

ities. Another particular in which these statements are calculated to mislead is, that the Provincial notes in the hands of the banks are added to the assets under the same heading as specie. That this is a fallacy, at least so far as the Bank of Montreal is concerned, will be apparent if we simply consider that the total under the head "Coin, Bullion and Provincial Notes," includes these two opposing elements: 1. The specie belonging to the Receiver-General to redeem the Provincial notes; and 2. A portion of these very notes (about \$1,000,000,) for the redemption of which that specie is so held. Even the banks, other than the Bank of Montreal, are scarcely justified in considering their Provincial notes as equivalent to specie, for in the event of a run on the Bank of Montreal, it might be obliged to suspend specie payments; though we admit that the circumstance that this portion of the Provincial notes is held in few hands renders it more available by the holders, and therefore a far more immediate liability of the fiscal agent of the Government than it would be if scattered among the general public. It is not the fault of the Banks that the Provincial Notes are thus included under the same head as specie; in so doing they merely comply with the requirements of the Act.

In order, then, to find the true position of the banks as to their circulation and specie, it is necessary either to add the Provincial notes in the hands of the other banks and in circulation to the circulation liability of the Bank of Montreal, deducting an equal amount from the "Deposits not bearing interest"; or, treating the Government as a bank, deduct the Provincial notes held by the banks from their specie, so as to ascertain the net amount of specie held by the banks, and to add to the circulation the Provincial notes in the hands of the public, so as to ascertain the whole circulation of the country, against which that specie is held.

Prior to the Act the position of the banks, in respect of specie and circulation, could be readily ascertained from the statements, but since the Act came into force it is necessary to take into consideration the following circumstances, which are a short recapitulation of the foregoing remarks:—

1. The whole Provincial notes in circulation are practically a liability of the Bank of Montreal, and should therefore be added to its circulation liabilities; or,

2. If they be not, then neither the specie reserve nor the Provincial notes in the hands of that bank should appear as either its own assets or liabilities, such specie and notes being practically both assets and liabilities exactly balancing each other.

3. That the Provincial notes in the hands of the other banks (amounting to about \$1,000,000 last September,) are equivalent to specie so far as they are concerned.

We may here remark that the immediate liabilities of a bank are for circulation and deposits, and its immediately available assets are, specie on hand, notes and cheques on each other, and balances due by foreign banks. The last item is, approximately, the difference between the balances due to and from other banks.

On this basis, then, we now proceed to compare the position of the banks on 30 September, 1866, (after the failure of the Bank of Upper Canada,) with their position on 30 September, 1867, (immediately before the suspension of the Commercial Bank,) in which interval the Provincial Note Act came into force, and no monetary derangement took place from any other cause. Our figures are deduced from the Bank Statements excluding Bank of Upper Canada, and from a Government Return, dated 11 March, 1868, to an address of the House of Commons, dated 16 December, 1867. On 30th September, 1866, the statements shew—

IMMEDIATE LIABILITIES.	B'k Mont'l.	Other B'ks.
Bank Notes in circulation...	\$3,187,995	\$6,716,324
Deposits by public.....	8,078,762	14,648,883
Do. Government.....	1,015,052	
Total.....	\$12,281,809	\$21,365,207
IMMEDIATELY AVAILABLE ASSETS.		
Specie.....	1,845,325	3,479,260
Notes and cheques of other Banks.....	324,325	1,095,425
Due by Foreign Banks.....	885,736	1,541,383
	\$3,055,386	6,116,068

On 30 September, 1867, the statements shew—

IMMEDIATE LIABILITIES.	B'k Mont'l on its own account.	B'k Mont'l as Government B'k	Other Banks.
Bank Notes in circulation...	\$657,862		\$8,477,058
Provincial do.		\$2,000,000	
Do. B'k Mont'l		385,693	
Do. other Banks		1,000,000	
Deposits, public	7,505,201		19,651,188
Do. Government, on general account, deducting Provincial notes in hands of B'k Mont'l.	2,120,987		
Deposits on issue account...	351,995		
Due by Comm'l Bank on loan.....			300,000
Due Foreign B'ks			84,279
	\$10,636,045	\$3,385,693	\$28,512,525
IMMEDIATELY AVAILABLE ASSETS.			
Specie.....	545,306		4,334,454
Specie held for redemption of Prov'l Notes..		677,138	1,000,000
Provinc'l Notes & cheques of other Banks	379,438		1,550,212
Due by Comm'l Bank.....	300,000		
Due by Foreign Banks.....	976,260		
	\$2,201,006	\$677,138	\$6,893,666

These figures shew—

1. That on 30 September, 1866, the Bank of Montreal held about 25 per cent. of its liabilities available in specie, or what Mr. King claims as its equivalent, while the other banks held about 29 per cent.

2. That on 30 September, 1867, the Bank of Montreal held about 19 per cent. of its liabilities available in the same way, whereas the other Banks held about 24 per cent.

3. That if the other banks had, on the 30 September, 1867, demanded specie for their Provincial notes, the Bank of Montreal would have held less than 12 per cent. of its liabilities in specie or its equivalent, the other banks still holding 24 per cent.

4. That the actual specie in the hands of the Bank of Montreal, even including that belonging to the Receiver-General amounted, on the 30 September, 1867, to only \$1,222,446, shewing a decrease of \$622,879 in one year. The decrease would have been \$1,622,879 had the other Banks obtained specie for their Provincial notes.

5. That during the same period the specie in the hands of the other banks increased \$355,194, and would have increased \$1,855,194, if they had converted into specie their Provincial notes.

6. That although there was during the year an absolute increase in specie held by the banks, yet, relatively to their liabilities, there was a decrease, the liabilities increasing in greater ratio than the specie.

7. That, judging from the balances with foreign Banks, the Bank of Montreal sent \$90,524 out of the country during the year, while the other banks brought \$1,625,662 into the country.

8. That the circulation of the Bank of Montreal, including the Provincial notes, decreased \$530,133, while the circulation of the other banks increased \$1,760,734.

9. That the deposits by the public with the Bank of Montreal decreased \$573,561, while with the other banks they increased \$5,002,305.

10. That the Government moneys lodged with the Bank of Montreal increased \$2,135,068, after deducting the Provincial notes in the hands of the Bank.

11. That on the hypothesis of a general stagnation of business prior to the suspension of the Commercial Bank, the Bank of Montreal was in a weak position, being quite unprepared for heavy demands by the public; and,

12. That on the hypothesis of general prosperity and soundness, involving naturally an increased circulation and heavy deposits, the Bank of Montreal was in such a position as to render it extremely desirable for it to bring about, if possible, and to profit by, a general discredit of the other banks, so long as discredit could be warded off from itself.