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SATURDAY MORNING, SEPT. 5.

W. F. MACLEAN AND HIS PROGRAM FOR BANKING AND CURRENCY LEGISLATION

BY TOM KING, TORONTO.

What are the views of Mr. W. F. Maclean, M. P. for South York, upon the fin metal question? How does he propose to help the business of the country by

The Maclean program is not one brought forth over night to meet an emergency it is proposed as permanent legislation. At the same time, it will meet the presen other than gold, follows closely along the lines proposed by Mr. Maclean. That this recent legislation appears to be a machine without motive power and so far has done othing to relieve the situation, may be due to the fact that it departs from the funda money of this country should be issued by the government. It leaves the banks in note issue; all further advances against securities to be at reasonable interest control of the financial situation, instead of vesting that control in the Dominion

It may, therefore, be interesting to note what is the program which ted to parliament and the people by the member for South York.

Only Government Money. 1. In the first place, Mr. Maclean believes that the government, and only the rument, should desue money. At present we have in Canada two kinds of currepcy; one is issued by the state under its sovereign power to emit currency; the other is issued by the chartered banks to whom has been delegated the power to issue money by the state. All our metallic money is issued by the government and cears the King's head; practically all of our paper money is issued by the banks.

The government, it is true, issues paper money to the amount of \$114,000,000, but only about \$20,000,000 of this in the shape of \$1 and \$2 bills gets into circulation The money used by the everyday man in everyday business is the money furnis by the banks, in bills of the denominations of \$5 and multiples thereof. There is held by the receiver-general at Ottawa and by his deputies thruout the countr nearly \$100,000.000 in gold, but a child born in Canada might live in this country and die at the age of 80 without ever seeing a gold coin. This vast accumulation gold is not intended for general circulation, and is properly enough kept as a reserv for the protection of the paper money issued by the government, but the paper money issued by the government (except \$20,000,000 in \$1 and \$2 bills) never gets into circulation. It is in the shape of bills of large denominations, mainly \$5000 bills which are held by the banks and are legal tender only between banks. The money seen and used by the people, therefore, is the money printed by the banks. The banks are thus enabled to regulate the volume of currency and to exercise the sovereign power of issuing money.

2. If the government is to have the sole power of issuing money, then the note: of the banks now in circulation will have to be retired, and Mr. Maclean proposes to issue to the banks, at a nominal rate of interest, Dominion notes or national currency to the amount of their paid-up capital. This will compensate them for the loss of their present franchise of issuing money, but whether it fully compensates them or not, it will firmly establish a national currency.

But the \$100,000,000 of bank notes now in circulation do not provide enough money for the business of the country. Mr. Maclean pr shall issue Dominion notes or national currency, say, to the amount of \$500,000,000 and that this money be available for the business needs of the country.

This would necessitate the founding of a government bank. This government bank, which might do the banking business for the Dominion and provinces, would be the bank in which all the chartered banks would keep accounts, and be able to count the securities offered by the public, including prime commercial paper. The business man who goes to the bank today is apt to hear that he cannot get the accommodation he needs, no matter how good may be his paper or his collateral, because the bank has no "money," that banks have only a limited circulation, and that they must protect their notes, and what is more important, they must be ready to meet the demands of their depositors. Hence they are anxious to have big cash reserves, or so-called "liquid assets," and are disinclined to discount paper offered in the ordinary course of business; to assist the farmer upon the security of his grain or the manufacturer upon the security of his raw material in process of manufacture. But with a big government bank, having no interest to serve except the public interest, the chartered bank would be able to rediscount good paper, and by paying reasonable interest charges, obtain Dominion notes or national currency for Banks and Liquid Assets.

3. Mr. Maclean would also deal with the abuses in our banking system which grow out of the desire for liquid assets. The bankers' pet theory is that money loaned "on call" can be collected in a few hours' notice, and he has been loaning money on call to the neglect of his customers who want to borrow for 60 or 90 days, and who perhaps may have to be carried for a longer time. Just now \$133,000,000 of the Canadian Bank deposits are loaned to Wall street speculators, principally upon stock margins. The stock exchanges are closed, the Wall street gambiers cannot pay, the margins have long ago been wiped out, and the Canadian banks have no choice but to wait indefinitely for the repayment of this money, which was always to be subject to "call." Another big sum of money is out on call loans in Canada. manufacturers cannot get the necessary accommodation from the banks, because the banks have no money, their money is on Wall street.

