Currency Elasticity. Have the National Bank notes met its requirements?

Introduction.

What is meant by elastic currency.

(i.) ordinary elasticity

(ii.) emergency elasticity

Commercial phenomena demanding ordinary elasticity.
evidenced in commercial journals

Commercial phenomena demanding ~~extra~~ emergency elasticity
evidenced in crisis of 1893.

Effect of elasticity.

The National Bank Act intended to afford an elastic currency. –

The Issues under the National Bank Act.

Provisions relating to note issues from Act 1863 to Resumption Act 1874 (inclusive)

How the banks have in fact availed themselves of these provisions.

The result shows in the main a contraction of note issues.

Reasons for contraction in note issues

The Treasurer's explanation in 1880

Banks avail themselves of premium of bonds withdrawn under (provision of Act 1874

" increase their loanable funds by withdrawing circula-

The price of United States Bonds governs volume of circula-

The deposit feature affords better opportunity for profits

Propositions governing profits on note issues.

(i.) rate of loans in money market

(ii.) rate of interest payable by government on bonds

(iii) the influence of the rise or fall in the premium on (deposited bonds

The History of note issues explained in the light of these (propositions.

The Panic of 1881

Decline in Circulation 1882–92

due to (i) payment of national debt

(ii.) high price of bonds

(iii.) influx of silver money.

Increase in circulation since 1891.

Conclusion.

The bond form of guarantee incompatible with elasticity.

Appendix. Chart A.
Chart B.