

that might presume to attack us. We shall never be called upon to fight on foreign soil—we shall only have to defend our own from invasion: and if Canadians should love their independence as they ought—if patriotism with them should ever be more than a name—if they determine ever to be free, then their conquest will be impossible, and there will be little to induce even our big bullying neighbours to attempt it. The people of the United States made great exertions and great sacrifices to preserve the threatened unity of their country; but it is very unlikely that a similar state of feeling could be aroused among them by a desire for a war to king to the unjust conquest and forcible annexation of a country in which so many of their soldiers would be sure to find bloody graves, and from the successful prosecution of which they could hope for so little gain direct or remote. We do not for a moment take the ground that we are the equals in military power of the United States, or that in a conflict, we should not in all probability sustain defeat; but we do maintain that with unanimity on our part and a heroic determination that we would never be subdued, we might at least preserve our independence and our country, and even with overwhelming odds make it a dangerous matter to attempt the conquest of the Dominion of Canada.

The question of defence embraces also the question of paying for the necessary measures of defence. And here we confess to a feeling of uncertainty as to how far our country men are willing to go, and as to the extent they will agree to tax themselves to maintain their independence should they be called upon to do so. But whatever they might be willing to do there can be no question whatever of the justice of our having to pay for our own protection. We yield no revenue to England. We add no strength, but are rather a weakness to it. Why then should we look for a continuance of the great expenditure on the part of England in furnishing us with costly troops to watch over us, while we, untaxed for their support, may turn all our attention to the pursuit of wealth? We would have no right to blame England if she refused to give us a single soldier and called upon us to assume the responsibilities of our position. We have all the rights of manhood, self-government, self-taxation, perfect freedom to do everything that a colony can do, and should we not also begin at least to acknowledge the necessity of taking upon ourselves the duties consequent upon these rights, and requisite for their ultimate preservation.

Another objection raised against our making a demand for independence is that it will of a surety lead to annexation. To this we must refuse to give our assent. We see, even in our present partially unsatisfactory condition, the steady growth of a Canadian sentiment to which nothing will give so great impetus as the feeling of Nationality which must follow the assumption of independence. And when the new Canadian flag shall wave over well nigh the half of a mighty continent, there need be no fear that there will be any want of a corresponding spirit of patriotism, or of a feeling of unity which unfortunately does not now exist as much as it should.

We have replied to a few of the most common points raised against a separation from Britain; we now proceed to state what to us appears the most forcible reason why we should, and that with as little delay as possible, make known to the Imperial Government our desire that the connection should be put an end to, and our request that henceforth we be permitted to be our own rulers in name as well as in fact. It is one of the accompaniments of these days of rapid transmission of intelligence and of swift spread of ideas, that changes of public policy no longer seem to crawl through slow-passing years, but have birth and come to maturity with little interval between their first conception and their final completion. Already some of England's prominent writers and thinkers, men of political influence too, have made known their opposition to continued expenditure for the defence of distant colonies, from whom is received in return no material benefit, but only tariffs hostile to English manufactures. It may be but a short season before the whole people of England come to take a similar view. A single deficient harvest might compel a measure to reduce the army by all the troops now retained in self-governing colonies. Therefore we think it would in all respects be better for us to take the initiative, declare our readiness to assume the responsibilities of freedom, and not wait to be kicked out and told to provide for ourselves. It is only a question of sooner or later; and the sooner we begin to provide for the new state of things which is

inevitable, the better prepared we shall be when the time comes.

We think there need be no particular haste in carrying out the details of an act of separation. We might easily wait till the expiration of the natural term of office of our present Governor-General, and during that time we could well employ ourselves in determining upon our future form of government, whether it should be monarchy, hereditary or elective, or whether it should be by a chief officer chosen from time to time. We should also have to determine a policy with regard to armament, and to select between the various systems of defence now practiced; and finally we should have to make provision to raise a revenue adequate to the increased expenses of our new position.

### THE GOVERNMENT BANKING SCHEME.

WE publish this week Mr. Rose's resolutions on the Government Banking measure.

They propose in brief, after the expiration of the existing bank charters, to deprive the banks of their present power to issue notes, and to compel them instead to obtain notes from Government, secured by the pledge of Government debentures dollar for dollar, to be deposited with Government. No bank is to have the power to issue notes to a greater amount than its paid-up capital, and the notes are to be a legal tender everywhere so long as the bank redeems them in specie at the office where they may be made payable, and which office must be either in the respective capitals or chief commercial cities of the several Provinces. To provide for the security of their notes, the banks are obliged to hold specie, Dominion notes, or notes secured by Government Debentures to the amount of 20 per cent. of their circulation; and in case of failure of any bank its notes are to be a first charge on all its assets, for the redemption of which alone they can be used. The Receiver-General is also authorized to sell the securities he holds on deposit from the defaulting bank, the proceeds to be applied so far as necessary to redeem the outstanding notes: and if they are insufficient for this purpose, then the Receiver-General is further permitted to hand over additional funds to the officer placed in charge of the bank for the purpose of winding it up. Notes are also to bear interest from the date of suspension, interest to cease if they are not presented for payment within a certain specified time. Any advances by Government are to be the second charge on the assets of the bank, and deposits on call, not bearing interest, are to rank as the next preferential claim. All other creditors share alike. In addition to their note reserves, the banks are to hold an additional amount equal to at least one-seventh of all their deposits on call. To compensate in some degree for being deprived of their powers to issue notes, the banks are to be relieved from the tax on circulation and from the obligation to hold Government securities other than as against their notes. Provision is made for monthly returns to Government, much fuller in detail than the present useless returns, and for inspection by a Government officer. Five years, commencing in 1871, are allowed for the gradual withdrawal of the existing note circulation. For the full details of Mr. Rose's measure, we refer our readers to the Resolution, themselves.

