

## ELASTIC OR FLUID CURRENCY— WHICH.

Various proposed solutions of the currency problem are predicated on the idea of an elastic currency; that is, a currency which is ordinarily sufficient in volume to meet the ordinary demands of trade, and will automatically shrink or stretch in harmony with variations of demand.

Forced remedies are urged, depending on humanly devised and operated checks and counter-checks to anticipate conjectured abuses. The co-operation of the Federal treasury is considered necessary to the success of these plans,—an idea no doubt fostered by the anomaly of a swollen treasury with a depleted market supply.

Confronted by a condition and not a theory, reduction in indirect taxation has been suggested as affording a ready means of relief; but no adjustment of schedules in a scheme of indirect taxation can be efficacious. Revenue from indirect taxation is uncertain, increasing as trade increases and falling as trade slackens; thus expanding prosperity is bedeviled by the fear and the certainty of a diminishing circulating currency when trade needs are most urgent, and commercial expansion produces currency contraction. If, to avoid congestion, indirect taxation should be scaled down, the danger of a deficit in revenues when trade reaction sets in would induce shrinking, timid market conditions accelerating the evil and destroying confidence. Before any other remedy is adopted, then, it is essential that a Federal tax system be instituted competent to provide sufficient revenue under all conditions, and to prevent congestion during active trade periods. For if this power of absorption be unrestrained it must impound any increase of the currency. And what is to prevent an asset or other emergency currency from being impounded in the Federal treasury, while gold, the basis of public confidence and credit money, is being withdrawn for export and hoarding. Any emergency currency must necessarily be of doubtful security, for its issue would be forced by unusual conditions.

Instead of an elastic currency let consideration be given to an elastic Federal revenue system, one that will not corral in the government vaults the currency needed in trade. The Purdy plan of apportionment for State revenues, which levies on the counties a percentage of the proportion of each county's own revenue to all the counties' revenue, can be extended in its application to Federal needs. If the Federal government levied the larger portion of its needed revenue by apportionment among the States, collecting in periodical installments, then the currency needed by the general government would remain in active circulation until actually needed, whereupon it would at once flow back, through government expenditure, into the

channels of trade. At no time would it be playing "slow coach," and block the highways of national finance.

This, too, would divorce the operations of the national treasury from the speculations of the money and security market; destroy the favoritism of the secretary of the treasury to pet banks acting as depositaries of Federal revenue; establish a correspondence between Federal "need and feed;" do away with alternating feasts and famines of revenue, and arrest the tendency to extravagant national expenditure which by our present system is encouraged in order that favored private interests may be advantaged through the unseen incidence of indirect taxation.

Before embarking upon any of the unknown seas of "elastic" currency, let us establish conditions calculated to make our currency fluid. If currency flows freely, more good currency can be pumped into the volume if it falls below the level, or out of it if it becomes redundant. What we need first is not elastic currency but unobstructed circulation.

BENJAMIN DOBLIN.

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## EDITORIAL CORRESPONDENCE

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### JAMAICA, B. W. I.

Kingston, Jam., Mar. 25.—The problem of the colonies is one of the questions of the day—a burning question. Taxation is at the root of it, of course. A great deal of talk goes on in Parliament, Council and press; a beating about the bush in many tongues; and all in the attempt to prove the impossible possible, to prove the wrong right. Starting from the premise that it is right to bleed the colonies to furnish revenue for the motherland, legislators can naturally find plenty of material for discussion as to just how the bleeding shall be done. They do not get as far back as the discussion of whether the bleeding of itself is justifiable or not. Not recognizing that their premise is false, they wonder that their carefully elaborated theories do not work as expected.

Jamaica, one of the most beautiful, fertile tropical countries, greatly favored as to climate and soil, is in a very bad way financially. The island is losing in wealth and producing power every year. Many are the theories advanced here and elsewhere as to the cause of this. The protective tariff in the important buying countries, which ruined the Jamaica sugar industry; the lack of up-to-date methods of cultivating the land; the laziness of the black population; and many more such reasons, none of which except the first, perhaps, could hold against an argument. The people themselves, the more intelligent of them, are beginning to have a dim realization of the truth, inasmuch as they see that they are over-taxed.

Their point of view was expressed to me in a clear intelligent fashion the other day by a colored man of education, who had evidently given the matter some thought. A "colored" man in Jamaica, it must be explained, is not a black man, but one of mixed race. They use the term "colored" here in contradistinction to "black" for the pure Negro, or to "white." This particular man was verger of the Cathedral in Spanish Town, the former capital, now falling slowly into decay.

After giving me a most interesting account of the