

cline, May opening with \$12,284,658 less than at beginning of preceding November. Then an advance set in which culminated early in November when the circulation rose to be 17 millions, or nearly 30 p.c. higher than in May. This movement was then reversed and on January 31 last, the circulation fell to 16 millions less than the figure in preceding November.

EXPANSION AND CONTRACTION IN CANADA MAKE NO SIGN.

All through the periods of expansion and contraction of the note issues on Canada, there was not a sign, outside the bank offices, of any such movement being in progress. The country called for more currency and naturally and quickly the supply went out, then, when the extra note issues had fulfilled their mission they flowed back to their source, without either the outflow, or inflow causing a ripple on the financial waters.

THE DEFECTS OF THE UNITED STATES CURRENCY EXPOSED.

Compare all this with the experience of the United States. Our country, in a financial sense, is like a well ordered State, while America is continuously on the verge of revolution. The total amount of National Bank notes outstanding on August 31, 1905, was \$512,220,367, of which \$478,786,165 was based on United States bonds, at the end of November, the amount of the circulation was \$533,329,258, of which \$497,616,304 was based on United States bonds. The increase of circulation of National Bank notes in the harvest season in the United States was \$21,108,891, which equals an expansion of 4 p.c., as compared with the increase of nearly 30 p.c. in the currency of Canada. If we take the increase in circulation of National Bank notes based on United States bonds in the harvest season we find it to have been \$18,830,139. The situation of the National banks as regards their circulation and the bonds they held is shown by the following table in the New York Banker's Magazine:

NATIONAL BANK CIRCULATION.

	August 31, 1905. \$	November 30, 1905. \$	Increase or Decrease. \$
Total amount outstanding	512,220,367	533,329,258	Inc. 21,108,891
Circulation based on U. S. Bonds.	478,786,165	497,616,304	Inc. 18,830,139
Circulation secured by lawful money. U. S. bonds to secure circulation: Funded loan of 1907, 4 p.c.	33,434,202	35,712,954	Inc. 2,278,752
4 p.c.	14,931,850	3,925,500	Dec. 11,906,350
4 per cents of 1895.	4,124,000	3,871,000	Dec. 253,000
3 per cents of 1898.	4,465,940	1,760,240	Dec. 2,705,700
2 per cents of 1930	458,676,300	491,612,700	Inc. 32,936,400
Total.	\$482,198,090	\$500,269,440	\$18,071,350

It will be noticed that the demand for increased note issues in the harvest season of 1905, caused

the United States National Bank to sell bonds to extent of \$14,865,050 and buy others to amount of \$32,936,400, these bond operations leaving them in November with \$18,071,350 more than they held in August.

On this addition of \$18,071,350 in their stock of bonds they based an increase of \$18,830,139 in their note issues.

Had the National Bank circulation been capable of increase in the same proportion as the increase in the circulation of the Canadian banks there might have been \$100,000,000 to \$200,000,000 more added to the note issues in the United States when the pressure came, by which expansion the semi-panic conditions that arose this year would have been prevented.

But the system which ties down the extent of the note issues to the amount of Government bonds held by the issuing banks is a most effective device for preventing the circulation expanding in proportion to the needs of the country.

Banks do not issue notes for any purpose other than making a profit by their circulation. Preparing notes, keeping record of them, maintaining cash reserves for their redemption, involve considerable expenses, so that, unless their issuance repays these outlays, and covers what interest is lost by keeping a stock of bonds on which the circulation is based, the National banks, very naturally, are not concerned to issue notes. For banks to be compelled to have their funds locked up in Government bonds, which yield much less than the current rate obtainable for loans, to obtain the privilege of issuing notes for about an equal amount, is the most irrational, senseless system ever devised. It has made the supply of money for trade dependent upon the price of bonds, which is an absurdity.

The National banks have had their banking character and business sacrificed to the exigencies of the United States Treasury. Some 65 per cent. of their capital is invested in Government bonds. The National banks are the largest creditors of the Government as they hold considerably more than one-half the bonds of the United States.

The United States situation is most anomalous, it puts such a restriction on the capacity of these banks to expand their note issues when the need arises, it seems as though whoever invented this system was determined to make the currency system of the United system

A PERPETUAL SOURCE OF MONETARY TROUBLE

one worthy indeed of the contemptuous scorn of all financial authorities and other nations.

This is realized by the ablest financial authorities in the United States. The Secretary of the Treasury warned the country in the sternest language a few months ago that, under the existing banking system in the United States, a panic at