Mr. Maclean proposes to restrict the lending by the banks on stock as collateral and also to put an end to stock watering and exploitation, he would place all stock and bond issues of federal corporations under the control and supervision of public utilities commission, to be appointed by the federal government.

Currency and Gold Reserve. 4. It is not proposed to issue national currency beyond the real needs of the country, or beyond its powers of redemption. Just now specie payments are suspended all over Canada, and unavoidably so, but the Maclean plan contemplates substantial and adequate gold reserve. The law at present requires a 25 per cent gold reserve for an issue of Dominion notes up to \$50,000,000. Over and above that sum the government does not issue paper currency, except on the basis of a 100 per cent, gold reserve.

Mr. Maclean believes that the 25 per cent. gold reserve, which is more than ample for an issue of \$50,000,000, would be quite adequate for an issue of \$500.000.000. But the great value of the national currency will be the fact that it has behind it the hundreds of millions of dollars find a ready sale without any gold reserve at all between the member banks. being specially provided, because the credit of the country is behind them. The national currency will represent the wealth and credit of the Dominion and by the rediscounting system above referred to, the nation will lend its credit thru the banks

Admittedly today there is not enough money in the country to meet the legitite demands of business. The banks are unable or unwilling to issue more money increasing their circulation; they are unable to extend credit to their customers cuse they have not the money, and they have no way to rediscount prime paper nd good collateral. Mr. Maclean's scheme is to have the banks get more money, nd get it from the government by rediscounting. The government will issue currency representing the credit of the nation, and for security it will have the obligation of the bank, the obligation of the bank's customer, and the collateral put up by that customer, whether it be municipal bonds, wheat, coal, silver or merchandise, Banks and Currency Control.

At the last session of parliament the government took authority to increase the lesue of Dominion notes upon a 25 per cent. gold reserve from \$30,000,000 to \$50,-000,000. This would have enabled the finance minister by purchasing \$5,000,000 of gold to increase the government paper money in circulation by \$20,000,000. He may do so yet, but there is reason to believe that instead of the government issuing additional Dominion notes the gold reserve at Ottawa may be depleted by the transfer of \$15,000,000 of gold from the government to the banks.

Then again a law was passed by which the government could rediscount the paper of the customers of any bank if the paper was good. That is to say: the rument was authorized to indefinitely increase the national currency or Dominion notes by way of loan to the banks on good security. The government was authorised to issue additional paper money against approved collateral other than gold. but there seems no way to set the machinery in motion unless the chartered banks will apply for the national currency. Apparently they will not make any such application, because they want to control the issuing of currency and the power to ex. pand and contract the same. They will not put government money into circulation so long as they have the sovereign power to emit currency. It would, therefore,

seem that the government's plan will fail to work unless it is enlarged to include Mr. Maclean's proposal for the retirement of all bank circulation.

But here it may be asked, pertinently enough, what is the amount of currency on which we are endeavoring to conduct the business of the country; why can not be increased to meet the legitimate demands of business and how is the situation to be halved by

paid-up capital. They cannot exceed this amount without being heavily fined, except in certain exceptional cases hereafter noted. The combined capital of all the chartered banks in Canada is \$114.833,877. They have a reserve or rest fund of about the same amount, but while the reserve is really part of the capital, it is not treated as paid-up capital for the purpose of issuing circulation. On July 31 isst the tank notes it circulation—practically the currency of the country—amounted to only \$94,000,000, and at no time during the month of July did they exceed \$103,238,177. The banks therefore did not lesue as much currency as they were entitled to or their paid-up capital. Neither have the banks availed themselves to any great extent of the privilege of issuing circulation against their gold. They are now extent of the privilege of issuing circulation against their gold. They are not empowered to issue excess currency to the extent of 15 per centum of their combined capital and rest, but this excess currency is subject to a tax of five per cent and has never been in much favor. It was originally an emergency currency for

The excess or emergency currency the banks are allowed to issue is a cumber some, roundabout way of financing, in no way to be compared with the national currency of the United States, which is deposited with the banks for the express of assisting the public thru the banks with the national credit.

