

against a reserve in gold equal to one-quarter of that amount. By Chapter 4, Acts of 1915 "An Act respecting the issue of Dominion Notes" the Dominion Government is authorized to issue notes up to \$26,000,000 without any reserve of gold, \$16,000,000 of the notes to be against certain specified Canadian railway securities guaranteed by the Dominion Government.¹ Notes may be issued to any additional amount in excess of \$76,000,000, but (except as provided by the Finance Act, 1914), an amount of gold equal to the excess must be held. Thus Dominion notes are under normal conditions gold certificates. Under the Act, the Government issues notes of the denominations of 25 cents, \$1, \$2, \$4, \$5, \$50, \$100, \$500, \$1,000. In addition, "special" notes of the denominations of \$500, \$1,000, \$5,000 and \$50,000 (first issue September, 1918), are issued for use between banks only, the purpose being to safeguard against theft. Table 36 shows how the different denominations have run during the past six years in the circulation. Table 37 gives the main statistics of Dominion note circulation and the reserve on which it has been built since 1890.

Bank Notes.—The circulating medium chiefly in use in Canada is in the form of bank notes. Under the Canadian Bank Act, the banks are authorized to issue notes of the denominations of \$5 and multiples thereof to the amount of their paid-up capital. These notes are not in normal times legal tender. In case of insolvency the notes of a bank are a first lien upon the assets. They are further secured, in case of insolvency, by the Bank Circulation Redemption Fund, to which all banks contribute on the basis of 5 p.c. of their average circulation, the sum thus secured being available for the redemption of the notes of failed banks. In addition, during the period of the movement of the crops (September 1 to February 28-29), the banks may issue "excess" circulation to the amount of 15 p.c. of their combined capital and "rest or reserve" funds. In

¹The following is an outline of Canadian legislation respecting the issue of notes. After Confederation, by an Act of 1868 (31 Vict., c. 46), authority was given for the issue of notes to the extent of eight million dollars. The reserve was fixed at 20 p.c. up to a circulation of five millions; beyond that, 25 p.c. to be held as reserve. The law of 1870 (33 Vict., c. 10), authorized a limit of nine million dollars. The reserve was fixed at 20 p.c., but the nine millions were only to be issued when the specie amounted to two millions. Dollar for dollar was to be held beyond nine millions. In 1872 (35 Vict., c. 7), the reserve for the excess over nine millions was fixed at 35 p.c. in specie. This was amended in 1875 (38 Vict., c. 5), by requiring dollar for dollar beyond twelve millions; for the reserve between nine and twelve millions 50 p.c. in specie was to be held. In 1878 the law respecting Dominion notes was extended to the provinces of Prince Edward Island, British Columbia, and Manitoba. In 1880 (43 Vict., c. 13), the basis of the present standard was established. A reserve of 25 p.c. in gold and guaranteed debentures was required, of which 15 p.c. at least must be in gold. The limit was raised to twenty million dollars. In 1894 (57-58 Vict., c. 21), the limit was raised to twenty-five millions, but this was found unworkable and was repealed in 1895 (58-59 Vict., c. 16), and authority was given to issue notes to any amount over twenty millions, on holding dollar for dollar beyond that sum. In 1903 (3 Edw. VII, c. 43), the Minister of Finance was required to hold gold and guaranteed debentures of not less than 25 p.c. on Dominion notes issued and outstanding up to thirty million dollars; beyond thirty millions he was required to hold gold equal to the excess. In 1914 (5 Geo. V, c. 4), this amount was raised to fifty millions and in 1915, to seventy-six millions, under the conditions stated in the text. The Finance Act, 1914 (5 Geo. V, c. 3), makes provision, in case of war, panic, etc., for the issue of Dominion notes against approved securities.