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GROWING DEFECTS IN THE U. S. NATIONAL BANK SYSTEM.

The falling of the bank reserves in New York on a recent occasion, below the legal level, may possibly lead to further legislation on the subject of the currency, during the present session of Congress. The National Bank System is the reverse of scientific, as it must necessarily be, since it owes its origin to the necessities of the national treasury, and was not adopted because it was the best that could be devised for currency purposes. Its creation was a stroke of national finance, made in a moment of public calamity. Some good it certainly did, by giving the currency an uniform value in all parts of the Union, and in providing for the safety of the note-circulation. The government was enabled to borrow a large sum on bonds which it compelled the banks to buy. The loan was in effect a forced loan; the legislative authority, which had to devise ways and means to carry on the war, being in a position to put pressure on the banks. Comptroller Knox, of Massachusetts, is probably right in saying that the national system raised the public credit, by relieving the market of nearly one-fifth of all the bonds of the United States. And this official hopes to see the prediction of the late Secretary Chase verified, that the legal tender notes will be rapidly withdrawn, and no other circulation than convertible bank notes and coin of a true standard used.

One great defect of the National Bank currency is that it has no natural elasticity, and does not readily adjust itself to the requirements of commerce. Thus, it has come to pass that, in a time of great prosperity, when the country has been amply supplied with gold, and a superabundance of silver, there has been a scarcity of legal tenders and national bank notes. The rush for gold which it was supposed would be made, when resumption came, did not take place. But while few want gold, and nobody will take silver if he can help it, there is liable to be something like a general want of paper currency. The want is wholly artificial; the child of law; and the Secretary of the Treasury when he framed that law had less in view the currency requirements of the country than the necessities of the treasury. This state of things will sooner or later become intolerable. in a great commercial country, such as the United States is.

But the National Banks have before them in the near future, another and serious cause of difficulty, arising from the terminable nature of the securities on which their circulation is based. Before the end of May next, nearly two hundred million dollars worth of bonds, ($199,000,000) which now form the security of the National Bank notes, will fall due, be paid, and cancelled. If the present system is to continue, the National Banks will then have to go into the market and purchase new securities, at a rate of premium that would have some real inconveniences attaching to it. The four per cent.'s now bring 111; and under pressure of a demand for nearly two hundred millions of dollars face value of these bonds, they would probably go up to 120. The law requires that the National Banks should deposit securities to the amount of ten per cent. over their issue. To this ten per cent. add the probable amount of premium they would have to pay for the bonds; and it is easy to see that the affect must be seriously to restrict the amount of National Bank notes. While trade is expanding and the demand for currency increases, there will be an artificial restriction in the amount. So anti-commercial a currency as this must, from the very necessity of the case, be sooner or later condemned. But as the refunding is not yet complete, the opportunity of purchasing a new security, may prevent the threatened danger.

Besides, if the United States are to go on paying off the national debt at the present rate, the time must come when the basis of the circulation will vanish, and the whole structure must perish for want of the support which the public debt has been arbitrarily made to afford. In the meantime, as the debt decreases in amount, the remnant of the bonds unpaid will increase in value from two causes: from the improvement in the public credit, arising from the gradual extinction of the debt, and from the demand for bonds to secure the bank notes. It will be practically impossible for the present system to go on till this time arrives. As these changes approach, the currency necessities of the nation must be provided for by some form of re-adjustment. Legislation which can go into effect before the end of next May would seem to be absolutely indispensible.

STOCKS ETC., IN MONTREAL.

The close of navigation generally occasions a lull in general business in Montreal, and this year is no exception to the rule. It is probably true that the stock market attracts the most interest among commercial men in that city just now. Assuredly the operations in Canadian stocks for the past fortnight have had an effect upon prices which is difficult to harmonize with the apparent earnings of these stocks and the dividends they pay. In the week ending November 27th the transactions on the the Montreal stock exchange were the largest ever recorded in a similar period, numbering 34,200 shares, or a daily average of 5,700 shares turned over; the largest business recorded in one day was 10,000 shares. In the following week, that which closed on December 4th, the aggregate business reached only 21,186 shares or a daily average of 3,530 shares; the most active day was Friday when 4,880 shares changed hands. These figures represent a market value of probably five million dollars of stocks turned over within a fortnight and are without precedent in the history of the Exchange. In the first mentioned period the "bulls" had full swing, and prices rapidly advanced from day to day with steadily increasing orders to purchase pouring in on the brokers. In fact it is many years since speculation was so widely extended as during the latter days of November, for not only were all the old *habitues* of St. Francois Xavier street to be found daily congregated there, eagerly watching the course of the market and loading up with shares, but many from the cities and towns of Ontario and also from the Lower Provinces took a hand in the "deal,"—some operating on margin, others purchasing outright—all the influences affecting the market at that time favored the advance.

Money was abundant to a degree it never had been before; the rate of interest on deposits in all the banks, including the City and District Savings Bank had been reduced to three per cent., thus forcing money into investment in securities yielding from five up to seven per cent. interest; a very successful and profitable fall trade had been completed, the banks were making no losses and earning fair dividends: a term of active and promising business for some years to come, seemed to be assured by the arrangement for the construction of the Pacific Railway; moreover the leading brokers had been "bulls" for some time past, and those who persisted in taking a gloomy view of the situation, were forced by the irresitible advance of the market to change their tactics and drift with the current. It required a