

United States, as London is for the United Kingdom. The cost to the nation of maintaining these coin reserves would be enormous, but the inconvenience would be felt even more, and this would be intensified if it should be necessary to move silver instead of gold. I believe that if all rivalry between the government and the National Banks could be removed, the convenience to the latter of the legal tender notes would induce them to withdraw all opposition to their issue. That it is possible to avoid rivalry our Canadian experience places beyond a doubt. Were it not for the small note issue for the surrender of which our banks got an equivalent in the abolition of the bank tax, a Government note would never be seen by the general public in Canada. The notes from \$50 to \$1,000 are held by the banks as reserves, and constitute a much more convenient instrument than coin for settling balances. I think that in the United States it would be desirable that a mutual understanding should be arrived at between the Treasury and the banks to the effect that the former would issue no notes between either \$100 or \$50, and a small denomination under \$5. The National Banks should be satisfied, I think, with the circulation of notes of \$5 and upwards. The practical effect would be that the Government note circulation would be limited to the requirements of the banks for reserves, and the notes under \$5. I believe that the effect of such a plan as I have indicated would be to increase the National Bank circulation and thereby the loaning power of the banks, and to give the nation a bank note currency superior to that in any country in the world.

I am aware that during the last two years there has been a reduction in the National Bank Capital, and this would lead to the inference that new capital would not be subscribed even if it were to lead to an extended circulation. I do not think such an inference would be correct. The reduction of capital I attribute to the policy of the government which is driving capital out of banking by excessive taxation. If national bank notes were obtainable on a deposit of 4 per cent. bonds, I believe that they would be applied for, and take the place of legal tenders to a considerable extent. I have not adverted to the mode of effecting or preparing for resumption, and I labor under the disadvantage of being unaware of the impediments in the way of a gradual substitution of United States interest-bearing bonds for any redundant issues. The price of gold would lead to the inference that the legal tender issues are not much, if at all, in excess of the public requirements. Monthly sales of United States 4 per cent. bonds for legal tender would soon bring them to par, and if my opinion should prove correct that after resumption, National Bank notes would take the place of legal tenders to a considerable extent, the practical effect would be that United States bonds would be deposited for such increased national issues, and would replace the present legal tenders. If it were ascertained, as it soon would be under a convertible system, what amount of legal tenders would be required for public convenience, there would be no difficulty in maintaining an adequate reserve of coin at the office of redemption, which should certainly be in New York and not in Washington. I may here observe, that in times of panic which, it may be feared, will occur from time to time in all countries where extensive credits are given, there would be less danger of large demands for gold in redemption of legal tender notes in the United States, than in England. In the United States, and in Canada likewise, each bank keeps an adequate reserve to meet its liabilities, and would, for its own sake, endeavor to keep that reserve as strong as possible. In England, it is admitted by all the best writers on the subject, that the banks generally rely on the Bank of England to carry the commercial classes through a panic. That bank is the custodian of the national reserve, and any one who examines the bank's statements a week or two before the Overend, Gurney & Co. failure in 1866 and those a fortnight later, will at once perceive what a load that bank is obliged to carry at a period of financial embarrassment. In America the burden would fall on the banks generally, and would certainly not be so embarrassing. I have, I fear, trespassed too long on your attention, and have to offer my apologies for the defects of this paper, which I have had to prepare quite unexpectedly, and without having had any opportunity to consult authorities. I must, therefore, throw myself on your indulgence and have to thank you for the opportunity of being present on such an interesting occasion.