would appal the boldest. Have we not heard of an intended Bank of Issue—have we not had a more recent experience of a Legal Tender issue by the Government? Both these moves were in the right direction, but neither has been carried out to its legitimate result—extraneous influence burked the one, and has emasculated the other. In the shape the Legal Tender note now comes to the public it is no better than the Promissory notes of the banks, with which in common it passes current, no one looking upon it but as an ordinary bank bill. How can it be otherwise estimated? True it is a legal tender, but how does that relieve commerce from the evils incident to the bankers' note payable on demand? The legislative authority under which it is issued declares it intrinsically worthless until it is exchanged for gold. There certainly was no necessity for such an issue, if it were to stop short of a remedy for the existing evil. The people were well content to accept the bills of the banks as a quasi-legal tender. There was no want of confidence in those institutions; where the inefficiency of the old issue by the banks really did, and still does lie, is in the spasmodic and capricious constriction to which that species of currency is liable, certainly not in the mode of dealing with it between man and man as a medium of barter. To give us a Legal Tender note, for which gold may be demanded across the banker's counter, has relieved neither the commerce nor enterprise of the country. What was really wanted by the community was a Legal Tender currency having a national character, and, above all, that was not liable to fluctuation through its subserviency to the banking interests. Such a currency could only be attained through an inconvertible paper issue by the Government. The present Legal Tender note affords no relief to the domestic commerce of the country. It leaves the internal trade without the slightest relief from the crying evils of a sudden contraction or a starved circulation. For the matter of convenience or advantage to business, it might as well never have seen the light; it leaves the currency for all practical purposes just where it was—in the hands of the bankers, and they will very naturally, and very properly too, look to their own safety. So long as they are compelled to meet the paper they put out with gold on demand, whether that paper be the new Provincial Legal Tender or the irown promise, they will take care, whenever their interests require it, to contract their issues to the minimum, irrespective of the wants of the domestic trader. Indeed, under a system of prompt convertibility, it is their sole protection. The more pressing the need of accommodation with the trader, the more urgent becomes the banker's caution. The great bug-bear is the draught of gold from the bank coffers, and that is certain to occur whenever a derangement of the exchange or some other reason causes the importer to require gold for the payment of foreign balances, and when this continues to any serious extent a monetary crisis is, from the nature of our absurd monetary system, the inevitable result. These crisis are so similar both in their origin and effect that *ex uno disce omnes*, they only differ in degree, and, perchance, in some unimportant feature—the importer or speculator requires gold for foreign payments, the banks grow alarmed by the abstraction of their specie, and contract their issues; the circulating medium is thus suddenly lessened, and the retail dealer becomes cramped; employment has to be curtailed, and general distress and want of confidence follow. Now, how has all this ruin—for ruin there certainly must be—and misery arisen? How, but by the derangement of the currency consequent on its sudden withdrawal from circulation for the protection of the idle gold in the coffers of the banks—for the support of a fiction. For that the so-called gold basis is a fiction—a delusion, and a snare of the most dangerous kind, is evinced by the very fact of the contraction of the issues at the cost of the public, and the destruction of general confidence. If the gold basis theory were worth anything at all its excellence should be proved in the emergency in which its advocates say it is all-efficient. It has never been found so. Its whole history proclaims its unprofitable and mischievous inutility. In England the remedy for the evils it engendered was Mr. Pitt's Suspension Act of 1797, by which the Bank of England was relieved from cash payments. Commercial disaster and general distress followed Mr. Peel's return to specie in 1819, while panics, with their concomitant ruin, have ever since been periodical. There can be but one conclusion from so lengthened and sad experiences.

