

CANADA'S STRONG CURRENCY SYSTEM.

When the Canadian banks were suddenly confronted with the Ontario Bank crisis in October, a year ago, the first thing they did was to increase their stock of specie and legals by bringing cash from outside. Their total holdings on 30th September, 1906, amounted to \$60,360,173. At the end of the next month this had grown to \$68,641,896; and by the end of November to \$70,801,047. As the crisis was seen to be past there was no need for maintaining the stock of cash at this exceptionally high figure, and the balance of specie and legals held consequently underwent a reduction, falling to \$65,404,509 at the end of March this present year. Even at this the amount was some \$5,000,000 higher than the banks had ever held prior to the occasion of the Ontario Bank's trouble. Then from March began a steady accumulation of cash, accelerated during October by the recalling of short loans from New York.

1907	Specie & Legals	Net Foreign Bank Balances	Total Cash
31 March	\$65,404,509	\$1,049,470	\$66,453,979
30 April	67,990,758	5,884,359	73,875,117
31 May	69,265,729	4,112,149	73,377,878
30 June	69,655,785	6,970,129	76,625,914
31 July	70,932,512	6,188,759	77,121,271
31 August	70,715,343	4,754,205	75,469,548
30 Sept.	72,811,066	4,8*3,532	77,694,598
30 Oct.	73,927,693	6,639,382	80,567,075

In the New York disturbance, which has spread now to the other parts of the States, one of the gravest difficulties encountered by the banks has been that of providing currency. At this time of year there is always, under normal conditions, a difficulty in this respect; and, under the wholly abnormal conditions that have been ruling, the situation has become almost intolerable. The merchants, business men, and banks in all parts of the States who have been compelled to pay premiums of 3 and 3½ p.c. for currency while they have ample balances at credit in their banks, are likely to develop into strong advocates of currency reform. It is, of course, quite plain that the "premium" on currency is due to the partial suspension of cash payments by the banks in all the leading centres of the United States. Currency, or gold, has not really appreciated in value. What has happened is that balances on deposit in United States banks have depreciated. If the banks were paying these balances on demand in cash, as banks must do when meeting all their obligations, there would be no premium on currency. As they are not yet doing so, the premium which people have been paying for currency represents the extent to which their balances in bank have been depreciated because of the suspension of payments. As soon as payments are resumed, \$100 in balances will be good for \$100 in currency. At present it takes \$103 or more in balances to buy \$100 in currency.

Though the partial suspension is thus responsible for the extra price the United States public pays for currency, when the trouble is traced still farther back it must be said that the suspension of payments was caused, or occasioned at least, by a defective currency system. The United States alone among the great civilized nations, has no currency apart from hard cash. Silver certificates, gold certificates, treasury notes, national bank notes, all alike represent hard cash. There is nothing at all in the form of credit currency such as Bank of England notes, Bank of France or Bank of Germany notes, or chartered bank notes as we know them in Canada. If we had such a currency system as our neighbours, our development could hardly proceed at all. Just now all the gold and cash that the banks in New York need so sorely is in people's pockets, bureau drawers, safe deposit vaults, etc. When the banks receive requests for currency needed to move the crops, they cannot send it without weakening still more their greatly impaired reserves. Here the case is altogether different, thanks to our superior currency system. When the banks are called on for heavy payments of currency to their customers and depositors, for moving crops or for other special purposes or reasons, they can meet a large part of the demand by handing out their own notes, which, owing to their high standing and credit, fill practically every purpose that hard cash would fill. The consequence is that in the pockets of the people, during and after a time of exceptionally heavy payments would be merely "banking promises to pay." The bank's reserves of cash are not weakened. And if a few depositors should take a notion to withdraw their balances and keep them in bureau drawers, or in safe deposit vaults, it would be in all probability merely "promises to pay" that were thus withdrawn from general use. There is hardly a doubt but that the banks in the States would have easily been able to continue paying cash in full had they possessed anything like the rights of note issue enjoyed by our banks in the Dominion.

THE MANITOBA GRAIN GROWERS' ASSOCIATION will ask the Dominion Government to amend the Banking Act to allow banks to loan money to farmers on the security of the grain on the farm. The Government will also be asked to itself operate the terminal elevators at Fort William and Port Arthur and to appoint an inspector of Manitoba grains at British ports. Other requests will relate to the finality of Manitoba grain certificates, a permanent board for grading wheat, compensation from railways for loss sustained from fires, and lowered freight rates on coarse grains.

THE BANK OF EDMONTON'S is the fifth application for a charter to be made at the coming session of Parliament. The others are the Bank of Winnipeg, Bank of Canada, Bank of Vancouver, and Bank of London, Paris and Canada.