

receive on the part of the Government of Upper Canada the notes of the three chartered banks.

The policy of the Governor was very severely criticized by almost all elements in the Province. The Toronto Board of Trade urged him to change his policy and authorize suspension of specie payments. The merchants in other parts of the country protested at public meetings against the Governor's action, and he was freely condemned by the papers of both Provinces. When, later, the Legislature was called in response to the clamour of the country, a Select Committee reported in favour of the bill authorizing the banks to suspend. In answer to the assertions of the Governor that the suspension would compromise the credit of the Province, the committee pointed out that, owing to the suspension of the banks in the United States and Lower Canada, it was impossible for the Upper Canadian banks to maintain specie payments and serve the exchange needs of the country. By the forced curtailment of their accommodations the banks were placing their customers in a very awkward position. The ordinary obligation of the banks, under normal circumstances, to cash their notes on demand, and which was established in the public interest, should not be made subject to special circumstances to militate against the public interest. The commerce of the country urgently requires accommodation, and the only question is as to whether this accommodation should be furnished in bank notes or in Government legal tenders to be issued to the banks.

When the first scare was over and the issues of the banks had been curtailed from twenty-five to thirty per cent., the urgent need for money prevented the remainder of the notes from returning upon the banks. At the same time the banks, owing to the instability of the economic situation, could not with safety extend their issues nor hence their accommodations. Indeed, as was being discovered by the Bank of Upper Canada, it was often much more profitable under the circumstances to employ specie in the field of foreign exchange or in securing the high premiums of the specie market generally than to hold it as security for ordinary note issues. There was naturally a constant demand among the merchants in Upper Canada for the means of remittance to Lower Canada, a service which was a common occasion of their seeking discounts from the banks. To grant