Little more need be urged in addition to what has been advanced to place before the reader the positive evils of a system for the upholding of which there is not a single sound reason, while daily experience affords the strongest reasons for its abandonment. It is too much the custom with us in Canada to consider, in reference to business, two or three of our more populous cities the whole country, ignoring in our estimate the veins and arteries which convey and return the life blood of the commercial organization. It may be all very well that the merchants at our great emporia should be able to obtain financial facilities for carrying on their extended transactions; but it should not be forgotten that our retail traders are the vessels through which the circulation has to be conveyed to the great mercantile centres, and that if these vessels are to be occasionally depleted or the nourishment withheld or but scantily supplied, derangement must necessarily follow. Nor is this the only ill which afflicts Canada through her monetary system. Let any one look at our manufacturing, our mining, our farming—is it not patent at the very first glance that these important interests are all in a state of starvation, and that the only interests that our system subserves are the importing and exporting—the foreign trade. Take any of the rural villages of Upper Canada and you will find a scarcity of money almost incredible. Look at the hundreds of farms upon which drainage is sadly wanted, and would be done if the currency were not kept at a starvation point. Again, it may be safely affirmed, that there is not a harvest that ever occurs that thousands of dollars are not lost by the scarcity of the circulating medium in the purely agricultural localities. The townsman may twit the farmer with the flippant observation, "Oh! bring good security and you can have money." This is but a cruel mockery, for many a solid farmer, that couldn't get six-pence out of a bank, has two or three thousand dollars in fixed property; but he is not goose enough to create a mortgage because he needs a couple of hundred dollars for three months. The consequence of this all-prevading scarcity of money in the rural districts is general indebtedness to the village store-keeper, and the very certain concomitant of high charges to the consumer, and inconvenience to the trader.

If the currency were upon a wholesome footing it should be adequate to the requirements of the general trade and enterprise of the country. That it is far under what is necessary for the legitimate wants of the community is fully evidenced by the constant resort to New York or Boston, whenever it is desired to inaugurate a new undertaking, or when the natural resources of the Province offer some special inducement for their spirited development. The Montreal *Gazette* remarked of Petroleum, a short time since:—

"Business at present is very dull. Many parties would come into the market as purchasers to ship to England, but there is a difficulty in obtaining advances from the banks, as they evince a strong disinclination to make any advance on this species of property. We are informed that some parties, who would have shipped by the St. Lawrence, have proceeded to New York, and there made arrangements for sending their oil *via* the Great Western Railway, and American lines to that city for shipment to Europe, every facility of advances and forwarding the oil being furnished them. We mention this fact to show the short-sighted policy of our banks in driving away a large and profitable branch of trade from the city."

Upon which a Western journal remarks, with infinite justice:—

"To find that New York banks are willing to do for Canadians that which their own institutions deny them is not a flattering commentary upon the latter. But so long as gold gambling in New York pays well, and the deposits of Upper Canadian business men are drained away to furnish the means to carry on that species of lottery sharping, little else can be expected. The tone of the business men of Toronto, London and other centres is fast tending to an alteration of this state of things, and the sooner that such a statement as that made by the Montreal *Gazette* becomes an impossibility the better."

That there may be an abundance of Banking capital in the country does not meet the question—there may be plenty of oats in the granary while the horse is starving. How does it help the oil-men to know that six or eight millions of gold is lying idle and profitless in the cellars of the banks? The managers of these institutions cannot be blamed for the exercise of prudence, or for conducting their business after their own preferences. But meanwhile the trader and the country suffer; its natural resources go undeveloped, enterprise is choked off, labor finds no market, and the immigrant passes away to a country where the circulating medium is more plenty or not restricted by antiquated prejudice. Surely these evils are worth remedying. But they will continue to exist so long as our banks are compelled to pay in gold notes that can be bought with American silver coin circulating below its *par* value. The fault is with ourselves, not with the New York gold gamblers. There s no doubt but our business men will find it out by and bye, and that "this state of things" will undergo a great alteration—the sooner the better for the whole country. The remedy is simple enough, and easy enough of practical application, if the Minister of Finance were once really in earnest, and would not permit the bankers and importers to frighten him out of his honest convictions. In the adoption of some such scheme as the following, the whole difficulty of the currency under the present system would be obviated, and trade relieved from the fluctuations incident to direct convertibility.

