THE PROSPECTIVE BANKING ACT.

It is tolerably evident that our present Government—which it is only fair to presume represents the nation—hungers for some method of borrowing money cheaply, and desires to grasp at a larger share of the note circulation of the country with a view to that end. From this slight encouragement, ignorant and rash satellites, who aspire to fame, if not to power and place, have conceived the "rag-baby," and are now engaged in carefully nursing it, in hope of its eventual adoption.

Some amendments to the present Banking Act seem inevitable. In considering these, let us strive to give due weight to precedent, yet refuse to be trammeled by it. A new country can never be wisely guided by a slavish adherence to old precedent. Our circumstances are neither precisely those of the Old Country nor of the United States; therefore, neither the Bank of England charter, the Scottish Banking system, nor the United States National Bank scheme, represent necessarily the essence of financial wisdom for Canada. We must regard the facts of our national condition, nor presume that these are, or ought to be, co-relative to the experience of other nations. One phase of the contrast in our position is patent on the very surface. In the older lands the proportion of deposits to capital is enormously in advance of any such proportion here. It is by no means uncommon in England, Scotland, or the United States to find banks with deposits (at call, or on time) ten or even twenty times in excess of capital; while here the total deposits of *all* the banks have not for many years exceeded the amount of banking capital employed. An excess of deposits is an element of danger as well as a source of strength in the matter of profits. Yet in England and Scotland it is considered a very safe state of things when a bank holds reserves in gold to the extent of twenty-five per cent. of its liabilities to the public.

Contrast this with the aggregate position of our banks in that most trying month of the year, viz., March, 1879 and 1878. We find in that month the total of "circulation, deposits and liabilities to foreign banks," in both years, to be in round numbers 75½ million dollars. Against this was held in "specie, Dominion notes and the indebtedness of foreign banks (immediately available)" in 1879, almost exactly 19 millions, and in 1878, 19½ millions fully. This is equal to 25½ and 26 per cent. respectively; while the surplus. of assets over liabilities, representing "capital" or "rests," was fully 85 per cent.

Our banking system in the aggregate, therefore, can hardly be called unsound. Individual instances of unsoundness no possible law could prevent. It is entirely out of the province of Government to guarantee to partners in business, or shareholders in a corporation, entire immunity from risk of loss. It is enough that Government leave the people at liberty to choose the risks they may prefer, each one for himself balancing, as people are apt to do, the probable profit against the possible loss. Neither are depositors entitled to any Government guarantee. They lend their money for an interest, or for their own convenience—for safe keeping. They know, or ought to know, that their money must be re-employed by the bank, if it is to earn interest. The bank simply acts as agent, adding the guarantee of its own capital. Depositors must judge for themselves of the risk they run. The basis of credit is—first, knowledge of the financial strength or capital of the debtor. That point our present Banking Act sufficiently insists upon with regard to banks. The second consideration is, honesty and ability. That is reserved for the public as creditor to decide upon. No governmental action can either destroy credit utterly or make it absolutely without risk. For that risk the public are often nearly as much to blame as the bankers. Errors in judgment and reckless trading in money is not always a crime on one side only. It grows with what it feeds on. The hunger for high rates of interest felt by depositors impels bankers to risks that are for a time profitable, though eventually destructive.

It is, then, only to the currency—the contract or promise to pay in gold on demand—that legislative amendment should be directed. If currency, national or otherwise, is to be useful really as a measure of values, it must not be mere "rags," but genuine value, as capable of exchange for value as is the gold it represents; for the money of a country forms the very foundation on which the whole industrial machinery is built. Government in the interest of all, as acting for all, must and ought to see that it is sound. To this end its own currency, as well as that of any institution it authorizes to issue demand notes, should be equally on a gold basis. Against each equally should be held a certain fixed proportion of gold strictly confined for use only in the redemption of such currency. This is the only amendment which is needed, and must come sooner or later.

It would be presumptuous to dogmatize as to the exact proportion required to ensure absolute convertibility. Fifty per cent. would certainly be sufficient. In view of the special circumstances attending Canadian trade, it would seem indeed, that 20 to 25 per cent. would be ample. The reasons for that opinion we can only attempt to indicate in the space at our disposal—the slender amount of deposits; the large extent of country over which the circulation is spread, with its consequent gradual return to great centres; and the almost entire absence of the need of gold for circulation, as all denominations of bills, from $1 to $1,000, are issued. This is at least a legitimate subject for discussion, both in and out of Parliament. The collective wisdom of men of experience among bankers and merchants should be freely sought and widely ventilated till the question is safely solved.

