

reserve, he was obliged to confess that his scheme would withdraw at least \$5,700,000 from the available banking funds of the Dominion.

The following calculation will shew the effect on the banking funds of Nova Scotia. I have taken the figures as given in the returns of the chartered Banks on the 31st July last, which is the latest date to which I have access, and have added one-fourth for the two private Banks and the Bank of British North America. At that date the total circulation was \$1,028,000, which, according to the Government proposal, was to be withdrawn, and other notes based on Government securities substituted. The Banks were required to hand over to the Government \$1,028,000 in gold for their bonds. They were also to keep a reserve of 20 p. c. in gold, and a further reserve of one-seventh of their call deposits. The total amount of specie thus required would have been \$1,358,000, to meet which the Banks held \$703,000 in gold and Government bonds, the difference amounting to \$655,000 they could only obtain by permanently reducing their discounts to this extent. This, be it remembered, is according to Mr. Rose's own method of calculation, and yet is equivalent to wiping out the capital of the Union Bank and half that of the People's Bank. But the calculations of Mr. Rose are defective in two particulars. He has not made provision for any reserve for deposits on interest, nor has he made any for the reserve of notes which Banks must always hold in their tills, or which may be passing between the head offices and branches, and which are not in circulation. He has taken the amount of notes in the hands of the public alone as it stood on a particular day, or on the average, but there may be, and are, many days when it is considerably higher than on the day on which the returns are made up. A much larger amount than is made to appear in his calculations must be invested in Government securities, and thus withdrawn from available banking funds. Adding to the \$655,000 required to be withdrawn from discounts, according to Mr. Rose's mode of calculation, one-seventh say of the deposits on interest, or \$225,000, and the very moderate allowance of one-seventh of the actual circulation for a reserve in the till or \$147,000, and we have at the very lowest estimate consistent with necessity and prudence, \$1,022,000, permanently withdrawn from the loanable banking funds in Nova Scotia, or more than the united capital of the Bank of Nova Scotia

and the Union Bank. The following recapitulation will probably show the result more clearly :—

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| Total circulation to be covered by Government bonds..... | \$1,028,000 |
| Reserve of 20 p. c. to be maintained in gold..... | 205,000 |
| Reserve of 1-7th of \$577,000 call deposits..... | 125,000 |
| Total amount of gold required for circulation and deposits..... | \$1,358,000 |
| To meet this amount the banks held in specie..... | \$703,000 |
| in government debentures 83,000 | |

| | |
|--|------------------|
| Making a deficiency to be taken out of discounts of..... | \$655,000 |
| To which add— | |
| Reserve in specie of 1-7th of \$1,545,000, deposits on interest..... | 220,000 |
| Reserve of notes in till, viz., 1-7th of \$1,028,000 actual circulation..... | 147,000 |

Showing the total amount to be withdrawn from discounts to be.....\$1,022,000

No scheme more injurious to the material interests of this Province could well be conceived than this with which we are still threatened. To conciliate the banks, if possible, and to prevent the damaging effects from being immediately felt, it was proposed to spread the operation over a period of five years. Although this would lessen the evil for a time, it would go on growing year by year, until at the end of the five years the full blighting influence would be experienced. And if trade were to revive and increase in the meantime, there would be a contraction of means continually going on side by side with a growing demand, which would necessarily cause embarrassment, tighten the money market, and raise the rate of discount.

The main object professedly of the Resolutions was to ensure the ultimate payment of bank notes after the suspension of a bank, and to make assurance doubly sure, Mr. Rose, in addition to compelling the banks to invest in government bonds, proposed to make the notes a first lien on the assets of the bank, which of itself is a full and sufficient protection to the note holder. But, as if this were not enough, he also proposed to render immediately available the clause in the charters by which the stockholders are liable for double the amount of their stock. For some reason or other, by the way, which might be guessed at, the Bank of British North America was to have been exempted from the double liability. By this means the holders of notes of the Bank of British North America would not have felt so secure as the holders of other notes. Still if it was considered desirable in the public inter-