

The Chronicle

Insurance & Finance.

R. WILSON-SMITH,
Proprietor

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

VOL. XXVI. No. 31.

MONTREAL, FRIDAY, JULY 3, 1906

SINGLE COPY, - 10c
ANNUAL SUBSCRIPTION - \$2.00

CURRENCY REFORM IN THE UNITED STATES.

The near approach of the crop moving season has served to quicken the discussion among our neighbours in the States, about their defective currency system. The Secretary of the Treasury, the New York Chamber of Commerce, and bankers generally are interesting themselves in the question, and it seems likely that something will be done shortly. The "Wall Street Journal," a couple of weeks ago devoted a long editorial to the matter. Its article was divided into three parts, as follows: The Danger—The Causes—The Remedy.

It is pretty well apparent to all students of finance what the danger is. A striking object lesson is furnished every fall when the New York interest rate climbs to high records for the year. The situation has been tersely described, however, by two very well known experts and the "Wall Street Journal" quotes them in its editorial. Mr. Schiff of Kuhn Loeb & Co., and Mr. Vanderlip of the National City Bank, agreed in the following statements.

1. That the money market of New York, subject as it is to extreme fluctuations of interest, is a disgrace and a menace to the country.
2. That there will be a panic unless these conditions are reformed.
3. That the needed reform is a more elastic bank note currency.

In other words the two great bankers prescribe asset currency as the proper remedy for the evils. The excellent working of the Canadian system of asset currency has had not a little to do with influencing the highest American opinion to view with more favor the idea of banks issuing notes generally against their assets. It is not so very many years ago since a leading New York banker, replying to a suggestion that it would be a good idea for the United States to adopt some of the features of the Canadian bank note issues, made his historic remark that "the United States would

take dictation from Canada when the eagle took dictation from the humming-bird." Since that utterance quite a change has occurred in the ideas of American bankers. They now recognize frankly that our system has a number of features which, if they could be transplanted, would be of almost incalculable benefit to American finance. But, though the New York bankers see clearly enough that their troubles at crop moving time would be greatly lessened if they were allowed to issue notes uncovered by specific security, they are not at all certain that the people or the Government at Washington can be induced to consent to this change. To give the banks the rights of note issue that our banks enjoy means to trust them pretty far; and it is extremely doubtful if the people of the States are inclined to trust the great New York bankers to that extent. The recent revelations of questionable conduct by directors of great metropolitan corporations have resulted, for one thing, in causing the public to think that the powers of the big financiers should be limited rather than extended. The "Wall Street Journal" says: "Mr. Vanderlip's campaign for asset currency is proceeding upon the assumption that if Mr. Stillman, Mr. Morgan, Mr. Schiff, Mr. Baker and men of that stamp assume the leadership in favour of currency reform, the country will follow them. It is a false assumption. It is extremely doubtful whether the country would follow them in that direction." So that it is not at all certain, even if asset currency were the right remedy for the trouble, that it could be introduced. Two or three years ago the General Manager of one of the large Canadian banks, replying to a question from the Washington Treasury Department, stated that in his opinion the banks in the United States were too small to be permitted to issue asset currency. The "Wall Street Journal" says the proper remedy is not asset currency, but banking reform. It says that first of all the week-ly statement of condition issued by the New York