

upon a certain condition. He therefore, decidedly expresses his opinion, that if Bank notes are restrained from being issued for less than a certain sum (but that sum he does not fix, as it must depend upon various circumstances) and are made liable to immediate and unconditional payment when presented, that the trade, in them, may with safety to the public, be left, in all other respects, free. Here then is the grand standard or criterion of public safety, in all issues of paper, to which even the capital, invested in such undertakings, is as a security to that public, in a certain degree, only secondary, although important.

Societies or Copartnerships for Banking, are divisible into two distinct heads—those where the whole of the individuals are responsible each for the whole; and those where each individual associated, is bound only to the extent of his subscription or stock.

The former are denominated private Banks, the latter Corporate Banks. Of the latter description, is the Bank contemplated by the bill now before the house, of which I shall have occasion to speak more particularly by and bye. At first view, it will strike the un-informed in such questions, that private Banks are safer for the public, and Corporate Banks safer for the stockholders; but the fact is not so—security to the public and the individual partners are so closely interwoven, that the one cannot materially suffer without affecting deeply the other. Corporate Banks are safer assuredly for the *Stockholder* than private Banks, as the possible loss of *each*, is limited to the amount of his stock; but the public derives a security from a corporation, in this essential particular, that a positive stock is required to be deposited, and that stock prohibited from being applied to purposes or speculations foreign to the business of Banking. Private Banks are under no legal obligation to deposit Stock, or to restrain the application of it, if deposited, to the real business of a Bank.—Hence the public are at the mercy of their discretion, in those essential respects. But I may be answered, all this may be theoretically true, but practically fallacious—therefore shew us wherein safety to the public arises, when the Corporate Bank issues paper to an extent beyond the value of its actual funds in specie. To this the answer is ready, but will be more easily comprehended, after a short explanation of the business of Banks, and wherein its profit arises. It will at once be admitted, that if a Bank keeps, locked up in its coffers, a sum in gold and silver, equal in amount to the

notes it issues, there must arise thereto a certain loss of the whole expence of its establishment and contingencies, because the interest lost by the unemployed or unproductive gold and silver, equals the interest received upon the employed or productive notes. The profits of a Bank therefore, necessarily, depend upon an issue of paper or notes, exceeding in value that of the actual funds deposited for their redemption. The question then is reduced to this—What *disproportion* may safely be admitted between such paper, and such gold and silver. This is a question, to which no precise answer can be given, as the disproportion must fluctuate according to a great variety of circumstances; but this may safely be avowed, that the interest of the Bank, from a principle of self preservation, is most decidedly to issue only as much paper or Bank notes, and no more, as will assure them that no greater proportion thereof will come back upon them at one time for payment, than their funds will be able to meet, else their credit and consequent confidence therein are gone for ever, as credit, like the sensitive plant, cannot be touched without shrinking.

Time only can beget confidence in new undertakings, and I am not sanguine in the hope of immediate benefit to the Stockholders, from the contemplated Bank—it may require some years to convince the bulk of the community in this province, that they can safely take bank notes; and until such conviction arises, the business will be a losing one; but that should not deter the proprietors from perseverance even under a lengthy disappointment. It will, from local circumstances require great caution in the Directors at the outset, and probably for some years; but in the end, success must ensue, unless the people of this province be composed of other materials than mankind are in other countries, which none can have the folly seriously to believe.

The quantity of paper or Bank notes which can circulate in any country, must depend upon the quantity of exchangeable commodities therein, and will regulate itself by finding its own level. Circulation is like a sponge, which can imbibe only a certain quantity of water, and when full, any excess must immediately return to the reservoir from whence it was drawn. So it is with paper. The moment the circulation is full, the excess will return upon the Bank, and be exchanged for Specie; and the apprehension of this return, will necessitate them rather to issue too little, than too much paper—indeed the risk is, that for
some