

over and above its immediate and present liabilities, made be regarded as surplus; yet it is not for that reason understood as belonging to or to be immediately distributed among the policy holders, either by them or by the company. The word surplus, like the word liabilities, has a special meaning, which has arisen in this branch of the insurance business. Such surplus could be held by them not only for the protection of their policy holders, but as an inducement to the public to insure. In the absence of fraud all the acts of the officers are conclusive."

OUR NEIGHBOURS' CURRENCY TROUBLES.

Canadians are interested in every effort of their neighbours to prevent the ever-recurring troubles arising from faulty currency arrangements. Conditions which create stringency in the money market, an artificial advance in the rate of interest on both sides of the border, a consequent contraction of loans with its attendant injury to the interests of borrowers, ought surely to be removed, and it seems strange that the practical common sense of the business-men of the United States cannot devise some scheme whereby their present currency system can be brought into a satisfactory condition. The danger to currency reform is the subject of the following article in "The Review" of the 28th ultimo. The writer says:—

So far as can be judged from present indications, the utmost that is likely to be attempted in the way of currency reform at the coming session of Congress is (1) a more definite determination of the gold basis; (2) the suspension of re-issues of legal tender notes, except in exchange for gold; (3) permission to issue national bank notes to an amount equal to the face value of the bonds deposited against them, in lieu of the existing limit of 90 per cent. of said value.

This is all in the right direction, but it is no more than a pitiable instalment of what is needed in the interest of sound currency and of what the monetary conveniences of the country imperatively demand. It would be of inestimable value to have the gold basis unequivocally and irrevocably fixed; but the matter of next, if not equal, importance is that the working currency arrangements to be planted upon that basis shall be broadened and freed from the artificial restrictions that now hamper and embarrass the monetary operations of the country. At present, excepting in the arbitrary fluctuations in the stock of gold, there is no single element of elasticity of the volume of the circulating medium. Theoretically, the national banks are free to increase their note issues ad libitum; but the legal conditions of guaranty are so inconvenient and oppressive that there can be, in this form of currency, no adaptation of volume to the constantly changing requirements of business. Indeed, for a long period, the volume of bank notes has changed in a direction directly opposite to that of the concurrent wants of business. In 1873 the bank circulation stood at \$340,000,000; now, notwithstanding the increase of 55 per cent. in population during the interval, the volume is only about 60 per cent. of what it then

was. In 1873 the bank notes outstanding constituted 45 per cent. of the total stock of money; to-day the proportion of that form of currency to the whole stock is only about 10 per cent. Twenty-six years ago the bank issues were eight dollars per head of population; now they are three dollars per head.

Thus, from every point of view we find an immense decrease in the issues of this class of notes. The importance of this decadence, however, does not lie principally in its bearing upon the aggregate of all kinds of money; for, notwithstanding this large falling off in the bank issues, yet, owing to the arbitrary creations of silver money and the largely increased stock of gold, the total amount of money per capita of population has doubled within this period. It may therefore be safely assumed that the present stock of all kinds of money is quite commensurate with the average requirements of business. The evil of the existing situation is that we have no elasticity at any point of our monetary system. The volume of Government paper and of silver and silver certificates remains unchanged from year to year, while that of gold is unamenable to regulation. The only point at which accommodation to the fluctuations of business wants is a conceivable possibility is therefore in the note issues of the national banks. Increases or reductions in those issues can only be made through the purchase or sale of United States bonds. Those investments are tedious, cumbrous and uncertain in their results; when the bank desires to contract its circulation, it may incur a loss upon the sale of its bonds; when it either buys or sells them it has to pay a broker's commission; and these obstacles are sufficient to prevent the banks from making the frequent changes in their circulation that are needed to accommodate the varying conditions of the money market. Moreover, the profits on circulation are not sufficient to warrant the banks to incur these inconveniences, risks and expenses. They have, in any case, to own a certain amount of Government bonds, and are willing to utilize those investments by making them a basis of note issues; but, as a rule, they care little about carrying their circulation beyond that limit; and hence the volume of their circulation and their holdings of bonds are found to run closely together.

Herein lie the main causes of the rigid inelasticity of national bank circulation. The evil is inseparable from the conditions of issue and the nature of the guaranty. The proposal to allow issues up to the par value of the bonds deposited as guaranty would be a virtually useless concession, so far as respects the requirement of elasticity. The banks would probably increase their issues to the limit of the new authorization; but the old causes of inelasticity would remain unchanged; and the limited profits on circulation would not be sufficient to induce additional purchases of bonds as a basis of further issues.

We have now before our eyes a condition of the money market which recurs every Fall, illustrative of