

of the tariff the usual reply is, "Oh, the tariff does not affect hardwood, as there is none in Canada to compete with ours." This, says that journal, is a mistake, as there is evidence to show that Canada exported 250,000,000 feet of it last year, which would give a market for 25 per cent. more hardwood than is annually cut in Michigan. Then it goes on to say that if the duty of \$2 per thousand, which is the rate on all hardwood except basswood, whitewood and sycamore, which are \$1 per thousand, if the tax were entirely removed what would be the result? An extensive manufacturer of hardwood lumber across the border states that owing to the present inspection rules, cost of logging, etc., it will be necessary to remove his plant near to the base of operation. Take off the duty from Canadian hardwood, says the *Lumberman* in his winding up paragraph, and every hardwood saw mill may as well shut down at once before being forced into bankruptcy.

—An injudicious attempt is being made to force the Canadian Government to reimpose the export duty on spruce logs. If this were done the American law would automatically largely increase the duty on Canadian lumber. The change proposed would not be in the interest of Canada, though it might serve the purpose of a very small number of persons interested in spruce pulp.

—On the western outskirts of Toronto a considerable pressure of natural gas has been obtained. One effect will be to make this city an advantageous centre for manufactures. The first question is as to the quantity of the new force; and the probability is that it will be sufficient for all industrial purposes. Pennsylvania petroleum is found in connection with natural gas, as often as not. Whether the two will be in combination here, future borings will doubtless determine. Whatever the quantity of petroleum and natural gas, there will everywhere be found an ultimate limit; but long before that limit is reached great wealth is sometimes developed.

#### THE NATIONAL BANKS AND OTHER BANKS OF THE UNITED STATES.

##### SECOND PAPER.

Up to 1862 the joint stock banks of England may be said to have been incorporated with unlimited liability to the shareholder—one share making liable its holder to the utmost extent of his means. Volumes of painful history showed at length how illogical was that legislation. Under the 1862 and some following enactments of the law of limited liability, the English banks have all become "limited." As new banks the limited banks have no circulation; under conversion their circulation was continued and became a final charge on capital and assets.

This limitation means that the stockholder is liable for the amount of his share; say it is £100—£20 to £25 is called up, and the balance is reserved liability. In the Canadian banks the liability is, however, materially less. Thus the \$100 share is usually called and paid up and the stockholder is liable for \$100 beyond.

The circulation of the English banks is not a leading feature in the banking economy, but the far greater liability of the shareholders to the depositors than in Canadian banks demands this wider responsibility. In Canada the circulation is the feature, hence the great care for its safeguard. In volume, the circulation may not exceed the unimpaired paid up capital of the banks, which is its first protection. The circulation is a first charge on all assets of the bank, which is the second. The stockholders are liable for twice the amount of the subscribed capital, which may be called the third protection, and the note redemption fund the fourth. The exchangeability of the circulation at par from the Atlantic to the Pacific obtains freely.

It was well and pertinently shown by one of our ablest Canadian banks that the double liability of the Canadian bank shareholders, plus the assets of the banks, gave \$334,384,438 to take care of, \$34,083,051 circulation, or a security of nearly ten dollars for one.

To introduce the necessity that is upon the United States for a vigorous policy in respect to circulation, it may be stated approximately as follows, as to the present circulation of the United States:

\$347,000,000	Old demand notes and fiat notes or greenbacks which have no base but the credit of the United States
350,000,000	Silver certificate notes
120,000,000	National Bank notes
85,000,000	Treasury notes
60,000,000	Silver dollars in circulation
125,000,000	Gold certificates in circulation
75,000,000	Gold coins in circulation

\$1,162,000,000

If now the 65,000,000 population ten years hence should become 90,000,000, then on this base the circulation must be 50 per cent., or \$600,000,000 additional to that which is at present an admittedly straitened amount; and although the per capita is said to be larger than any country except France, yet the population base will fall far short of what the ratio of increased trade will demand. One word, however, as to this *per capita* currency. In France, it is well understood, the cheque system does not largely obtain. In England, however, it so largely in use as to a great extent to supersede what is understood as circulation.

How then shall the increased circulation given by the silver as above mentioned supply it? Again let it be stated that the genius of the Canadian system fills the bill, if adaptation to so wide an area as the United States could be devised, for many features embraced in the United States are less prominent in Canada.

What, however, against these forecast gigantic demands will be the \$24,000,000 annual increase? Mr. Foster, as before shown, having expressed his opinion that the country demanded a corresponding increase of currency in proportion to its growth of population and business, says, "the issue of treasury notes under this Act affords such an increase." In implanting the National banks the 10 per cent. tax on State banks' issues soon led the way. All the terrible chaos that existed in the State bank issue period was sufficiently indicated in Mr. Cornwell's paper, read as before mentioned, and hardly need be repeated here, and especially as they will doubtless in ensuing debates be again brought to the front in respect of propositions for bank currency now before the House of Representatives at Washington. In these propositions it is understood that the most radical is the repeal of the 10 per cent. on the circulation of State bank issues, or, in short, a return to

State banks minus the tax, but with proviso that the Federal Government is to have supervision of the securities deposited by State banks with State authorities for the safety of the notes issued.

One specific proposition by Mr. Harper before the said committee is the permission to be given to State banks to issue notes, provided that they deposit with the State treasury of their several States bonds and other securities similar to those required by his bill to be deposited to secure the circulation of National banks; the ten per cent. tax on the use of State banks' circulation is also to be repealed. If such bill become law the National banks will die out at once. Under a disguise of security the old days of State banks would revive, the keen-witted would reap the harvest and the country be plunged in an abyss of confusion and loss paralleled by the "red dog" days, and how, indeed, could such banks be organized where the banks could give no *States securities*, but only in some cases corporation and the like bonds, as Michigan, Illinois and several others that have no bonded debt. Besides, what as to States that have repudiated? Mississippi, Virginia, Georgia and several other Southern States, have they not repudiated? Such enactment would certainly revolutionize banking, for the National banks at present holding low interest yielding United States bonds would sell at their premium to invest in low priced, but high interest yielding State bonds.

The original National Currency Act became law 25th February, 1863. It was understood thereby that the notes of the National banks should supersede the notes of the State banks, and after the retirement of the legal tender notes, become the *exclusive* paper currency of the United States; but as time went on, and the bonds of the United States became paid off and the issues of the National banks shrunk, the expedients of the greenback, legal tender notes, silver dollar certificates, silver bullion and Treasury notes of 1890 largely entered into the circulation as before shown.

The right of issuing bank notes belonged to the State banks before the Civil War, and has belonged to the National banks since, but under conditions and restrictions and a degree of competition with paper money issued directly by the United States Treasury, that renders the right of little avail either to the banks or the business interests of the country.

As none of the Bills introduced last session for the relief of the National banks as to the shrinkage of circulation, came near passing, there will be further matured Bills introduced in the ensuing session; but the question arises whether legislation *de novo* is not needed. Turning to the statistical bureau of the United States, the tables it furnishes of the failures of the National banks from 1863 to date, and other kindred matter, should be found much guidance for legislation. And the astute student of this great question may there revel in experiences, but control of the currency lies with the Government, and legislation should commence there. There is no privileged legislation in our system any more than in the charter to National banks, and certainly the fabrication and printing of notes must always now lie with the Treasury—unlike the practice here—or great doors for fraud would be opened in so vast area and population as the United States. It was pertinently stated by the president of the National Bank of the Republic, of Philadelphia, recently, speaking of the extinction of United States bonds, it "must evidently leave the banks without any circulation if it does not com-