

or discounts than at the rate of six per cent. per annum. It was expected to pay five per cent. on the capital borrowed in Britain, six per cent. on that borrowed in Canada, allow reasonable dividends to the stockholders, and, out of the surplus profits, pay off the Provincial debt in a few years, and provide a revenue for public purposes for all future time. Such was the faith of the day in bank profits. A bill embodying these features was submitted to the Assembly, but as it involved the combination of public credit with private interest, there prevailed a reasonable fear that it might only exaggerate the evils already complained of in the case of the Bank of Upper Canada and the Bank of the United States, hence the bill was defeated. In the following session it was revived by the committee on banking, but received the six months' promotion, though by a majority of only one.

The idea, however, that the Government was in some way directly responsible for the prosperity of the country and had unlimited capacity to promote it, was as prevalent then as at present. There was a widely spread conviction, especially in the counties, that the Province could supply, on its own credit, an indefinite amount of paper money, with all the vitalizing power of real capital, without any further basis of security than those marvelous undeveloped natural resources which have been the pride and comfort of the people of Canada for a century past.

During the session of 1835 these floating ideas took definite shape. Petitions were presented from several Districts in the Province praying for the establishment of Provincial loan offices, or loan banks. The petition from the Home District, of which York was the centre, is a fair representative. It referred to the great distress throughout the country owing to the depressed value of agricultural products, and the fact that the farmers were heavily in debt and liable to be sold out at any time. There is but one remedy, it is said, and that is a Provincial paper currency, which may be called Provincial loan notes. These could be issued to at least twice the amount of the Provincial debt. There should be an agency in every county, and the notes should be distributed on mortgage security according to population. Loans should be made to the extent of half the value of the lands, and repaid in annual instalments extending over fifteen years.

Under the magic spell of this paper money untrammelled by