## CANADIAN EMERGENCY CURRENCY

### Advantages and Importance of System Under New Bank Act Are Pointed Out

The following comments by The London Times upon the emergency currency features of Canada's revised bank act which became effective on July 1st, are of interest.

The new provision enables banks to keep all their available gold in a central reserve and issue their own notes, as and whenever they are required, dollar for dollar, in the reserve. It will be seen in a moment that this new provision is of very considerable importance in more ways than one.

The banks, under the old act, were able to issue their own notes to the amount of their unimpaired paid-up capital, and beyond to the extent of 15 per cent. on their capital and reserves during the crop-moving period. At April 30th last the paid-up capital of Canada's chartered banks was $115,799,217, and the rest or reserve funds amounted to $108,414,337, a total together of $224,213,554. The emergency circulation during the autumn and winter might, therefore, if necessary, reach $33,500,000. In November last year the emergency circulation actually approached $10,000,000, and the margin of emergency circulation available at that time was $20,000,000 or so. At ordinary times that margin would be ample, and it may be said at once that the central gold reserve provision is expected to operate more advantageously during that portion of the year in which the crops are, supposedly, not being moved.

**Does Not Assume Ordinary Times.**

But a prudent minister of finance will not assume that times always will be ordinary, and indeed it is possible that this autumn will see a situation of painful pressure upon Canada's financial resources. At such times a more or less insignificant action by a bank may start a panic, or at least a serious run on deposits. At the end of April last, deposits payable on demand in Canada were $365,340,002, and, after notice, $631,160,280, a total of $996,500,282. In November, when the pressure is usually at its height, they were last year $16,000,000 higher. To meet a run on such a huge amount a good deal more than $20,000,000 might very well be needed. Given time under the old system, the currency could no doubt have been engineered. But time is just what is not available at times of panic, and the new provision does all that is possible to economize time.

**Can Be Released Instantaneously.**

However, one does not anticipate crises involving runs on a large scale, and, as has been said, the central gold reserve is designed to serve a purpose in normal times. During recent years the banknote issues have frequently approached very near to the limit authorized between February and September. For instance, in June of last year the circulation was within $2,000,000 of the circulation in September, when the emergency clause operates. At such times a great deal of anxiety was caused bankers lest the authorized limit should be exceeded, and, as was explained above, the arrangements for changing from bank notes to Dominion notes were clumsy and took time. The system was inelastic in a country such as Canada, where great distances have to be traversed between the centre of the government and many of the most active centres of industry and agriculture. Under the new system any amount of banknotes may be held in reserve to be released instantaneously by the deposit of gold, or Dominion notes—and in practice, since the gold and Dominion notes are to a considerable extent expected to remain deposited in the central reserve, the circulation will be permanently extended.



## UNITED STATES CURRENCY BILL CRITICIZED

### Should be no Prohibition Against Rediscounts With Bonds as Security, Says Banker

Mr. George B. Caldwell, president of the Investment Bankers' Association of America, speaking of the proposed currency and banking law, says:—

"Our association favors the passage of a currency bill as soon as due consideration will allow. Our committee on monetary legislation, headed by John M. Nelson, of Baltimore, has carefully studied the subject, and has, in the name of our body, transmitted several recommendations tending toward a workable law. In our opinion the Owen-Glass bill can be made a good, useful working measure, with some changes. We are gratified, indeed, that the federal administration, while insisting upon the early enactment of currency legislation, is hospitable towards suggestions made in good faith for the improvement of the pending bill.

**Considered an Objectionable Feature.**

"One of the most objectionable features of the banking bill is contained in Section 14, prohibiting the rediscount of bills secured by bonds of any description. A fair and good law on this subject should give reserve banks as much latitude in discounting paper, based on well-secured bonds, as is consistent with sound banking. Good banking tells us that it is just as important, just as necessary to finance transportation, warehouse, terminal, elevator and other corporations contributing to the movement of crops as it is to finance the crops themselves. Besides government, state and municipal bonds are acceptable now, so to be consistent it would seem they would be acceptable as loan collateral, together with other good bonds.

"Two other features of the bill appear to our association as objectionable. We do not believe that control of the banking interests should be placed in the hands of a political body altogether. The Board of Control, which is to consist of the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency and four appointees of the President, one of whom shall be versed in banking, is a political body, pure and simple, and has been opposed because of the fear it might make a political issue of banking business. The results of this are self-evident.

**Not the Banks.**

"Again, the Investment Bankers' Association have strongly objected to the provisions that the Government should issue the currency, and not the banks. Federal reserve bank notes under the bill should be issued by the banks. One can readily see the situation that would develop if the Government were called on to redeem a promise to pay on demand in gold these federal reserve bank notes and found itself unable to fulfil its obligations. The notes should be issued by the banks and all responsibility of redemption should remain with them. We believe we voice the sentiment of the bankers and business interests of the country in urging that the salaries of each member of the federal board should be not less than $25,000 per year. Such responsibility placed in the hands of men at a less salary does not have our fullest confidence, nor demand the highest type of ability."

## ANGLO-CANADIAN JULY TRADE RETURNS

The following are official figures of the trade between Great Britain and Canada during July:—

| | July, 1913. | July, 1912. |
|---|---|---|
| **From Canada.** | | |
| Wheat | £4,535,106 | £4,841,012 |
| Flour | 1,259,781 | 1,300,933 |
| Oats | 480,649 | 312,471 |
| Cattle | 36,112 | 104,763 |
| Bacon | 544,268 | 687,236 |
| Hams | 233,871 | 131,610 |
| Cheese | 1,294,395 | 1,568,050 |
| Canned salmon | 518,675 | 609,405 |
| **To Canada.** | | |
| Spirits | 385,245 | 373,528 |
| Sugar | 27,597 | 84,178 |
| Wool | 64,205 | 72,351 |
| Hides | 50,828 | 39,197 |
| Pig-iron | 66,679 | 113,497 |
| Wrought iron | 61,212 | 39,509 |
| Rail iron | 3,784 | 9,424 |
| Plates | 30,548 | 14,967 |
| Galvanized sheets | 338,041 | 197,714 |

The branch of the Bank of British North America at Forward, Sask., has been closed.