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IF CANADA HAD RIGID CURRENCY.

In the United States and Canada the banks are at present engaged in financing the crop movement. Each country has its own system of doing this work. The United States does it largely through the use of legal reserve money, or actual cash, which is sent to the harvest fields and there employed as currency. If this cash has been serving any other purpose, and it usually is serving another purpose, it has to be forcibly taken from the people who are using it, no matter how much is the inconvenience and loss thereby occasioned. The general recognition of the present system's inadequacy is evidenced by the numerous suggestions for its betterment that are being constantly put forward.

Canada does the work by calling into existence, for use as currency in the harvest fields, a quantity of banking promises to pay which are automatically retired as soon as the special need for them passes. The United States make, or try to make the existing supply of cash do double work during the season of extra strain. Canada provides an extra supply to do the extra work. It will be interesting and well worth while to take the actual working of the Canadian system of financing the crops, as shown in the monthly bank statements, and to compare it with what would likely happen if Canada had the United States system. The regularly issued bank statements provide the material for instituting this comparison.

First, taking the actual working of the system, the following is obtained.

BANK NOTE CIRCULATION 1906-7

Outstanding 31 July	$68,182,979
" 31 October	83,718,630
" 31 January	68,219,717
Expansion July to October	$15,535,651
Contraction October to January	15,498,913

DEPOSITS 1906-7

	31 July	31 Oct.	31 Jany.
Payable on Demand....	$165,077,790	$181,408,733	$170,564,666
Payable after Notice....	379,030,511	390,909,519	404,992,318
	$544,108,301	$572,318,252	$575,556,984

The items among the assets affected by the movement were:

	1906-7 31 July	31 Oct.	31 Jany.
Specie & Legals	$60,099,315	$68,641,896	$66,901,425
Bank notes and checks held	26,549,698	32,036,799	27,483,645
	$86,649,013	$100,678,695	$94,385,070
Net foreign Bank bals....	18,380,395	17,836,693	11,363,592
Foreign call loans	54,261,216	60,536,937	53,079,637
Canadian call loans	58,208,627	56,878,521	53,979,494
Canadian current loans...	500,933,935	531,019,419	550,938,838
Foreign current loans....	34,379,778	35,725,257	36,016,552

In connection with the fifteen million dollars odd of expansion in bank note circulation, shown between 31st July and 31st October, it is to be remembered that this does not measure the gain derived by the Canadian banks from their asset currency. Every year all the small country banks in the United States must stock up with currency in anticipation of the extra fall demands. And thereafter, during the season they must maintain in their tills enough for the demands of the immediate future. The Canadian branches are in like position. Only, they provide this till money out of their stock of unissued notes. So, in addition to the notes they pay out, which call for no cash outlay till they are presented for redemption, they gain the till money, also without outlay of cash. As there are 1,500 branch banks, an allowance of $7,000 to each branch for till money would make $10,500,000. It can, therefore, be calculated that their system enables them to economize, during the crop moving period, something like $20,000,000 in actual cash. In other words, if the banks worked under a currency system like that of the United States, they would have to draw on their cash reserves to the extent of anywhere from $15,000,000 to $25,000,000 to move the crops every fall. It may be argued that as the cash required for extra till money remained in the banks' possession (held at the branch banks) it could not be regarded as taken from the cash reserves. But it is nevertheless taken from the cash reserves of the central offices, at Montreal and Toronto. Concentrated there it was available for meeting adverse clearing house balances and any other payments required to be made. Scattered around among the branches it is no longer so available. But the banks do not ordinarily carry a high percentage of cash. It ranges usually from 13 to 15 p.c. of their liabilities. To draw it down some $20,000,000 would materially reduce this percentage, and make their showing too weak for comfort. It is certain that they would be obliged to draw the extra amount they needed from the other assets mentioned. The foreign balances, the call loans (Canadian and foreign), current loans (Canadian and foreign), would all be called on to contribute. In other words they would be forcibly contracted. Under the present system they usually expand