Let the Government be the sole maker of the circulating medium; that being a Legal Tender paper issue for all amounts above one dollar—to be both tribute and merchant money, taken by the Government for all taxes and duties, as well as by the trader in payment for goods, and in every other case of purchase or account. The Government not to be the issuer of these notes otherwise than as the coiner or maker, but to supply them to bankers and money-dealers at their face value (less a certain bonus allowed to the parties purchasing) for gold or debentures of the Province. Gold would thus become a merchantable commodity, to be bought and sold in the ordinary way of commodities, without the present factitious circumlocution. A paper currency which could purchase gold or exchange would be efficient for all the purposes of commerce, while it would supply the retail trader with every facility for conducting his more multitudinous operations. Such a currency, moreover, freed from the constraint of convertibility at the bank counter, would not be subject to the fluctuations to which our present circulation is constantly liable, and the injury to trade from its contraction, at the time its extension was most needed, would no longer exist—runs upon the banks and periodical panics would be amongst the things that were. Relief would be afforded to the retail dealer from the fact that such a currency would keep afloat, not having the tendency to return for conversion or to be withdrawn by its issuers to protect their gold, it would permeate all the sinuosities of retail trade, and the country store-keeper would be relieved from much of the petty credit now so prevalent and inevitable. With such a currency, the banks would no longer be embarrassed by the quick return of their issues, or have cause for alarm at any unusual influx. It would be at their own option whether they would part with their gold or retain it, and they would quickly learn how absurd a system was that which involved the alternative of hoarding or ruin.

It is scarcely necessary to direct attention to the immense advantages to be derived incidentally from a national paper currency, such as is suggested. A very slight consideration of the proposed system will convince every unprejudiced person of the perfect efficiency of a circulating medium thus secured from abuse, and capable of representing all values. It may be presumed that in adopting such a system its control would be placed in the hands of a limited number of Commissioners, of whom the Minister of Finance should be an *ex officio* member, and the only one connected with the Government. The presence of this administrative officer at the board would be both essential and proper. The exchange of Provincial securities for the Legal Tender notes would be a virtual purchase of the securities by the Government. The interest upon which, as it accrued, would become current revenue, and might form a part of the annual consolidated revenue, or be appropiated as a sinking fund for the purchase of other portions of the national indebtedness. This suggestion obviously points to a financial scheme of more importance than it is necessary further to discuss in these pages; but the consideration involves a subject of great national importance.

It will be imperative upon the Federal Government, under the new order of things which must obtain in the Confederated Administration of the new Dominion, amongst other matters to assimilate and unify its currencies, and in no way can this be accomplished with such thorough efficiency, permanence, and national advantages, as by the adoption of a system which all the best thinkers and most practical men admit to be based upon true and economical principles; and, in the peculiar condition of a country, demanding much crude and skilled labor, to furnish the facilities for its employment, becomes one of the first duties of a Government desirous of national progress and development. Money, or the circulating medium, in whatever form, is the one thing needful to the laborer; he barters his physical powers for the necessaries of life, and he does this indirectly through the money wages paid by his employer. If the circulating medium be made scarce or difficult for the employer to obtain, the laborer has to seek another market, and the resources of the country remain as nature left them; unprofitable, because unutilized.

The argument intended is that money should not be difficult to obtain by those who have the means of repaying, or by those who have value either in labor or commodities to exchange. But such is not the state of things under the present system. This system being so contrived that when the medium is most in demand, it is most certain to be withdrawn from circulation, beause the gold in the bank coffers is endangered. But, if this gold basis be anything better than a false pretence, an arrant swindle, why dread its being drawn out? Is it not because it is well known that there is not a fifth part of the issue covered by the horded gold? Then what a sham is here! Yet, eleven-twelfths of the whole people are suffering in order that this fraudulent, but specious system, shall be perpetuated. There is no necessity whatever for any other basis for a currency than the knowledge that the note or coin will be accepted by all; confidence is all that is wanted—all that keeps the banks on their legs or makes their notes current. If the Government would give the people a good Legal Tender note that should be available in every case of indebtedness or liability, the delusion of a gold basis might be abandoned to the great advantage of the country, and to the prosperity and happiness of the people. Let us hope that the Government of the Dominion of Canada will have nerve enough to handle this subject with that boldness and dexterity which the circumstances of the country demand, and the people may expect from an enlightened and experienced statesmanship.