As we have seen, the government issues of paper money do not take any part in the business of the country, except for the purposes of small change and for settling clearing-house balances between the banks. So far as the business of the country is concerned it depends upon the bank issues, which fell on July 31 to considerably less than \$100,000,000. Everyone has admitted for a long time that more money is needed and various devices have been resorted to, but always with the design of having bank notes, instead of government money, circulate among the people. It has been argued that the banks should increase their capital, but the old stockholders, with their interest in the vast reserves, will not hear of any new shares being issued except at an enormous premium. They might increase their capital by dividing their surplus, but this they will not do. If the currency of the country is increased materially it will evidently have to be increased

Mr. Maclean believes that the troublesome problems we have discussed can be coived by proper financial legislation. In short, Mr. Maclean stands upon a platform of progressive financial reform, which may thus briefly be summed up: Summary of Program

1. The government to supply all currency, based and further secured by a percentage gold reserve.

2. The government to organize a bank of redisc

system of national reserve banks in the United States, for the purpose of making advances in national notes to the chartered banks on approved security. The gov-

3. The banks to be allowed to borrow Dominion notes up to the amount of the mental proposition upon which Mr. Maclean's proposals rest, namely, that all the pald-up capital at, say, one per cent. interest in place of their present privilege of

4. The government and the government bank to fix the rate of interest on ban loans. Call loans by banks, if any, to be under strictest regulation. And all stock exchange borrowing from banks to be under regulation.

MORE ABOUT THE BANKS AND THE STRINGENCY

llow the advice of their local managers in the clearing house to accept bank notes now made legal tender by parliament—in daily settlements, instead of "bank pertificates against gold deposited with the Dominon general managers are in favor of the substitution of bank notes, and some are against it. The general managers against the substitution of bank notes have said in print that it is a matter of concern to the banks only, that the public have noth-

The World takes direct issue with them on this point, and we will give an al sufficient reason for these grounds, viz., that, inasmuch as the government and parllament have made bank notes legal tender thruout the country in every transaction what is good for the country ought to be good for the banks, and that if the banks ask the public to take their notes as legal tender they ought also to take them as between themselves. But this is only a secondary reason compared to another one, viz., that parliament in its wisdom has seen fit to authorize an excess circulation of bank notes to the extent of 15 per cent. on the paid-up capital and reserves of the banks; this is practically equal to 30 per cent. on the paid-up capital of one Clement, George Rumpel, H. L. Janzen hundred and odd millions. This excess issue would amount to \$30,000,000. But the and Dr. Honsberger. banks cannot avail themselves of this is least probably the majority of them would not be disposed to do so unless the notes thus put out were available in the clearing house where they would land the next day after issue; in other words, if a bank wishes to avail itself of the excess issue it must have gold to redeem them the moment they come into the clearing house, or 'bank legals" of the Dominion of Canada, which are the same thing. And the very banks who have been liberal in their treatment of customers and who have alread; in cases approached within reasonable distance of the limit of safety, hesitate at the additional duty imposed upon them of finding further gold or Dominion notes for the redemption of this excess issue. In other words, in these times of stress the issue of bank notes is daily falling in amount, whereas it should be, if the banks were availing themselves of the privileges given to them by parliament, increasing

Our contention, therefore, is that \$30,000,000 would be immediately available for the necessities of trade, for the requirements of municipalities and others if the the necessities of trade, for the requirements of municipalities and others if the Toronto to Queste City on September banks made the change in the clearing-house rule which we have advocated and which some of the banks are anxious to do.

And it is because there are some of the banks who refuse to take this stand that the change is the control of the banks who refuse to take this stand that the change is the change in the clearing-house rule which we have advocated and Return fare only \$10 from Toronto.

