

newspaper of London, in which it was contained. The meeting was entirely of a harmonious character, and a vote of thanks to the directors was passed, congratulating them on the improved position of affairs.

Attention is directed to the valuable letter on Banking addressed to us by a prominent banker in the Maritime Provinces, which is given below.

Communications.

BANKING.

Editor Canadian Monetary Times.

SIR,—The answers given in by the bank managers to the questions submitted to them by the select committee of the Senate upon the causes of the recent financial crisis in the Province of Ontario will help to form a sound public opinion on the subject of banking and currency. They contain a very general disapprobation of the Provincial Note Act and of the conduct of the government bank. There is also manifest a feeling of dread of the way in which the power obtained by that bank may again be exercised, which operates injuriously on trade—while the recommendations for securing a better system of banking and currency are very various.

Looking at these answers collectively it is quite evident that the issue of legal tender notes has introduced an element of uneasiness and insecurity into the banking system. The action of the government bank in coercing the other banks into holding a large amount of the senotes, which cannot be employed in ordinary business, has, it is true, obtained for the government a loan from them, in a manner, however, which any government alive to its own honor and the interests of the mercantile community would at once repudiate and sharply rebuke. By thus compelling these banks to lock up a considerable portion of the available banking capital of the country in a dead loan, bearing no interest, to the government or to the government bank, it has aggravated whatever difficulties may have arisen from an insufficient supply of capital for the want of trade, and has had a direct tendency to increase the rate of discount. The dread too with which the banks view the large power for evil possessed by one institution, which have already been so unscrupulously and so injuriously put forth, has resulted as these answers show, in the locking up of a still larger amount of capital in the shape of specie in their vaults, which, but for this, would be employed in the encouragement of business generally. These facts demand the serious investigation of parliament, for it is very clear that the mode in which the issue of government notes has been managed, by a species of Fenian terrorism, has been very injurious, and if not changed may yet bring about still more disastrous results. The government must be divorced from the Bank of Montreal, and if it is deemed advisable to make a forced loan through the issue of government "promises to pay" a special department should be appointed for this purpose.

The Senate is desirous of eliciting opinions in regard to the effect produced upon the trade of the country by the passage of the Act for the issue of the Provincial legal tender notes. But as the Act has never come into general operation, having been adopted by one bank only, whose peculiar position in relation to the government at the time prevented the direct and natural results of the Act from being felt, it is of more importance to question the policy of the Act itself.

If the Act had been adopted by all the banks at the same time, as was desired by the government; or if it had been adopted by any bank to whom the government was not indebted, what would have been the result? It is presumable that the banking capital of the country, derived from capital, deposits and circulation, was not in excess of the demand. The circulation, being a loan from the public, is invested in discounts, &c., or loans to the mercantile community, less the amount of gold

held against it. In order to have carried out the Act it would have been necessary to withdraw these loans from the trading classes and hand them over to the government, from whom would have been obtained legal tender notes to pay off or substitute for the bank circulation. Thus several millions of dollars available for the development of the resources of the country, and the building up of its trade and commerce, which circulating through a thousand channels give employment and livelihood to thousands and thousands of the population, would have been by the operation of this Act diverted from these purposes and converted into a loan to the government. The necessary result would have been such a contraction of trade as would have caused widespread disaster and ruin.

There is another aspect of the policy of this Act which, although not so perceptible and not so speedy in its results, is nevertheless worthy of grave consideration. It is this, that as the notes created by the Act are a legal tender they may be held, and are already held to some extent, by the banks in lieu of specie wherewith to redeem their notes and deposits. The gold thus withdrawn from the banks, and which formerly served as a solid reserve, passes into the hands of the government bank, and is ultimately sent out of the country. One cashier gives it as his opinion that the banks do not now hold more than one-half of the amount of specie they held prior to the passing of the Act. Gradually the proportion will become less, as the objects of the Act are more fully carried out, until the amount of gold in the country will dwindle down to a very small sum indeed. Promises to pay are already held to meet promises to pay—one species of indebtedness is substituted for and held against another species indebtedness—the credit of the government is substituted for the substantial gold. Now this is a very serious evil, for if a large demand for gold, whether caused by a "run" or for exportation, were to take place the inevitable result would be a suspension of specie payments with all the various evils that naturally follow.

