

fortunate crisis. The evidence is very distinct upon the subject, and the gentlemen who had given the evidence ascribe the crisis to the effect of the Provincial Note Act. If the system be defective, we should remedy it. An overwhelming majority of the people of Ontario desire that we should return to the system which existed before those Dominion notes were issued. He alluded to the difficulty encountered in managing a bank with a small capital. When the capital is small, the profit is necessarily small. It is simply an impossibility that a bank with a small capital can command the management of men of the ability and character necessary to give it success, and no bank should be chartered with a capital less than \$1,000,000. Banks with small capitals will generally run the risk of inferior management, trusting that it may turn out fortunately.

In case the financial requirements of the Dominion should induce the Government to desire the introduction of a new system, the Committee recommend a system somewhat analogous to the national banking system of the United States. That system is one by which bank notes are issued upon the credit of national security. Suppose a company determines to establish a bank, they take a certain amount of securities, (\$1,000,000 for instance to the comptroller) the Government upon that security issue to them 90 per cent. in bank notes; a margin of ten per cent. is reserved for security in case of depreciation in value of the securities, and they are required to redeem the notes in legal tenders, or as they are usually called, greenbacks. These securities placed with the Government, are held for the security of the note-holders. If through any mismanagement the bank is unable to redeem its notes, and this is brought under the notice of the Government, they close the business and realize the securities for the benefit of the note-holders, as the Government is responsible for them; but they retain a lien upon the assets of the bank for whatever the difference may be between the liabilities of the bank to the note-holders and the amount the securities may realize. That is the national bank system of the United States. The benefit to the bank is, it draws the rate of interest, whatever it may be, upon the amount of security of deposits with the Government. If \$1,000,000 in securities is deposited, it receives \$900,000 in notes and interest upon the million. The distinction between that and our Dominion note system is, that our Dominion notes have to be pre-paid in gold over their counters unless the Government be in debt to them. The National Bank note system is one which, with certain improvements, might possibly be made to answer the purpose here, and give the Government as large an amount of money as they would have under the Dominion note system. Certain changes would have to be made before adopting it. It is very well in the United States where specie payments are suspended to pay a per centage for the whole amount of security; but here it must be upon a specie basis, as banks would be required to redeem their notes on demand, therefore it would be necessary for them to reserve a certain amount of gold to meet the demands for the redemption—probably 20 or 25 per cent. If the National Bank system should be entertained, he would suggest that instead of the banks purchasing securities with their gold and depositing them with the Government as a basis for their issues, they should deposit the gold itself to remain as a gold deposit at 6 per cent. interest until required under the provisions of the law. This would secure the currency upon a basis that would not be liable to depreciation and therefore render it perfectly safe. It would also protect the banks from loss by the depreciation of Government securities. If this mode were adopted there would be no reason for withholding from the banks any portion of their capital as a margin to cover possible loss. They would be entitled to receive notes for the full amount of their capital. If the securities are not sufficient to pay the notes, the Government pays them, but recovers the deficiency from the banks; but that would not be required by the mode he suggested of depositing gold with the Government instead of debentures. In reply to an enquiry respecting expansion, the

Hon. gentleman said if a regular and safe mode of expansion could be devised, it would remove one of the greatest objections to a National Bank system, but if that could not be done, he had as great an objection to a National banking system as he had to a Dominion note system.

Hon. Mr. Wilmot enquired if it was intended to have gold deposited with the Government, for which Government should pay interest.

Hon. Mr. McPherson replied that interest would be paid in any case, and his plan merely avoided the circumlocution of exchanging gold for debentures, and then depositing debentures. Government would sell securities and buy gold when it was wanted, as it would, of course, be absurd to keep a vault full of gold.

Hon. Mr. Wilmot asked what would Government do with it.

Hon. Mr. McPherson. What do they do with the securities which are equal to gold? He concluded by moving the adoption of the report of the committee.

Hon. Mr. Campbell considered that the whole monetary interests of the country should not be decided upon by a committee of bankers. The witnesses were mostly confined to Toronto and did not include commercial men. He would ask the House to leave the whole matter to be dealt with upon the responsibility of the Government next session. Members should not tie themselves down to theories.

Hon. Mr. Allan defended the committee and showed that they had applied to bankers in both Quebec and Ontario, and their action was not of a partisan character.

Hon. Mr. Wilmot said, in looking over the evidence it rather appeared that the banking system of the country was not in the sound state that some gentlemen tried to make them believe. He then explained the banking system of Scotland since the time of the Darien scheme. Instead of paying gold, they settle balances by a draft on London at 21 days. This keeping a large supply of gold on hand was one of the old barbaric ideas. In England as the gold goes out, it effects not only the foreign trade, but every manufacturing establishment. In the Bank of France if the gold goes out they give a higher rate for it, but in England, they merely pay a higher rate of interest. The intelligence of the age should devise some other idea than that the value is in gold. Its value is only as we can turn it into exchange. If labor is wealth; money is the exchange for it.