Proportionate low fares from Depot that the change is the change in the clearing-house rule which we have advocated and Return fare only \$10 from Toronto.

And it is because there are some of the banks who refuse to take this stand And it is because there are some of the banks who refuse to take this stand that we are compelled to say that there is a lack of unity in the banks, that they Montreal. Tickets valid to return unhave not got together as they should have under the present circumstances; and til Wednesday, September 9th, 1914. that it would well become them to follow the example of the banks in the States Trains leave Toronto 9.00 a.m., 8.30 p. who are united in action and who are standing together, and still more if they would m. and 11 p.m. Equally good service follow the action of the banks and the government in Great Britain. One financial paper in England speaks of "the mobilization of the banks" in England into a solid Montreal. organization for taking care of the country under the stress of war; and we commend this fine phrase to the banks of Canada. Mobilize into one organization! They had better mobilize their forces and do everything they can, like the banks of England have done at the request of the British Government, and after the govand these are in very much the same situation. Hence farmers, merchants and ernment itself had practically said, we will see you thru. Our government has said the same thing to our banks, but they have never mobilized nor as yet ex-tended the aid that parliament placed in their hands for the relief of the financial

As a matter of fact, the recent legislation of parliament has put all our banks n the one pot, and they are all in together, and they must stand or fall together; and if Britain were to lose in this war, Canada would lose and our banks would lose and that being the case, they should regard themselves as absolutely one interest No bank under the circumstances can hope to keep itself aloof from the rest, no matter how strong it may think itself to be; nor can it come out of the present situation-if Britain goes down-keeping itself in an undamaged condition. It car only come out as the country generally comes out; and thinking otherwise seems to be the mistake that two or three of the banks have made that by an individual policy they can maintain their individual strength and position! We still stand by our former decision, therefore, that it is the duty of the minister of finance and o the government to see that the banks mobilize as they have in England, and that they take advantage of the proposition which made bank notes legal and allowed wealth and credit of Canada. Public securities of the Dominion to the extent of an excess issue of their own notes, and accept bank notes in their daily balances

One thing more: if our banks do not mobilize as they have in England they are hastening the day when a national bank will be established here to do the worl that parliament has legalized "to conserve the financial and commercial interests of the country." That bank cannot come too soon, not only for these strenuou times, but for all times. The United States is now organizing twelve such "national reserve banks" with an unlimited national currency behind them for the purpose of rediscount against approved securities and presumably as the agents of the govern ment in putting out a further issue of 500 millions of national notes for moving and carrying over the crops! The Bank of England is today the national bank of the And in all other countries they have these national banks and they have found that they must have them "to conserve the financial and commercial interests

of the country," to use the phrase of the Canadian Parliament. The real fact is that our banks are not anxious to step in between the legislative aid of parliament and those who would borrow the national notes provided by par-liament on the credit of the nation! If that is so, then we must have a national bank to do it.

"WAR BULLETINS."

The Southam Press has issued a set f "war bulletins" which should appeal to business men and others who understand the duty of "the man who generation. Galsworthy was born in stays at home," the man who has to 1867, and it is notable that the men is addressed: "" and another "The Silent Patriot."

WAR BOOKS AT PUBLIC LIBRARY.

bulletin just issued the librarian has given a neat little sketch of John Galsworthy which should stimulate the interest of readers, and gives a key to the motive of the literature of the new without weapons. One of these of letters born before 1860 belong to another age. Galsworthy is also o Tul," and another "The Silent Patriot." Devon stock and so marks the con-These excellent office wall-cards are tinued weight of the Keltic spirit in being distributed by the publishers. English letters. The lists of books are well up-to-date, and a special list

CRUISERS COALED BY AMERICAN SHIP

German Ambassador Accuses U.S. Firms of Aiding British Fleet.

ENEMY SET PRECEDENT

Washington Points Out Selling of Arms and Munitions is Legal.

Canadian Press Despatch. NEW YORK, Sept. 4 .- Count Von Bernstorff, German ambassador to the United States, said today that he had received positive information that two British cruisers, lying ten miles from New York harbor, had received supplies of coal, provisions and ammunition from a vessel flying the American

The supplies, Count Von Bernstorff said, were taken aboard yesterday.

