

highest circulation. And they have in addition to that, \$31,600,000, in the shape of deposits, to use for the business purposes of the country; so that over and above the highest point of circulation ever reached, the Banks have \$46,000,000 of available cash for the general purposes of the trade and commerce of the country. The average circulation then is to the available means of the Banks, in the proportion of 12 to 61, and the highest circulation in the proportion of 15 to 61. It is important to bear this in mind, that the circulation of the country is not by any means equal to the paid up capital of the Banks, that it has not in fact reached more than one half that amount—and that the Banks, in addition to the capital, have upwards of \$30,000,000 available, in the way of deposits, for Banking operations. It will therefore be observed that the average circulation represents only about one-fifth of the means which the Banks have at their disposal for carrying on the commercial business of the country.

And now, Sir, I come to inform the House, without further preface, of the policy Government have to propose with reference to this matter. We propose, Sir, to allow the Banks to continue as they are, without any change whatever in their condition, or any further restriction upon their operations until the 1st June, 1871—that being the time when their charters expire; the provision in their charters being that they shall continue in force until the 1st July, 1870, and thereafter till the end of next session of Parliament. We therefore propose that, until the 1st July, 1871, the Banks shall be left in possession of their existing charters, but that after that time they shall gradually reduce their circulation by 20 per cent a year, until the whole shall ultimately be replaced by secured notes which shall be a legal tender. That is to say, for the year ending July, 1872, they shall be allowed to circulate 80 per cent of the highest circulation they had during the year 1868. During the next year, they will replace 20 per cent more of their circulation by Government securities, and so on, replacing 20 per cent per year, until July, 1876, when the whole circulation will be replaced by Government securities. By permitting this gradual and almost imperceptible process, the Government endeavour so to accommodate the change to the circumstances of the Banks, that the withdrawal of the present circulation will not be felt as in any way injurious to them, and will not lessen the facilities they can give for the accommodation of the public. I will presently shew what will be the practical operation of this plan. By figures that will be understood by the House and country, I will shew how small is the percentage either on their circulation or their discounts which this will force them to invest in gold or its equivalent. I will shew that, while we felt the full force of the difficulties connected with the present system, while we were fully alive to the dangers and possible evil consequences to the country in the future, if we did not apply some remedy to a state of things which I am satisfied there is not a member of this House but believes to be unsound—while we felt it would be wrong in us to perpetuate a system which had so many defects inherent in it—we have been at the same time sensible that we must introduce the new system cautiously, gradually, almost imperceptibly, in order