

The general opinion is that the explanation is rather to be found in a number of unrelated causes, such as the continued drain of gold from New York and the large demand from Egypt and South America.

In this connection the interesting question has been raised: "What becomes of all the new gold?" The annual output of gold from the mines is now about \$400,000,000 and yet the holdings of the great national banks of Europe were nearly \$49,000,000 less in September, 1906, than in September, 1905. At this rate the danger of the money markets of the world being demoralized by the overproduction of gold seems to be remote indeed. Of course, the gold output is not the only thing that is growing. The world and its business are growing rapidly, and the amount of gold in active circulation in England and many other countries must be increasing enormously.

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#### UNITED STATES CURRENCY QUESTIONS.

There are several points about the recently issued report of the special currency committee appointed by the New York Chamber of Commerce that will draw comment from bankers and financial students in Canada. The committee was appointed to examine and report on the most feasible methods for improving the currency system of the United States, so that the periodically recurring stringencies at crop moving time would be alleviated or done away with. It was composed of the following gentlemen: John Claflin, chairman; Frank A. Vanderlip, Isidor Strauss, Dumont Clarke, and Charles A. Conant. The report is now being discussed at the Convention of American Bankers at St. Louis. What they aimed at was, not to get a permanent addition to the currency supply of the country—they declared that the supply was already sufficient for ordinary needs—but to get the laws arranged so that there would spring into being, whenever the need for it existed, an extra supply that would do the work required of it and then meet with a prompt redemption. In other words they wanted to get a flexible currency such as we have always had in Canada—a currency that would automatically increase and decrease according as there was much or little for it to do.

In its beautiful simplicity and efficiency our Canadian system is one of the most excellent that has been devised. It does for us everything that our neighboring American bankers want to have done for them, and does it too with the minimum amount of friction and disturbance. But, our system is based on the Government and people placing a very large trust or faith in the banks. They are given large powers of free note issue. They do

not have to give specific security—except the paltry 5 p.c. deposit in the Bank Note Redemption Fund—and they are not taxed for the notes they put in circulation; and in return they supply the country with an unexcelled currency. There are two chief reasons why the national banks of the United States cannot get the privileges that the Canadian banks enjoy, and why they cannot, therefore, supply the same kind of currency. The first is because the banks are too small. In New York city there are a few banks that can rank with the best of ours, but the great majority throughout the States are small; some have capitals of only \$5,000, and others \$25,000, \$50,000 and \$100,000. Manifestly it would be impossible to allow *all* these banks to issue unsecured notes against their general assets; and it would be practically impossible to discriminate, and to say that only banks of a certain size should have the right, for the effect would be to stir up jealousy and strife. All our banks are known from one end of the country to the other; most of the American banks are scarcely ever heard of outside of the immediate locality in which the single office is. The second reason is because the American people have a pronounced distrust of some of the most prominent of their metropolitan bankers. The great metropolitan bankers are the men to whom the bulk of the new power would fall if the Canadian system were adopted. In New York for example, some of the largest banks are known as "financial banks," being quite distinct from the "commercial banks." These financial banks are naturally closely involved with the affairs of the big financiers and with the stock markets. The general idea about several of them is that they are controlled and operated chiefly in the interest of very rich speculative financiers. One of the gravest and most conservative of the New York evening papers frequently refers to what it calls "our speculating bankers." And Secretary Shaw thought it necessary when making his recent deposit of Government funds in the banks, to warn them against employing it to foster stock speculation. Because of this suspicion of the great bankers, for which they are in large part themselves to blame, there is very little likelihood of their being entrusted with powers such as the Canadian banks enjoy.

Probably for these reasons the committee made no mention of adopting the Canadian system. Indeed, though there is every likelihood that our system was carefully studied, the only reference made to it is in connection with the redemption of the notes.

What was recommended was, preferably, the establishment of a great central bank of issue, like the Bank of Germany or the Bank of France, to be under the control of the Government, and to