THE MONETARY SITUATION IN THE UNITED STATES.

A SCANDAL TO THE GOVERNMENT, A DISGRACE TO THE BANKS AND A DANGER TO THE COUNTRY.

The monetary situation in the financial centres of the United States has for some time been almost incredible. Never before was the country so prosperous; never was its credit so high; never its resources so great; never its prospects so bright. Yet, money in New York has been ranging as high as 35 per cent., a figure unheard of outside the region of note-shavers and other money-sharks. In the darkest hours of the panic of "Black Friday," in 1866, the rate did not exceed 10 per cent., except in the sphere where monetary vampires operate. Looking at the situation in New York as the result of the banking system of the United States we feel like applying to it the condemnation of the eminent writer, Mr. J. R. McCulloch:

"Had a committee of clever men been selected to devise means by which the public might be most easily duped and swindled, we do not know that they could have hit upon anything half so likely to effect their object as the American banking system. It is a compound of quackery and imposture."

Any banking system is radically vicious which gives opportunity for screwing rates up to such monstrous figures as have ruled for some time in New York. Bankers who avail themselves of such opportunities are justly open to the suspicion of having created the situation of semi panic in order to bleed the public white who have need of banking accommodation. The bankers of New York, the Treasury officials, all persons in authority at Washington, have known for months that, in the latter days of Summer and early in the Fall, there would be a heavy demand for money for harvest purposes, a demand that comes as regularly as the seasons. Yet, with this knowledge, the bankers locked up their resources on the very eve of this great demand in such a way that the demand could not fail to produce most disastrous effects upon those whose accommodation was suddenly withdrawn.

Either the American bankers had not prescience enough to prepare for the annual requirements of the harvest, a theory which would prove them to be wholly too verdant for their business, or they decided to run the chance of a panic, which theory would prove them to be criminally reckless, or they determined to create an artificial monetary scarcity in order to squeeze high rates out of borrowers, which theory would prove them to be not honourable bankers, but financial sharks. It is impossible for the bankers in New York to escape condemnation under one of those three heads.

If we turn to the secretary of the Treasury we find him issuing an invitation to the National banks at the end of August to have an extra supply of notes printed in preparation for the harvest demand. Then came his announcement that the Government would pay $4,200,000, the October interest on the debt, ahead of time. Later on he offered to place deposits with the banks to the amount of any bonds they placed with the Treasury. Those extra provisions towards preventing a monetary stringency could only have added a few millions to the country's resources. It was absurd to suppose such a trifle would have any effect. When the annual drain of money set in towards the West the cash reserves of the National banks, which have to be kept up to a fourth of their deposits, were quite low, as the bankers had extended their loans in utter disregard of the certainty of a heavy demand for harvest uses. The demand came, and the bankers, like the foolish virgins in the Gospel story, were all unprepared for a need which they knew was coming. They had created a situation which enabled them to put rates for money up to the enormous, to some indeed the ruinous figure of 35 per cent. Investors in stocks, who had been led on by the banks to rely upon accommodation being continued, were suddenly compelled to realize, hence so many shares were thrown on the market as to cause a "slump" and compel liquidations that involved losses to the extent of scores of millions of dollars.

The American National banks not only have to hold Government bonds to the extent of their note issues, but they have also to hold Government bonds valued at par to secure United States deposits, which bonds are worth from 110 to 120 in the market. At the end of July last the banks had $124,408,250 worth of bonds on hand valued at par, the premiums on which, in their statement, they take credit for as valued at $11,529,454. The bonds so held represented $135,937,704 of cash resources locked up as security against United States deposits. In New York city on 6th September last the bonds so held amounted to $89,780,000. Is it not absurd to compel the banks to lock up such large cash reserves in their vaults at a time when the very credit of the country is in danger of collapse from a shortage of money in the banks?

The monetary system of the States is in the control of political and other manipulators whose selfish schemes find only too ready support in the leading bankers of New York, who, for some weeks, have shown a readiness to wreck the credit of their country when at the very summit of its prosperity. The ineffectual, the picayune efforts of the Treasury to relieve the distressing monetary situation have been a disgrace to the United States Government which