

"If the view of the court is correct then, in case of difference of opinion as to the amount of the loss, the mortgagee and not the insured has the right to appoint an arbitrator, and all dealings in regard to the settlement of the loss must be with the mortgagee."

THE MOVEMENT OF CIRCULATION.

The recent disturbed condition of the money market in New York, which was caused mainly by a shortage in the supply of currency needed to move the crops, has drawn attention to the system in vogue in the United States under which the National Banks issue notes. In regard to that antiquated, clumsy and most infelicitous system there is no opening for two opinions; it is fully admitted that it has no saving feature to redeem it from utter condemnation. In a table in this issue we give an exhibit of the working of the currency system of this Dominion as shown by the state of the circulation at various periods in a number of years from 1871 to 1902. In the table will be found the minimum and maximum of each of the 20 years, with a statement of the extent of the range each year, that is, of the excess of the maximum over the minimum, and for each year the percentage of the range or excess of maximum over minimum. Taking the whole of the years included in the table it will be found that the average increase in October, which is the maximum month, over the lowest point of the year, was \$7,600,000, but in the last 4 years the average excess of maximum over minimum was \$13,100,000.

It is somewhat remarkable to note how closely the percentage of the increases from lowest to highest in past four years have approximated to the increases in years from 1871 to 1876, the average percentage in recent years having been 30.6 and in the earlier years 32.8. It is also a noticeable feature that, since the circulation rose so high in 1898, following immediately after the last year of the depression, the expansion of currency in the Fall in excess of the minimum of the year, under demands for harvest purposes, has been from 5 to 6 millions greater than in the previous years. Thus we find in the 15 years preceding 1899, as given in the table, the average yearly expansion from lowest to highest was \$6,628,000, whereas in the last 4 years the average yearly expansion from lowest to highest has been \$13,118,000. To the great increase in the crops of Manitoba and the Northwest in recent years is mainly attributable the increased demand for currency in the harvest season and the Fall, the average increase in August and September over July having been, since 1898, \$6,700,000 and in

October over September \$2,560,000. The expansion of the circulation for harvest purposes in the last 10 years has been, on an average, \$7,117,000, or about 20 per cent. If, however, the increase in July is to be included in this movement the annual average will be raised to \$3,735,000 or 24 per cent.

The large issues of notes in September and October begin to flow back to the banks in November and usually continue to return up to February with a reaction in May. The maximum is always reached in October, but in the 20 years included in our table the lowest point was reached in January 6 times, in May 11 times and in July 3 times. Speaking broadly, the movement of the circulation is upwards from midsummer to October and downwards in midwinter, then a reaction upwards in Spring and a falling off until business revives from navigation being opened.

The two periods of depression which occurred in the time covered by the table are distinctly marked by the circulation. The maximum amount of note issues in 1879 was \$20,555,000, as compared with the maximum in 1873 of \$28,533,000, a falling off to extent of \$7,978,000 and a decline of \$6,217,251 in the minimum of those years. In 1889 there was an advance of \$14,381,000, and in each year up to 1892 there was an increase until \$38,588,429 was reached. In 1893 the maximum dropped to \$36,906,941, a decrease in that year of \$1,781,488, the call for harvest money having fallen off as compared with 1892 to extent of \$2,325,602, the total increase between July and October having been the least in the record of 30 years. In 1894 another decline in the maximum occurred amounting to \$2,390,290, so that in 1894 the banks had a smaller circulation in October than they had had for 5 years previously. In 1895 the depression continued as evidenced by the circulation having made no increase over 1894. In 1896 an improvement set in, the output of notes from July to October in that year having been \$6,376,770, as compared with only \$3,333,473 in 1893. In 1897 the circulation in October was \$5,625,778 greater than in 1896, which, up to that date, was the greatest increase on record in one year. Since 1898 the circulation has gone up "by leaps and bounds," the average yearly increase since then having been about \$5,240,000 and the average expansion between July and October about \$9,250,000.

The problem now before the banks is, by what means they can enlarge the legal limit of their note-issuing powers, as the circulation of 24 of the chartered banks have this month reached the maximum allowed by law. The margin left between the total paid-up capital and the total circulation is now only about \$7,500,000, as compared with a margin of 20 millions in 1872. One of the most striking evidences of the development of Canada since Confederation is afforded by the increase in amount of notes in circulation, which, as is shown by the table appended, amounted to \$61,794,000 and the average amount of currency has risen in 30 years from \$9.35 to \$18.20 per head of the population.