last year at the lowest point since 1875. Something of this may be accounted for by the recent fiscal system of France. Our export trade with Australia is growing, likewise that with China and Japan.

THE NATIONAL BANKS AND OTHER BANKS OF THE UNITED STATES.

FIRST PAPER.

The following paper purposes to treat of National banks, State banks, and the American banking system generally, with observations in respect of the silver currency leading up to the consideration of the former.

Under the *nom de plume* "Banker," in THE MONETARY TIMES of 10th and 17th July last, the writer set forth in popular form the leading points of the Canadian Bank Act, since which Mr. Cornwell, cashier of the Bank of Buffalo, N.Y., in the paper he read on Canadian Bank Note Circulation, at the Convention of the American Bankers' Association at New Orleans, has also discussed and enlarged upon the governing features of that measure, and without proposing its adoption by the U. S., has yet impressed on his readers that his convictions are pretty straight in that direction. This being so, it is hoped that in advancing that measure as to its adaptability to the United States requirements, the writer will evoke the opinion of more able writers. Vast as are the interests of the United States, and immense the business of its banks, filled, too, as is the States, with the most astute minds and acute intellects, the fact remains that her present banking system—an expedient in its conception and fitted to the time of its birth—is to-day the subject of grave anxiety. Assumably the United States within the next ten years will have discharged its Bonds, and then, as meantime, where are the National banks—where the circulation to meet the ever expanding trade and to afford media to 65,000,000 population that shall be how many more millions, even at that near date, demanding a constantly enlarging volume of circulation in face of the known, constant and large shrinkage that is meantime going on? This assumption of the public debt of the United States being paid off in ten years is supported by the Treasurer's statement of the public debt for June, 1891.

The total outstanding at that date was $610,-529,120; as at the 1st March, 1889, it was $844,106,220, a reduction of $233,577,160 in 25 months, or at the rate $112,117,000 per year, or over $10,000,000 per month.

The silver advocates profess to see in free silver coinage a panacea for the consequent loss of circulation, and argue that on the consideration of the position of silver-producing countries and silver-using countries, in the consumption of silver in the arts, &c., depreciation cannot come to pass. For the present let us give them all the best of their arguments. Thus it appears that on the 1st November, 1891, the total coinage of silver dollars amounted to $409,475,368—of this $321,142,642 is in the Treasury for the redemption of silver certificates outstanding and in actual circulation; $26,197,265 is owned by the Treasury, coined, not issued, and $62,135,461 in coin are all that is in circulation outside the Treasury. In Rhodes' *Journal of Banking* for February last, Senator Morrill, in his then recent speech in the United States Senate, is reported as saying: "We hold in the Treasury to-day in silver dollars and silver bullion over twelve thousand tons, which burglars have almost ceased to covet, and only express companies appreciate its value when they lug it across the continent." Here we have the anti-silverite, who knows he is misleading, for while *de facto* it is in the Treasury, *de jure* it is not, because the major part of it is in actual circulation in the form of silver certificates.

If under the law of 28th February, 1878, requiring the monthly purchase and coinage into silver dollars of not less than $2,000,000, nor more than $4,000,000 worth of bullion, there have been, up to Nov. 1, 1891, a total coinage of silver dollars of $409,475,386, and if $26,197,265 be the only portion of it not in actual circulation, where is the impending avalanche, say they, based on the hypothesis of that past experience as against future silver supplies? So much for the side of the silverlings.

The law of 28th February, 1878, was repealed by the Act of 14th July, 1890, by which monthly purchases by the Treasury of 4,500,000 ounces of silver, at the market price, was required, and was to be paid for by Treasury notes—these notes being a full legal tender for all debts, public and private, and to be held by any National Bank Association as part of its lawful Reserve. The "Reserve" of the National banks was fixed to be in greenbacks or gold; the Treasury notes, by this Act, may legally be held for Reserve. Two million ounces of silver were to be coined monthly into silver dollars until 1st July, 1891, and after 1st July, 1891, compulsory coinage of silver dollars to cease, only such dollars needing to be coined as are necessary for the redemption of Treasury notes.

The amount of silver bullion purchased under the provisions of the new law from 13th January, 1890, to 1st November, 1891, aggregated 66,588,536 fine ounces, costing $68,-626,565, or $1.03 per fine ounce. From this silver $27,848,475 have been coined, and the remainder is stored in the shape of fine bars in the vaults of the mints, as a reserve against the Treasury notes outstanding. So that only a little over a third of the silver purchased has been coined into dollars. But it is evident how vast soon will be the accumulation of silver as bullion!

