

to the mechanical convenience of having paper money instead of gold, they did not enlarge the capital resources of the country one dollar. For a bank to go to the trouble of putting a million dollars worth of notes into circulation in order to buy a million dollars worth of government bonds seems, and is a wasteful operation. The profit reaped by the banks is very trifling, when all the expenses and labour, and waste of capital involved in such a system are considered. The cast-iron rigidity of this system which obtains in the United States is found to be so exceedingly restrictive to the currency as to bring on serious monetary troubles whenever the business of the country is requiring more circulation. The American system is wholly devoid of the invaluable safeguard provided by the daily redemptions of bank notes through the Clearing Houses, as in the U. S. the note issues are not "cleared" as they are in Canada. A currency that best serves its purposes, is one that acts automatically, as it were, like a barometer, by expanding and contracting with the varying conditions of trade, meeting larger demands without convulsion and redeeming issues with ease. This was comprehended a century ago by an eminent statesman, during the very lively discussions on currency that then were carried on. Such a system of note issues steadies the finances of a country; wards off panics; equalizes money rates;

feeds the commercial body proportionately to its existing appetite and digestive powers; and generally acts on the mechanism of trade like the fly-wheel and governor of an engine. Canada has such a currency and it would be a miserable mistake to change it for that of the United States merely to secure wider powers of issue.

As there is no authoritative guide, or precedent, or example before us that establishes a principle, it seems reasonable to make the success of the present plan an argument for extending it, on, practically, the same lines. The circulation is now limited to the extent of the shareholders' paid up capital. Suppose the note issues were limited to the paid up capital plus the Reserve Fund, or to the extent of some percentage of that fund? The reserve fund is, practically, part of a bank's capital, as it also is made up, like the capital, of the money invested by the shareholders in the bank's business, but on which they are not paid a dividend. Were the limit of circulation made the amount of paid up capital and half the rest, there would be an addition of \$18,000,000 made to the margin for increased note issues, which would meet the needs of the country for many years.

The conditions that are regarded as indicating the need for wider circulation powers being conferred upon the chartered banks are clearly manifested by the following:—

TABLE SHOWING THE PAID UP CAPITAL AND THE CIRCULATION OF THE 34 CHARTERED BANKS OF CANADA, WITH THE MARGIN IN EACH CASE FOR INCREASE OF CIRCULATION.

	Paid up Capital, 31st October, 1901.	Circulation, 31st October, 1901.	Margin for In- crease in Cir- culation.		Paid up Capital, 31st October, 1901.	Circulation, 31st October, 1901.	Margin for In- crease in Cir- culation.
	\$	\$	\$		\$	\$	\$
4 BANKS.....	905,569	485,773	419,796		1,744,055	1,670,506	73,549
	300,000	84,664	215,336		2,000,000	1,856,897	143,103
	300,013	284,193	15,820		2,000,000	1,901,221	106,746
	323,970	314,710	9,260		2,000,000	1,936,143	98,779
	350,000	332,352	17,645	TOTALS	2,000,000	1,962,826	37,174
	414,539	371,880	42,659	6 BANKS....	11,744,055	11,220,847	523,208
	500,000	477,950	22,050		2,393,600	2,270,227	123,373
	600,000	576,035	23,965		2,494,710	2,389,483	105,227
	700,000	694,122	5,878		2,500,000	2,353,906	146,094
	817,998	805,823	12,175		2,500,000	2,372,878	127,122
	900,000	879,156	20,844		2,500,000	2,444,441	55,559
TOTALS	6,112,089	5,306,658	805,431	TOTALS	12,388,310	11,831,435	556,875
14 BANKS..	1,000,000	923,566	76,434	5 BANKS ...	4,866,666	2,851,689	2,014,977
	1,200,000	1,163,708	36,292		6,000,000	4,717,473	1,282,527
	1,346,310	1,234,775	111,535		8,000,000	7,633,828	366,172
	1,390,980	1,306,587	84,393		12,000,000	8,308,340	3,691,660
	1,500,000	1,455,873	44,127	TOTALS	30,866,666	23,511,330	7,355,336
TOTALS	6,437,290	6,084,509	352,781	4 BANKS....			

## SUMMARY.

Chartered Banks Classified.	Aggregate Paid up Capital Oct. 31st, 1901.	Aggregate Circulation Oct. 31st, 1901.	Aggregate Margin for In- creased Circulation.
	\$	\$	\$
14 BANKS, Capital less than \$1,000,000, maximum of margin.....	6,112,089	5,306,658	805,431
5 BANKS, Capital from \$1,000,000 to \$1,500,000.....	6,437,290	6,084,509	352,781
6 BANKS, Capital from \$1,500,000 to \$2,000,000.....	11,744,055	11,220,847	523,208
5 BANKS, Capital from \$2,000,000 to \$2,500,000.....	12,388,310	11,831,435	556,875
4 BANKS, with Paid up Capital exceeding \$4,000,000.....	30,866,666	23,511,330	7,355,336
Totals, 34 Banks....	67,548,410	57,954,779	9,593,631