

the bankers at Baltimore, by Mr. Carlisle, and by some others, avowedly influenced by the Canadian system, and I can only speak very generally regarding the differences between these and the Canadian system, and as to the probability of our system being workable in the United States at all. Permit me first to state briefly the distinctive features of the Canadian bank-note issues:

(a) They are not secured by the pledge or special deposit with the Government of bonds or other securities, but are simply credit instruments based upon the general assets of the banks issuing them.

(b) But in order that they may be not less secure than notes issued against bonds deposited with the Government, they are made a first charge upon the assets.

(c) To avoid discount for geographical reasons, each bank is obliged to arrange for the redemption of its notes in the commercial centres throughout the Dominion.

(d) And finally, to avoid discount at the moment of the suspension of a bank, either because of delay in payment of note issues by the liquidator or of doubt as to ultimate payment, each bank is obliged to keep in the hands of the Government a deposit equal to five per cent. on its average circulation, the average being taken from the maximum circulation of each bank in each month of the year. This is called the Bank Circulation Redemption Fund, and should any liquidator fail to redeem the note of a failed bank, recourse may be had to the entire fund if necessary. As a matter of fact, liquidators almost invariably are able to redeem the note issues as they are presented, but in order that all solvent banks may accept without loss the notes of an insolvent bank, these notes bear six * per cent. interest from the date of suspension to the date of the liquidator's announcement that he is ready to redeem.

The Baltimore plan departs from this system in the very important respect that the Government is to actually guarantee the notes. This, in my opinion, is an absolutely fatal objection. The strongest element of security in our issues is the fact that they are subjected to actual daily redemption. They are absolutely good, but it is not in the interest of any bank to pay out the note of any other bank, and consequently the notes of all other banks go into the clearings for redemption, or are returned direct. Therefore, no weak institution dares to issue notes except with due regard to its

* Reduced to five per cent. by amending Act passed in 1900.