

UNITED STATES SYSTEM OF CURRENCY AND BANKING.

The system of currency and banking which prevails in the United States is wholly dissimilar to that of Canada, or any other country. Our ingenious neighbours are famous inventors. They have a passion for native methods. They disdain the experience and avoid the example of other peoples. So far as monetary affairs are concerned these national prejudices have led them into most serious blunders, they would not believe that fire burns until they tried their fingers in the flame.

The American banks are of two classes, those known as "National," and those as "State" banks. Both can issue notes, but, as the State banks have to pay a tax of 10 p.c. on note issues they practically have no circulation.

A "National" bank can be operated with only a capital of \$25,000, or one-tenth of the Canadian minimum. Hence it is not uncommon for one man in the United States to own a National bank, the other shareholders being mere dummies. Any retailer, or clerk with \$25,000 at command can open a National bank without having even an elementary knowledge of banking principle or practice. Such flimsy institutions "come like shadows—so depart," they have no solid basis, hence, every year, they fail by hundreds.

As these picayune National banks are wholly dependent on their locality they are liable to become insolvent if local trade is depressed and they have no resources adequate to "carrying" customers until times improve.

These banks are allowed to issue notes by depositing Government bonds to the amount issued or proposed to be issued with the comptroller of the currency. Hence the notes of a National bank are sound though it may be insolvent. The idea at the base of the American National bank note issues is this: the United States Government will authorize a bank to issue notes if it will lend the money they represent and realize to the Government! That is really what is done when a bank buys Government bonds in order to obtain the right to issue notes for the amount. No wonder such a fantastic, irrational system discourages the issue of notes, and deprives the country of the inestimable services of a circulation like that which is so valued in Canada. When harvest time comes in Canada the banks send out their notes as their branches require, the process is almost mechanical, or automatic as we have said, the expansion being regulated by the demand, without interest rates being raised. When these notes have fulfilled their mission they flow back and the whole operation has been conducted as smoothly as the working of a chronometer.

THE AMERICAN CIRCULATION MACHINERY ILL-CONSTRUCTED.

In the United States the needful money for harvest purposes sets in motion movements for bond

purchasing, for borrowings by country, or "interior" banks, from the large banks in New York, and elsewhere, the rates for money are advanced, the Treasury is called upon to set the ordinary routine of its machinery aside and introduce what, in mechanism, would be styled, an "eccentric" motion. These varied and not infrequently inharmonious movements, create widespread confusion, occasionally to the point of creating a panic, then, when the time for a reverse movement comes there is another disturbance, the "interior" banks do not return what they were supplied with, and what the lending banks anticipated, so the monetary situation is again a scene of confusion, money is rushed up to extravagant rates and the scandalous spectacle is presented of a country which claims to be the wealthiest in the world being without the necessary funds for maintaining the country's business.

The working of the United States Treasury is open to radical improvement. It receives the taxes all over the country, which amount to an enormous sum and has no well-ordered plan for placing these funds at the service of the community. The American Treasury is something like a national bank for receiving deposits, without a system of using those deposits as is done by banks in discounting bills and making loans.

The more the Canadian currency system is studied, the more closely is its working observed, the more evident becomes its economic wisdom, the more clearly is seen its value as one of the leading financial resources of the country. On the contrary the more we know of the United States currency and banking systems, the deeper becomes the conviction that these systems are phenomenally defective.

THE PERIODIC MONEY FLURRIES IN NEW YORK.

The frequency of flurries, or incipient panics in the United States, which have their centre in New York, present a phase in finance which is without parallel in any other country.

Every now and again money in New York and other great cities in the United States, becomes so scarce, or confidence so shaken as to send rates up to figures three to ten times what in England and the continent of Europe only prevail in times of severe panic.

Thus, in 1866, when the Overend, Gurney & Co., failure brought about the worst panic of the last half century, the bank rate rose to 10 p.c. for a very short time and this figure is regarded in Great Britain as the maximum for a time of monetary disturbance. In 1845, 1846, and up to October 1847 (railway panic year), the bank rate ranged from 2½ to 5 p.c., then for three weeks it stood at 8, and for the half of next year it fell to 3½ and 2, and up to September, 1853, about 6 years, the