Hon. Mr. McMaster held that the committee deserved great credit for the able manner in which they had discharged their duty, and they were especially indebted to the chairman for his attention. He would have been better pleased had the committee taken up the different systems, discussed them in an exhaustive manner and then recommended the one best adapted to the wants of the country. True, they had expressed themselves in a rather decided manner in reference to the legal tender scheme, but he thought they might have gone a little further and demonstrated the disastrous results that must follow, should the accommodation now extended to the trade of the country be withdrawn for the purpose of purchasing legal tenders. When the Bank of Montreal commenced to prepare for the working of the scheme it contracted largely and if the other banks had been obliged to adopt the same system, the consequences to our land would have been of the most disastrous character. The National Bank system contained some wise provisions, but it was intended mainly as a war measure. The deficits we have every year are large and in view of the great expenses about to be authorized our financial condition will not be very prosperous. In regard to our present banking system it was not perfect, but if they adopted the schedule prepared by Hon. Mr. McPherson and as a necessary means by which the double liability of the stockholders could be collected, he thought the system then would furnish security quite as good as Government security.

Hon. Mr. Reesor contended that the report was clear and satisfactory. Are we to throw aside a system which we have tried for 30 or 40 years and found it to be good so far as any human scheme can be good?

Hon. Mr. Tessier thought it was very proper

to have a report of a committee composed of such able men, submitted to the House on this important subject. In the province of Quebec there have been no bank failures of any account for a long time, and in Ontario only two. The Bank of Upper Canada was killed by the Government account, and the Commercial by lending money outside its legitimate business. He thought that the report would be productive of much good.

Hon. Mr. Oliver considered it desirable that we should rather adopt a system by which the banks would be restrained from issuing notes of a small amount, say, not under five pounds. The small currency being Dominion notes would be secure, while expansion would be provided for by the banks.

Hon. Mr. McPherson in reply to Mr. Campbell, said the committee had reported very distinctly in favor of a return to the old system of banking and suggested a general course of policy in case their views were not accepted. Neither the evidence nor the enquiries were confined to Ontario.

Hon. Mr. McCully, thought it inopportune to give instructions to the Government on a financial policy. Whoever drafted the banking bill intended it only to apply to incorporated banks in Nova Scotia which possessed no charters, yet they were receiving seven per cent for all the notes they discounted under the Act.

Hon. Mr. Simpson did not know whether to speak as a merchant, or as a banker. From a long residence in Canada he knew that this country had derived great advantage from the Bank of Upper Canada. He had never known any bank which had been directed or controlled by Government that did not come to grief. Although the bankers had been spoken of disparagingly as a class, yet they had helped to move forward \$20,000,000 worth of the productive industry of the country. The report and the evidence contained not merely the opinion of a few Ontario bankers, but the opinions of gentlemen of education and experience, from England, Scotland and Canada. The questions were submitted to leading merchants in both Ontario and Quebec. He considered that the banks in Canada, in proportion to the business done, had shown more loyalty in meeting their engagements, and in promoting the interests of the country than any banks in the world. He spoke of the great loss the country would sustain by the adoption of the Government scheme in consequence of the contraction of the currency; as for each legal tender it must take so much gold to pay the Government for it.

Hon. Mr. Ferrier said the Boards of Trade should have been consulted. He was opposed to changes in banking. The old system worked well for half a century, and under it the banks have grown with the wants and requirements of the country.

Hon. Mr. Samborn thought that information on the subject could not have been sought from a class better qualified to give it than the banks. The new system was not a step in the right direction.

Hon. Mr. Warx said he was not in favour of a Government currency. He thought it quite possible to harmonize the interests of the banks and the country.

Hon. Mr. McPherson in closing the debate said if the Dominion note system be the settled policy of the country, we would have to have a higher rate of interest than seven per cent. If the legal rate of interest is only seven per cent., how the banks can pay the cost of management and all other expenses and pay a satisfactory dividend to the shareholders, was more than he could understand. Six per cent. was allowed the banks on circulation, but under the Dominion note system that is withdrawn and their only return would be the legal rate of seven per cent. upon the bare amount of their capital. The question was then put as to the adoption of the report with the following result:—

Contents—Hon. Messieurs. Aikens, Allan, Anderson, Benson, Blake, Bourinot, Christie, Cormier, Dickson, Flint, Hamilton, (Kingston) McMaster, Macpherson, Reesor, Ross, Samborn, Seymour, Simpson, Tessier, and Wilson—20.

Non-Contents—Armand, Bell, Botsford, Bureau, Campbell, Cauchon, Chapais, Craw-