When the United States 2 per cent bonds went to a premium and sold at 109 or 110 many banks found it more profitable to retire their notes, sell the bonds and take the premium.

There was a disastrous panic in 1893, and another in 1907. The 1893 panic was a Free Silver panic. The people were afraid that we were going on a silver basis. The 1907 panic was totally different in character. Under the Federal Reserve system that panic would not have occurred. The act of March 1900, had established firmly the gold standard, and in 1907, there were no fears as to the quality of our currency. The only trouble was, there was not enough currency.

The National Banks were absolutely unable to do anything towards relieving these stringent conditions by issuing new currency, because they had first to buy bonds. The United States government was not issuing any bonds, and the banks had no money to buy bonds with. If a bank had $100,000 in its vaults, it could do as much by lending that money as it could by exchanging that amount for Government bonds and issuing $100,000 of its own notes. The bonds bore only 2 per cent interest, while the note issues were taxed by the Government ½ of 1 per cent and there was the cost of the plates, the cost of printing the currency, and the cost of shipping charges back and forth, so that all the profit there is in a National Bank note issue, is a commission of about ⅜ of 1 per cent. Many of the larger banks, they have retired their circulation voluntarily, and the National Bank note circulation is now largely furnished by country banks, which see some local advertising value in having in circulation notes bearing the name of the bank, and the signatures of the President and Cashier.

The events of the year 1907 brought to the American people a realization that their banking system was defective . Under our currency system; we had experienced the major panics of 1837, 1857, and 1873; we also had a minor panic in 1884, another in 1890 at the time of the Baring trouble, a major panic in 1893, a very acute stringency in the fall of 1902, when call money went to 125 per cent on the New York Stock Exchange, and a major panic in 1907. Congress finally decided to do something. A monetary commission was appointed with Senator Aldrich of Rhode Island as Chairman. That Commission made an exhaustive study of the banking systems of the world. Part of the Commission came to Canada, to study your Canadian banking system, and there is a report on your Canadian banking system which forms one volume of the report, which included altogether some twelve or fifteen volumes. The Commissions studied also the systems of England, Germany, France, Holland and Italy. The report of the Commission is probably the most elaborate report upon banking conditions in the world that had ever been made.

By Mr. Ladner:

Q. May I ask, what is the title of that report?—A. It is the Report of the National Monetary Commission.

It was realized that it would never do to make such a radical change in our banking system as would impair the usefulness of the banks we already had. It was realized furthermore that a good deal of time was going to be necessary to develop a well-adjusted and well-thought out banking system—as there were so many various ideas concerning what should be done. There was devised therefore a temporary or emergency measure, in order to tide over any situation which might arise until a permanent measure could be enacted. A Bill was enacted known as the Aldrich-Vreeland Act. Mr. Vreeland was the Chairman of the House Committee. The Aldrich-Vreeland Act, provided for the establishment of National Currency Associations, to be organized by groups of National Banks, not less than ten in number, and having a fixed minimum of capital. Through these associations banks were permitted to issue emergency currency identical in form with the United States National Bank notes. I may

[Mr. W. P. G. Harding.]