ment to a most objectionable change in the law, a nd then expanded the circulation by what can only be termed a forced issue.

In the year 1875, after about four years' experience of the working of the system, Sir Richard Cartwright obtained the consent of Parliament to an extension of the Dominion note circulation, which was perfectly safe, and which, if it had been adhered to, would have rendered it wholly impossible that any demand for gold on the part of the banks could have caused the slightest embarrassment or have rendered it necessary for the Government to import gold as they have been obliged to do. Under Sir Richard Cartwright's act the maximum circulation was fixed at $12,000,000, except on the basis of gold, and for all the issues between nine and twelve millions 50 per cent in gold was to be held, in other words gold was to be held for all issues above $10,500,000. The issues by the last return were $17,196,649, so that under the act of 1875 the Government would have held in gold $6,696,649, whereas they actually held $2,589,151, and this scattered among several offices at Montreal, Toronto, Halifax, St. John and Victoria, B.C. On the 30th April the Dominion note issues, of the denominations of $1000 and $500, which are nearly all held by the banks, were $11,230,125, while on the 30th Sept., 1883, they were $9,448,-975, or an increase of $1,781,150, and yet the Bank reserves were in September $17,429,388, and in April $19,031,742. It is clear that an abnormal issue of more than a million and a half of Dominion notes was literally forced on the banks.

It is absolutely necessary that an adequate supply of gold should be maintained, and it is the duty of the Government to protect its issues, and more especially when they are forced. The first Dominion Note Act provided that the banks should hold 50 per cent of their reserves in Dominion notes, but never less than 33 1-3. The object was to leave a margin, it being impossible always to maintain a given proportion. Sir Leonard Tilley's act extended the minimum to 40 per cent. Now, taking the reserve on 30th April, it will be found that the banks were *required* to hold not less than $7,612,696, but *expected* to hold $9,515,871. They actually held $12,078,345, or more than two millions and a half above their highest requirement. Of this amount the increase in the Bank of Montreal alone was nearly $850,000. The increase has been principally in the banks in Quebec, and is obviously the result of a forced issue on the part of the Government.

The mode of forcing the issues in the Province of Quebec, is through the City and District Savings Bank, which pays out a large amount of small Dominion notes, which of coarse find their way to the Banks and are sent in due course for redemption. Instead of being redeemed as they ought to be in gold, the banks are given large notes of $1000 to $500 in exchange.

It is admitted by the Montreal *Gazette*, which we presume to be good authority, that the Government intimated last week to the banks that "no further demand for gold in redemption of Dominion notes ought to be made on the treasury," an intimation anything but creditable under the circumstances The principle of the Dominion note issue is that, for every note issued, the Government hold as reserves for their redemption gold and debentures, a portion of the latter being guaranteed by the Imperial Government. It was a very objectionable policy substituting guaranteed debentures for gold, and especially as the aggregate reserve was wholly inadequate. Of course we mean by *aggregate* that portion of the total reserve specially intended to meet the demands for gold. No debentures will meet a demand for gold; and if it becomes necessary to sell debentures to procure gold, unguaranteed debentures would be available for the object. Common prudence should dictate to the Minister of Finance that an adequate reserve should be held in gold.

A most damaging admission has been made by the *Gazette* to the effect that the banks have found by experience that "reliance upon the notes as the equivalent of a gold reserve is misplaced, the Government demanding gold for its deposits in the banks the moment the latter ask for gold for the redemption of Dominion notes." Now, by the Dominion Note Act there is special provision made for the redemption of the issues under it, and it is most discreditable to the Government to have interefered with the free action of the banks, and more especially, when they were already holding a very large excess of Dominion notes, by demanding payment of the deposits made on account of the public revenue. Let us for illustration take the case of the Bank of Montreal, our largest bank. On 30th April it held Dominion notes to the amount in round figures of one million and a half in excess of what the law required, and yet because it wished to convert a portion of this excess into gold the Government retaliates by a threat to withdraw its ordinary deposits on account of revenue. We have no hesitation in affirmng that this is a most discreditable use of power, and moreover a violation of the principle of the Dominion Note Act, which requires that the redemption of the issues shall be provided out of the securities specially appropriated by law for the purpose.

We deeply regret, although of course we are not surprised, that the Montreal *Gazette* should have defended the action of the Government towards the banks. The *Gazette* pretends that the large amount of notes held by the banks has been for their own "convenience or economy." The fact is that these issues have been literally forced on the banks, and by taking that most objectionable course, the maintenance of specie payments has been seriously endangered. The Government gold reserve has been wholly inadequate. Nothing is easier than to determine the amount of Dominion notes that can safely be issued on securities, while it must be obvious that 15 per cent in gold is a wholly inadequate reserve. There were about $19,000,000 held by the banks as reserves on 30th April, and although that is an unusually large amount, yet taking the half as the amount which the banks are by law *expected*, not *required* to hold, and we have $9,500,000 of safe issues, and certainly $1,000,000, is not too small an addition for nearly $6,000,000 of the lower denominations, which are constantly varying in amount. This would give $10,500,-000 as the highest safe issue on securities; in fact it is almost too high, as the banks are only positively required to hold $8,500,000 in notes. It may possibly be imagined that we are not justified in charging that the issues have been *forced*. We should readily withdraw our assertion if it can be proved that the Bank of Montreal or any other of our leading banks have sent gold to procure Dominion notes which we need hardly state we do not believe. The notes are in possession of the Government. We have shown that on 30th September notes of the denominations of $500 and $1000 were out to the amount of $9,448,975, and on 30th April $11,230,125 or an excess of $1,781,150, probably equal to the late demand for gold. How, we would ask the *Gazette*, who must be well informed, did these notes get into the hands of the banks? Can our statement as to the mode adopted be refuted? The Finance Minister has got to learn that for Dominion note issues it is simply absurd to regulate the gold reserve by percentage. 15 per cent may be adequate for an issue of say $13,000,000 when 40 per cent would be required for $17,000,000, and of course a proportion-