

## REPLIES.

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I have no practical knowledge of the Banking system of the late Province of Canada. I have always understood that the rules and principles, according to and upon which the Banks there are conducted, are similar to those which regulate and govern the Banks of Nova Scotia. The system obtaining in Nova Scotia, has been eminently conducive to the development of the material interests of the Country.

I do not think that any system can or ought to be adopted and cannot therefore recommend any plan for the issue of Government notes as a circulating medium, either directly or by having circulation based upon public securities. I consider such a circulation absolutely unsound. Government bonds, and bonds of every description not available for gold on call, are in this respect virtually irredeemable; and an issue of paper currency, professing to be based upon security in effect irredeemable, and not upon bullion is based upon no security at all. It is a fallacy. It is an imposition upon a community.

The percentage of specie which ought to be retained, and in a knowledge of which the chief art of banking may be said to consist, depends on keeping a due proportion between actual coin and promises to pay, and this knowledge can be acquired only by experience and closely watching the various changes constantly occurring in Mercantile transactions and trade.

My ideas with regard to the advantages and disadvantages of an issue of Government notes, are sufficiently indicated in my answer to No. 3 question, and I have only to repeat that I disapprove of it altogether.

The National Bank system of the United States, origin-