The law of July, 1890, as above, provides an annual increase of the currency of about $50,000,000 by the purchase of silver against the issuance of Treasury notes. But on the other hand, some $26,000,000 annually, on average, have been retired of the National Bank notes, or the circulating medium of the United States is thus annually *increased* to the extent of $24,000,000; and Mr. Foster, the Secretary of the Treasury, in his letter of 6th November, 1891, addressed to the American bankers in convention assembled, says: "It seems to me that the act under consideration (14th July, 1890) is a decided improvement on the repealed act of 1878, in that it furnishes a sound currency to meet the growing wants of our country."

In an earlier part of his letter he says: "I am of opinion that, owing to our rapid growth in population and wealth, and the extraordinary development in all kinds of business, a yearly increase in our circulating medium, somewhat proportionate to our growth in population, is imperatively demanded." And again: "The issue of Treasury notes under this act affords such an increase."

Mr. Cornwell, before referred to, dealing with the character of their currency, says, "and so nobody claims that the National Bank currency possesses the features of elasticity." The same is to be said of the issuance of the Treasury notes and of the gold and silver certificates. It is at this point of his paper that Mr. Cornwell hits off, in contradistinction to these several issues, the naturally elastic principle that obtains in our Canadian issues. Immediate increased trade calls it out, profit induces the output, as in the movement of our cereals. Shrinkage of the trade, its function having been discharged, sends it in again, and thus by a natural law it maintains its own level, no power being able to keep afloat more than is in need.

Now it is for those abler writers whom the author of this hopes hereby to call out, to show whether such increase of currency as Mr. Foster shows *is in proportion to the growing trade and population of that country*—whether in character it meets the changing condition of the seasons' trade, and whether in face of the growing extinction of the National Bank issues it is to be relied on as mainly the currency of the country, and if not, to evolve views on the subject in the public interest, so vastly important are sound views of circulation.

It is fair to advance that as to the plethora of silver, that the anti-silverites dwell on, depreciating the silver certificate currency, is so far rebutted by the fact that 13 years have not yet given a plethora, for the United States' Treasury in the last year has largely purchased of foreign silver, as well as her own production, the average price of silver being well maintained. However, let the United States look to this, viz., *that the whole world looks upon silver as a commodity which is falling in price*, and no one cares to buy a commodity to hold upon a falling market. If then, pursuing its course, the stock of silver shall have become so vast that it operates as its own "bear" in the market, and some great national event arise that compels throwing on the markets of the world a tenth of its millions of silver, the price will go down from morn to night; the holder of Treasury notes and greenbacks who seeks to exchange for gold—the Treasury having option to pay in silver—will find that while in the country his silver dollar is good dollar for dollar, yet in the great exchange marts of the world his means become represented by 70 per cent. for the acquisition of gold exchange. The *Economist*, of England, of 21st November last, analyzing some statements made by Mr. Foster, the Secretary of the U. S. Treasury, at the meeting of the New York Chamber of Commerce, says: "Mr. Foster favors the maintenance of the existing law under which the Treasury is compelled to buy 4,500,000 ounces of silver each month, giving in payment Treasury notes, which are legal tender, and redeemable in gold or silver, at the option of the Government," and adds that he appears to vindicate it because gold alone furnishes too narrow a basis upon which to conduct the monetary affairs of the world, and expresses his confidence in the ability of the Government, notwithstanding this enormous addition to paper currency resting upon silver, "to maintain the parity between gold and silver"; yet in the year ending Nov., 1890, the gold in the United States was £138,973,000, and in November, 1891, £134,227,000, or a loss of £4,746,000, besides its own year's production of 6½ million. Thus the States lost in the year 11¼ millions of gold, or say $55,000,000, while the stock of silver had increased about $50,000,000. And so while gold has been flowing out of the country the currency of the States is being placed to an ever-increasing extent on a silver basis. The gold base may thus far sooner prove inadequate than is anticipated, and should be squarely faced. On the other hand, the ability of the United States to get gold is beyond question, so high is its credit. But such violent efforts, disturbing the whole financial world, is not the *haute* finance expected of Mr. Foster.