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The Canadian Monetary Times.

THURSDAY, MARCH 11, 1869.

**THE BANK CHARTER QUESTION—ITS
EXTERNAL SURROUNDINGS.**

The Bank charters expire in 1870. The question of their renewal and the terms and conditions on which it shall be done, cannot well be postponed till next year. It will be desirable to dispose of the question next session of Parliament, which cannot now commence before April, and is likely to drag on through the greater part of the summer. There will be an opportunity of applying some general principle to the constitution of all the banks in the Dominion, and it is pretty certain to be embraced. The reasons in favor of a general law, or at least of the application of some general principles, to all the banks, are obvious. It is right to take advantage of the lessons of experience to strengthen weak points, to eliminate what has proved to be vicious, and to preserve what has stood the test of time.

There are numberless points over which men might differ in arranging a new scheme of banking or giving a new lease to an old one. But, in this instance, there will be one great dividing line, on either side of which contending parties will array themselves. The question of questions will be whether the Government is to be allowed to take from the banks the power of issuing notes and to fill the void by an issue of Dominion notes. The intentions of Mr. Rose and his colleagues have not been fully declared. The question

is apparently in its incipient stages. A committee of enquiry was appointed last session, at the instance of the Government, and had scarcely entered on its task when the prorogation took place. But committees of enquiry are not always intended to elicit the whole truth and nothing else. When the Government has a design, not very easy of execution, a committee is often selected as the best means of covering it: the conclusion of its enquiries is pretty certain to be in accordance with the secret predetermination of the Executive. Something of this kind is expected in the present case. Nobody doubts that the Government at Ottawa has made up its mind to use all its influence to displace the existing bank circulation by Dominion notes. This is universally regarded as a foregone conclusion; and there is no reason why the question should not be discussed on that basis.

The exterior circumstances under which the change is proposed must, first of all, be taken into account. Unfortunately the issue of Government notes did not originate in the consideration of what would be best for the country; how the soundest currency could be provided; how the bill-holder could best be protected, and the convertibility of the paper circulation be most certainly maintained. The Government was not in a position to consider these questions. It was in the position of a man who is too hungry to philosophize; it could think only of its own pressing and imperious wants. It was reeling under a heavy load of floating debt, of which it was desirous to rid itself, even temporarily; and it caught at the suggestion to put its pressing obligations into a shape that would admit of their being used as currency. The Provincial note had its birth in this way. It was the child of poverty; it had Debt for its father and Necessity for its mother.

And while this is true of the first-born, it will be doubly true of the rest of the progeny, if more there are to be. The class of journals whose business it is to supply the public with political information announced, as long ago as last summer, that Government had obtained leave from the guardians of the Intercolonial Railway loan to apply to a purpose, different from that for which it was borrowed, the portion that had come to hand. It was alleged that the money was used to pay off that balance of the floating debt which the issue of Provincial notes to the Bank of Montreal had been insufficient to cover. And we have never seen any direct and absolute denial of the statement. The silence seems to carry a tacit consent.

On the supposition that this fund was temporarily turned from its purpose, the enquiry arises, how is it to be restored? There

is no hope of its coming out of the revenue; for that would imply a surplus, which never entered into the calculations of the Minister of Finance. And borrowing for such a purpose, in the ordinary direct way of putting securities on the market, is out of the question. The deposits paid by insurance companies and the small savings of the poorer classes, which have gone into the Government Savings' Banks, amount to but an insignificant sum compared with what was obtained on the Intercolonial Railway loan, and is supposed to have been temporarily diverted from its destination. Appearances favor the suggestion that the seizing of the bank circulation is looked to as a means of restoring to its rightful destination, the Intercolonial Railway loan.

Here again we find the necessities of the Ottawa Government usurping the place of the consideration of what is the best way to place the currency on a sound basis. It is manifest that there could be no consideration of anything but how to supply the pressing wants of the Dominion Treasury. If a Government currency is to grow out of considerations of this kind, and if the notes in which it is to be embodied are to become the unique currency of the country, it is evident that we are in the greatest danger; and it would be no difficult task to estimate how near a Banking law, originating in such motives, and framed on such principles, would bring us to that form of national bankruptcy which is implied in a government paper currency, originally issued with the promise of redemption in specie on demand, but for which specie cannot be thus obtained. Two years would be the utmost stretch of time that could be expected to elapse from the commencement of the system to its collapse and the era of an irredeemable paper currency. No event short of a war of invasion, famine, or an earthquake, would be so great a calamity as the bringing about of such a state of things.

The danger that the replacing of the bank-note currency, by an issue of Government paper, would lead to an irredeemable currency, lies in the circumstance that the issuing power, and the political power, would be in the same hands. The issuer would only have to desire a release from the obligation to convert the notes into specie on demand, and it could be done by the exertion of the political power of the government. And here lies one of the great differences between bank notes and Government notes. The banks are simple trading corporations, with no political power to release themselves from the obligation of paying their notes in specie. A suspension involves their credit, their charters, their very existence. They have the strong