

The Government, it is true, issues paper money to the amount of \$114,000,000, but only about \$20,000,000 of this in the shape of \$1 and \$2 bills gets into circulation. The money used by the everyday man in everyday business is the money furnished by the banks, in bills of the denominations of \$5 and multiples thereof. There is held by the Receiver-General at Ottawa, and by his deputies throughout the country nearly \$100,000,000 in gold, but a child born in Canada might live in this country and die at the age of 80 without seeing a gold coin. This vast accumulation of gold is not intended for general circulation, and is properly enough kept as a reserve for the protection of the paper money issued by the Government, but the paper money issued by the Government (except \$20,000,000 in \$1 and \$2 bills) never gets into circulation. It is in the shape of bills of large denominations, mainly \$5,000 bills, which are held by the banks and are legal tender only between banks. The money seen and used by the people, therefore, is the money printed by the banks. The banks are thus enabled to regulate the volume of currency and to exercise the sovereign power of issuing money.

#### BUSINESS AND CURRENCY

2. If the Government is to have the sole power of issuing money, then the notes of the banks now in circulation will have to be retired, and Mr. Maclean proposes to issue to the banks, at a nominal rate of interest, Dominion notes or national currency to the amount of their paid-up capital. This will compensate them for the loss of their present franchise of issuing money, but whether it fully compensates them or not, it will firmly establish a national currency.

But the \$100,000,000 of bank notes now in circulation do not provide enough money for the business of the country. Mr. Maclean proposes that the Government shall issue Dominion notes or national currency, say, to the amount of \$500,000,000 and that this money be available for the business needs of the country.

This would necessitate the founding of a Government bank. This Government bank, which might do the banking business for the Dominion and Provinces, would be the bank in which all the chartered banks would keep accounts, and be able to rediscount the securities offered by the public, including prime commercial paper. The businessman who goes to the bank to-day is apt to hear that he cannot get the accommodation he needs, no matter how good may be his paper or his collateral, because the bank has no "money," that banks have only a limited circulation, and that they must protect their notes, and what is more important, they must be ready to meet the demands of their depositors. Hence they are anxious to have big cash reserves, or so-called "liquid assets," and are disinclined to discount