The plan of making either government notes or government bonds the reserve for a bank note circulation, is one which has many advocates, but which fails whenever the crisis occurs, whenever the reserve is practically needed. It is impossible by any system of partial reserve to make the whole of the note circulation immediately redeemable. Generally speaking the banks keep on hand a larger amount of gold than the government is obliged by the Act to keep. But in either case if all the notes were presented for payment, both banks and government must stop. All that can be expected is ultimate redeemability, and this is better and more readily secured under the late banking system, that is, the system in vogue before the passage of this Act, than at present. For in a time of pressure, during a crisis, what is wanted is gold, not government securities, and it is impossible to sell the latter in order to obtain gold except at a large sacrifice, and thus the banks would be heavier losers than if their reserves were in specie. If the note circulation were entirely based on government bonds, as some advocate, the loss to note-holders would be far more than under the late system, and even if there were no loss it would require a longer time for payment. In the United States when under the system of specie payments, it took frequently two or three years to obtain payment of notes based on government bonds, and even then in many cases there was a loss. In the meanwhile holders who could not wait so long were compelled to submit to a sacrifice of fifty cents in the dollar, and sometimes more. The last, and only the second great failure of a bank in Canada, shews a very different result. In six months, the notes are at par and very little loss has resulted to note holders.

Banks, when properly managed, have their funds invested in securities which are maturing from day to day, while the funds which government obtains for its bonds and the notes it issues, are invested in permanent works, or employed in the payment of salaries, &c., and consequently if the demand for gold were to exceed the reserve, it has no funds maturing wherewith to pay its notes. Again banks, even in a

time of great pressure, can obtain gold from abroad by the sale of exchange; but government has not this additional reserve, and as is well known would find it difficult, if not impossible, to raise a loan—and thus we arrive at the same result as before, a suspension of specie payments. Government, too, has less interest in preserving specie payments than banks. No penalty is imposed on it in the event of its not redeeming its notes in specie; in fact if specie payments were suspended it could borrow money more readily than when the notes require to be paid in gold; but with the banks, if they decline to meet their notes in gold on demand ruin stares them in the face, and every effort would be made, and many sacrifices submitted to ere they would close their doors.

If the above reasoning is correct it shows that the interference by the government in the note circulation in the way proposed by the Act can only be productive of evil, and that the system lately introduced should be abolished.

BANKER.

28 April, 1868.

MADOC GOLD REGION.

(From our own Correspondent.)

BELLEVEILLE, May 5th, 1868.

Spring has now fairly set in, and we are enjoying warm pleasant weather. Farmers are busily engaged getting their spring crops into the ground, and the winter grain is throughout presenting a healthy and promising appearance. Mining operations are, on the whole, quiet. There has been no new sensation during the week, and the croakers are again in the ascendant.

The chief object of their present animadversions is the Richardson Mine. The machinery ran, with some trifling interruption, during the whole of last week, and some fifty tons of miscellaneous rock were put through. On Saturday the mill was stopped for the purpose of examining the amalgam, when, finding that the mercury was still capable of taking up a good deal more gold, the manager decided to go on until fifty tons more shall have been reduced.

Three and a half tons of ore from the Toronto and Whitby Company's mine, are reported to have yielded gold to the amount of eighty-four dollars, or twenty-four dollars per ton. This was reduced at Wallace's mill, late Turley & Gilbert's.

You will observe that I have not sent you any official returns for some time past. The reason is partly that the frequent change of ownership which our mills have undergone of late has caused the work done to be small in amount, and desultory in manner, and partly that, in the present state of the law, the Inspector has no power to enforce the provision respecting the returns.

I shall now proceed to describe what, in my opinion is the best method of making an assay of such ores as we find in this district.

The material to be assayed should be taken from different parts of the vein or shaft, to the extent of ten, fifteen or twenty pounds, observing to select a fair proportion of each sort which may occur. From this the operator should select such portions, to the extent of not less than five pounds, as in his judgment will give a fair average of the whole quantity brought to him; the selected portion should be crushed or pounded fine enough to pass through a sieve of 30 meshes to the linear inch. It should then be carefully washed until the lighter and more finely divided part is removed, as this is apt to form a tough slime. The remainder should then be washed over into a flat-bottomed iron dish, until the heavier part, sulphurets, &c., alone remain in the pan, which should be carefully inspected with a suitable magnifying glass, to see whether it contains any visible particles of gold; after which it should be added to that previously washed into the iron dish. The washing water should then be drained off, taking care to allow none of the ore to escape along with it. Next put clean water enough to cover the sand to the depth of about half an inch; add a large tablespoonful each of the carbonates of soda and potassa (common washing soda and pearl ash) place the dish upon the top of a stove,