

THE CITIZENS' INSURANCE COMPANY
(OF CANADA.)

Authorized Capital.....\$2,000,000
Subscribed Capital.....1,000,000

HEAD OFFICE—MONTREAL.

DIRECTORS.

HUGH ALLAN,	PRESIDENT.
C. J. BRYDGES,	EDWIN ATWATER,
GEORGE STEPHEN,	HENRY LYMAN,
ADOLPHE ROY,	N. B. CORSE.

Life and Guarantee Department.

THIS Company—formed by the association of nearly 100 of the wealthiest citizens of Montreal—is prepared to transact every description of LIFE ASSURANCE; also, to grant Bonds of FIDELITY GUARANTEE, for Employees holding positions of trust.

Applications can be made through any of the Company's Agents, or direct to

EDWARD RAWLINGS, Manager.

Agent for Toronto: W. T. MASON. Agent for Hamilton: R. BENNER.

THE CANADIAN MONETARY TIMES AND INSURANCE CHRONICLE is printed every Thursday evening and distributed to Subscribers on the following morning.

Publishing office, No. 60 Church-street, 3 doors north of Court-street.

Subscription price—

Canada \$2.00 per annum.

England, stg. 10s. per annum.

United States (U.S.Cy.) \$3.00 per annum.

Casual advertisements will be charged at the rate of ten cents per line, each insertion.

Address all letters to "THE MONETARY TIMES."

Cheques, money orders, &c. should be made payable to J. M. TROUT, Business Manager, who alone is authorized to issue receipts for money.

All Canadian Subscribers to THE MONETARY TIMES will receive THE REAL ESTATE JOURNAL without further charge.

The Canadian Monetary Times.

THURSDAY, APRIL 15, 1869.

THE BANK CHARTER QUESTION.

THE PROVINCIAL NOTES.

VII.

By the issue of Government notes, to which the law gives a forced circulation, we have already entered on a career which has been full of disaster in many countries both in the old world and the new. The Provincial note is a legal tender for the payment of all debts; and though it is nominally redeemable in specie it does not differ in this respect from the paper issued by so many Governments, the value of which sunk in time to a mere nominal figure. France, Spain, Austria, Russia, Sardinia, Naples and the States of the Church have all in their time gone through a like experience. We are only following in their footsteps, when we should have been warned by their example so fatal and so full of instructive lessons. We have in truth commenced with greater boldness than many of these nations displayed at the

outset; for we began by declaring the Provincial note to be of equal value with gold, and no matter how much it may become depreciated by excessive issues, or some other cause of Government discredit, it will still be a legal tender for the payment of all debts.

It was at one time the design of the Government to supersede the bank note circulation entirely by Provincial notes. One thing was wanting to enable this arrangement to be carried out, and that was the consent of the banks; a consent which to their everlasting credit be it said was, with one solitary exception, withheld. If the Government had succeeded in this essay it is probable, almost certain, that cash payments would have ceased ere now. There is no example, we venture to say, of cash payments being long preserved on the strength of a specie reserve so low as that required for the Provincial notes—one-fifth of the amount in circulation. It must always be difficult to determine what minimum of specie will, at all times, be sufficient to meet the demands of convertibility. Something must depend on the credit of the issuer, which is not, and cannot, especially in the case of a Government, be always the same. There have been periods when the Bank of England and the Bank of France required for the maintenance of convertibility about half as much gold as they had issued notes. The banks of New York were, at one time, obliged to suspend specie payments with a reserve of bullion in their vaults equal to half their note circulation. But it may be supposed that there is some magic in the credit of a Government which will exempt it from the laws to which individuals and corporations are liable. It has often proved true that the credit of a Government has, at the first commencement of issues of paper money, had the fatal effect of causing these promises to circulate far above their real value. But the period of over-confidence once passed, corresponding depression and discredit follow; and all experience shows that a decline in the credit of Government paper money is more rapid than that of any other depreciated paper. All who take such paper in its declining stage suffer a loss on the depreciation. There is, perhaps, no way in which a community can be so effectually robbed without being fully conscious of the extent to which it is suffering.

Whatever scheme be proposed this Session it is not probable that the Provincial notes will be suppressed. They are much more likely to be made to perform the functions which greenbacks now perform in the United States. Nothing would be easier than the transition from the Provincial note, with an enforced circulation, payable in specie, to the Provincial note performing all the functions

of a legal tender, and not convertible into specie. It is already pretty well understood that the Government scheme of currency soon to be proposed to Parliament will be in accordance with the recommendations of Mr. King's circular—a modification of the National banking system of the United States. Bait will be held out to lure the banks into an unresisting acceptance of this scheme. It is probable that one, or perhaps two of them, will fall in with this fatal plan, but it is to be hoped that the majority will hold out firmly against it. We are aware that a suspension of specie payments—for that is what it means—may be made to present an attractive appearance in the eyes of certain bankers. It is calculated that during the long suspension of specie payments in England, the Bank of England saved £300,000 a-year in interest on bullion which it would otherwise have been obliged to hold. And the holding of a large amount of interest-paying securities is not without its attractions to the banker, especially if he does not stop to consider that he is exchanging a large part of his capital for the mere promises of the Government. Before Sir Robert Peel's Act was passed it was found that a necessity existed to curtail, by law, the amount of Government securities which the Bank of England might hold. In September, 1839, the bullion in the vaults of the Bank was below £3,000,000, while it held securities to the amount of nearly £26,000,000. Sir Robert Peel's Act provided that notes should not be issued against securities to a greater amount than £14,000,000.

Here is the bait that will be offered to the banks. They will be told that by making an advance to the Government of a large part of their capital they will be able to perform the double operation of drawing interest on the securities purchased, and of making a profit on the notes which they can issue thereon. This may doubtless be done if we are to resort to a suspension of cash payments, but not otherwise.

Two contrivances have been resorted to for preventing the Provincial notes coming in for redemption. These notes were, at first, divided into two classes, one of which is payable at Montreal, and the other at Toronto; latterly, however, a third class has been issued, payable at Halifax. From the first the notes payable at Montreal were issued at Toronto, those payable at Toronto were issued at Montreal. The object of this unfair device was very plain. It costs a quarter of one per cent. to transport notes from one city to the other, and the mode of issuing the Provincial notes is equivalent to depreciating them to that extent.

The other contrivance is to lock up a considerable amount of Provincial Notes in the