

rency, besides creating a disagreeable conflict between national and state banks, and, because of this, banks frequently change their status from Federal to State charters, under which they were originally organized. The functions of the government is to coin money, and regulate the value of it, a power withheld from States, who may however, organize banks, but subject to what amounts to prohibition as regards paper issues—a ten per cent tax. This tax is now being contested on constitutional grounds, although the present banking system was organized in 1863. It would appear that the aim of legislators has been to protect the paper issues regardless of consequence to depositors and shareholders. And the question arises whether these laws are not too stringent and overburdensome? The Treasury department issues circulation to national banks to the extent of 75 per cent of their paid capital. Against this circulation banks are required to deposit government bonds on which 90 per cent of circulation is issued (on a par value of their bonds) leaving 10 per cent and the premium unavailable for banking purposes. The treasury also holds a "redemption fund" contributed to by banks which now amounts to \$20,000,000—a feature recently introduced into our system. There are times when the premium on government bonds thus deposited becomes so high as to render circulation unprofitable, and because of this public circulation is curtailed and banks find no profit in circulating their own notes. This shows that no paper currency can have elasticity when covered by bonds as under the present system. American banking is characteristically described by an American economist who says that a national bank obtains deposits to some extent because of the character its Federal charter gives it, while most of the smaller State and private banks have only the character of the men who organize them. Among the good features of the system is that which provides a reserve of lawful money

equal to 25 per cent. of liabilities, a feature worthy of the attention of Canadian legislators and bankers, for it gives rise to the question whether there are not too many of our banks experimenting on their available funds. At the annual meeting of the Tennessee Bankers' Association held recently a prominent banker of that State referred to our banking system and, advocating its adoption said that "a bank circulation such as that of the Scotch and Canadian bank has the true requirements of a bank note issue—it is safe, sound and elastic." This, he adds, is the ideal condition, and he enquires how Americans are to approach it from their present position? Evidently the American banking system should be modified so as to permit of its extension by means of branches; a flexible and convertible circulation limited to the unimpaired paid capital, secured by a first lien on assets; double liability of shareholders, a five per cent redemption fund and joint responsibility between banks with government backing of the whole circulation. This would help to regulate the silver nuisance, and would remove the government notes. If as Americans claim, their commerce is in good shape and the government in good odor of credit, and the assets of banks in sound condition, such a bank note issue should be secured beyond the possibility of a doubt.

THE AMERICAN GOVERNMENT CIRCULATION.

Instead of the obnoxious silver circulation a paper currency constructed on the basis indicated could safely be extended, although the United States are not far from a per capita supply of money equal to that of any other nation of the world. Its capitation is nearly on a par with Belgium, Australia and Holland, who are only surpassed by France.

And the Americans distance such countries as Great Britain, Germany, Austria, Russia, Japan, India and China.

Another proof of the need of a more