

of the word the Americans have had no national banks. The horizon of the United States banker is the community in which he lives. He knows practically nothing about the needs and resources of other communities, and is out of touch with the powerful forces which move capital from section to section and from country to country. His experience, therefore, has not fitted him to be of assistance in the drafting of a truly national system of banking, such as the country really needs. The bankers had little choice in the framing of the federal reserve act. The majority of its framers were lawyers, and they had the idea that banking can be made a safe business if it is only properly hemmed in by law. They have assumed that a federal reserve bank cannot over-issue or over-lend if it always maintains a prescribed cash reserve, and that certain smaller percentages of reserves will secure safety among national banks. But experience has proven that the amount of a bank's cash reserve is not the real test of its security. No matter what the reserve, there cannot be safety unless there is wise control, and an absolute union of power and responsibility.

There is an element of danger in the division of responsibility between the federal reserve board at Washington and the bankers of the country. There is in circulation about \$600,000,000 of lawful paper money which the banks may count as part of their cash reserves if they can get it into their vaults. All this will certainly go into the vaults of the federal reserve banks, and its place in the circulation will be taken by the new bank notes. Then the United States will be in the same position as Canada, for all the currency used in daily business, one and two dollar bills alone excepted, will be bank notes. The banks with reserves increased by \$600,000,000 will be able to expand their loans and liabilities, by issuing their own notes to the extent of \$2,000,000,000 without causing their reserve to fall below the legal limit. It must not be forgotten that the United States treasury is responsible for their redemption; and any serious export of gold, when the circulation of notes has been expanded to the limit, will put the treasury in a dangerous position.

Moreover, in the opinion of competent critics, including Dean Joseph French Johnson, the dividing of the country into twelve districts will mean that these sections will pull against one another, and that some of them will indulge in an over-issue of notes and in an excessive expansion of discounts.

Bank notes under a proper banking system can easily expand to meet the demand of the community for them; and, under a proper method of redemption, they cannot remain outstanding in excess of the needs of trade.. That is, they are properly