The declared determination of Government to carry out their Banking Scheme will arouse no ordinary resistance on the part of two powerful classes—those interested directly or indirectly in chartered banks, and those dependent on bank accommodation for the carrying on of their business. Besides, there will be opposition from those who are politically against the Government, and opposition from those who believe that theoretically as well as practically the Government measure is a step in the wrong direction.

The principle clamour will arise from those who have a direct or indirect interest in chartered banks and the profits therefrom accruing. Let us for a moment see how they are going to be injured by the proposed change. In the first place, it is claimed that the profits on circulation will be taken away, especially on the extra amounts issued at certain seasons of the year, which experience shews will only return for redemption after a well understood interval of time shall have elapsed. In reply we have to say that the banks do not lose the profit on their issues. On the contrary as the Debentures deposited with Government will in all probability bear interest at six per cent. they will be secured that return for the first investment of their capital, in addition to the fluctuating

returns from the loans of the notes and of such part of their deposits as they have in excess of the required reserves. Again, those very reserves may be drawing interest, as they may be either in specie or Dominion notes, or in secured notes of the bank itself. Again the tax on circulation is remitted, and the amount now invested in Government securities set free to be used in obtaining notes. The other functions of banks, exclusive of the right to issue notes, are in no way interfered with; so that it seems very clear to us that bankers are not the persons from whom should proceed any outcry against the new scheme.

At first sight, the fear that the available capital of the country will be reduced by the substitution in the way proposed of Government for bank notes, to a ruinous extent, seems to be a well founded apprehension; and under a possible combination of circumstances, such ruinous reduction would take place. But, not necessarily. Only in the event that the banks were compelled to purchase their Debentures in a foreign market, would the country be a dollar the worse off as regards available capital. Otherwise, one of two events will take place. Either a new issue of Government Debentures will be taken by the banks, or they will buy up securities now held as investment by Canadian Capitalists, in both cases providing the necessary substitute for the form of credit at present enjoyed by the banks. In the former case, the credit would be new and given to Government directly, instead of to the banks, and for which credit Government would pay the banks, and in the latter case an amount of capital would be set free exactly equal to the amount of securities purchased by the banks and which would again be used, in all probability for the starting of new banks, if the business of the country seemed to offer a field for profitable investment that way.

That it is of the utmost importance that note-holders should be protected to the very utmost cannot be disputed: that they are so to be protected under the system proposed seems certain. The result will be that the same confidence will be placed in any Canadian note as is now placed in the issues of the Bank of England; a run for their redemption will be almost an impossibility, and one of the great dangers always visible to banks whose notes may at any moment be returned upon them will be forever removed.

The weak point in Mr. Rose's measure, the part in which it is most open to attack, is its deficiency in one most important respect. In the Resolutions is not one word going to indicate in what manner Government proposes to dispose of the funds it will obtain by the purchase of its securities. The practical success of the system proposed to be inaugurated will depend greatly on this. It is not of course intended to leave money idle for which interest is to be paid; and the great question will be the manner in which it is to be employed. To use it for the payment of outstanding debts would be a very fair way to reduce the country to beggary, putting a stop to its trade, in so far as that trade is carried on by means of the present note issues. The money must be invested in the country, and invested in such a manner as to yield a sufficient return, not necessarily directly, but within a brief period after the money shall have been paid out. The subsidizing of railways through fertile, but at present inaccessible districts, would be an admirable investment. Funds well spent to secure immigration would not be looked upon as wasted; and in fact any public expenditure which would increase the productiveness and enlarge the trade of the Dominion would be not only laudable, but sure to be successful. Unproductive expenditure, as for instance for fortifications, should be provided for by foreign loan, the interest and sinking fund of which would be spread over a number of years, and would not be heavily felt at any one time.

We will close by referring to an article on "the new Banking Scheme," which appeared in last Saturday's *Globe*, and which contains so many errors that we feel constrained to warn our readers against placing any confidence in the sweeping statements it puts forth in place of logical argument. The writer in the *Globe* assumes as a basis for invective that the entire amount of the existing combined bank and Government issues will be withdrawn from the available trading capital of the country. Even aside from any argument that might be used to overturn this assumption, he altogether ignores the government Securities to the amount of over three millions of dollars, now held by the banks, and which will at once become available towards supplying so far the place of the