The neutrality laws were so vague, he declared, that he did not know yet exactly what he was going to do.

Count Von Bernstorff said that he
had made an official complaint to Secretary Bryan at Washington about the provisioning and coaling of the Britsh ships.

The ambassador said that the coal

At the British consulate, Sir Courtenay Walter Bennett, consul-general to New York, declined to take any notice of the allegations made by the German ambassador.

NO EVIDENCE AT WASHINGTON

WASHINGTON, Sept. 4.—Count Von Bernstorff has not presented to the state department any evidence of the state department any evidence of coaling and provisioning British warships at sea by an American vessel. The ambassador asserted recently that American firms were selling ammunition to Great Britain, but did not take the subject up with the department.

Officials of the department informally explained today that the attitude of the United States was clearly established. Firms can sell ammuniestablished. Firms can sell ammuni tion to any belligerents, such articles being subject, however, to capture at

sea as contraband cargo.

As to coaling warships at sea, the state department established a precedent in the recent sailing of the Mexican steamer Mazatlan, from San Francisco, suspected at the ti me of an intention to coal the German crui-

BERLIN'S PATRIOTIC LEAGUE.

BERLIN, Ont., September 4.-At meeting of 200 people tonight it was decided to form a branch of the Can-akian Patriotic Fund Association and to raise a substantial sum of money The following officers were elected: President, S. J. Williams; 1st vicepresident, J. L. Breithaupt; 2nd vice-president, V. H. Schmalz; secretarytreasurer, J. Scully; executive, George Lang, R. Smyth, Dr. G. H. Bowlby, Mayor Euler, W. H. Lochead, E. P.

D. C. M'LEAN IS DEAD.

Donald Campbell McLean, 80, an oldresidence, 287 Palmerston avenue, after garry County and started his business career as a carriage manufacturer in

\$10 Return Toronto to Quebec City, September 4 and 5.

Those desiring to visit friends at the alcartier Military Camp should take advantage of the low rate excursion Toronto to Quebec City on September returning. Double track Toronto to Full particulars and berth reserva-

tions from Grand Trunk Agents, To-ronto City Office, northwest corner King and Yonge Sts., Phone Main

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Rev. John McNeill of Cooke's Presbyterian Church may go to Denver in response to a call which he received from a prominent church of that city. GUARD THE RISING GENERATION BY USING ALWAYS IN THE HOME

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H. W. AUDEN, M.A., Principal

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CUTTING OUT THE BOOZE.

Editor World: It is with considerable interest that the writer noticed that the Norwegian Government has issued a proclamation closing all breweries and distilleries, thereby pronibiting the conversion of grain and potatoes into spirits or beer during the war; also that the workmen of st. Petersburg have addressed a petition to the government asking an interdiction on the sale of alcoholic beverages during the war. These are examples that the people of Toronto, in view of the prospect of a bitter winter, could well afford to follow. The writer had occasion to walk thru a number of our Yonge street bar-rooms number of our Yonge street bar-rooms. number of our Yonge street bar-rooms on Saturday last, and he could not fail to be impressed with the large proportion of the men who had congregated in them, who were to all ap-pearances the "bread-winners" or ought to be the bread-winners in our homes. It goes without argument that the greater the percentage of money spent in the bar-room, the less will be available for mothers to provide food and clothing for their little ones.

Grant Ballour is the author and the composer of a new march song, "Britannia," which is published by the Angio-Canadian Music Company. It is spirited in scntiment and patriotically seasonable.

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were returned by year, and it is jority of these senior with the The High Par successful seaso year will have a ing gone to the will be contende senior and inte members are ask and West Marie Day to go to initial practice ving are asked to Chiloott, Rough, Moriarty, Jowsie las, Piddington, Cormick, Norwic laton, Reid, GAppleby, Gingra Appleby, Gingra Farrell, Fleming Kenney, Kinagi

In the Norther team will play (ners, at 3 o'cloc

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