Should a higher ratio be fixed upon, the change will of necessity require to be gradual. Here is a suggestion which might aid the Government to aid the banks in adapting themselves to new enactments. It has been mooted in England already, and will probably be adopted. It is, to issue all Post-office orders payable to bearer at any Post-office except the one at which they are issued. They would then circulate as bank-notes do—would still be an equally convenient method of remitting small sums, and safety in transit could be secured by noting the number and amount, and advising the party to whom remittance was sent by a second post as well as the first. A large and eminently convenient circulation would be thus at once attained. The Government would thus meet the public convenience, and also borrow from it free of interest, except the interest on the reserve in gold required to be held against this floating debt. Bankers' note-issue would be paid in by the public for these Post-office orders, by which two uses would be served. Government would be directly interested more than ever in exercising a careful scrutiny as to the safety of these issues it received, and if banks were thus deprived of part of their circulation, it would be Government that would come into possession of their promises to pay. This would be an assistance to the banks in any increase that might be made in regard to the reserve fixed to be held in gold against the bankers' note-issue. Nor would country post-offices in small villages find any strain upon their resources to cash these circular post-office orders. Practically, the thing would work easily, and is specially adopted for use in Canada, for these post-office orders would be readily accepted as payment, or changed by the country merchant who could use it again, free of charge, in remitting for his own indebtedness. The practical working out of this idea must be guided by the experience of experts. A Canadian Spectator cannot be expected to exhaust the subject. The very idea of a Spectator is—one who is not *in* the strife, but calmly looks on, giving at times counsel and advice, which is too often unheard above the din of battle; yet distinctly audible to

Brown, Jones and Robinson.

CRITICISM: A LOST ART.

Readers of all classes must be struck with the singular diversity of opinion frequently pronounced upon authors and their works, or a theatrical or musical performance. In the various periodicals of the day the most opposite verdicts are expressed, not only regarding the manner but the matter of the subject reviewed. One is not unfrequently informed in a review of a new work, that it is full of originality, interest and ability; while in another the same production is spoken of as destitute of any claim either to excellence of style, soundness of reasoning, or superiority of treatment. "The glorious uncertainty" of criticism has become almost as renowned as that of the law, and men have begun to believe that King David's dissuasive exhortation—"Put not your trust in princes"—should be extended also to critics. The different organs of opinion seem to employ canons of judgment at utter variance with each other; but, worse than all, in the same publication it is not unusual to find one composition reviewed by a critic holding one sort of opinions on such books, while another work of the same kind is adjudicated upon by an advocate of opinions of a dissimilar description. Politics, religion, party, sects, local influences, personal feeling, and many other agencies by which the judgment is warped, may be named among the reasons for this state of affairs; so that though the cause of it may admit of dispute, we presume the fact will not be denied; it has, indeed, become the scandal of literature.

The reality of this fact is so patent that it will be well to consider any method for the extirpation or the mitigation of the evil. It is held by some that the anonymity of criticism, by releasing the reviewer from a sense of personal responsibility, encourages him to take that view of any particular work which promises to admit of the most striking treatment and the production of the most telling kind of paper; that such a method of reviewing does not bind the critic to the constant maintenance of the same form or spirit of judgment, or necessitate the testing of the canons employed, previously to their application in any individual case. It is not uncommon for writers who take this line of argument to stigmatize anonymous as unprincipled criticism, so that the word *unprincipled* passes from bearing the signification of unscientific to suggesting that of dishonest. Certainly the objections taken to anonymous reviewers may be held to prove, that, in the opinion of the remonstrants, such criticism as they produce is in some sense untrustworthy, and that it would, in all probability, be rendered less so by the introduction of the fashion of signing all such articles with the name of the writer.

A scheme suggested for the improvement of current criticism is the establishment of a school of critics who should become legislators on taste and dictators in letters. It is to be feared that, even although we had got the length of *Ishmaelism* in literature, such a method for the reduction of the discordance among critics would not readily gain favour; indeed, one of the foremost Free Lances of literature has protested against the idea of the institution of a