

Moved by R. D. Morkill, Esq., seconded by C. A. Bailey, Esq., that the Report of the Directors be adopted and printed for distribution amongst the shareholders. Carried.

Moved by Rev. C.P. Reid, seconded by J.B. Paddon, Esq., that the sum of one thousand dollars be tendered the President for his valuable services for the past year. Carried.

Moved by L. E. Morris, Esq., seconded by Philip Earl, Esq., that a vote of thanks be tendered to the Officers of the Bank for their attention to its interests for the past year. Carried.

The vote was then taken for Directors, which resulted in the re-election of the old Board, viz.:

Benjamin Pomroy, Charles Brooks, A. A. Adams, J. H. Pope, R. W. Heneker, G. K. Foster, H. L. Robinson.

E. T. Brooks, Esq., was then asked to the chair, when a vote of thanks was passed to Mr. Robertson for his able conduct in the chair.

At the Directors' Meeting, the same day, Benjamin Pomroy, Esq., was re-elected President, and Charles Brooks, Esq., Vice-President.

Financial.

THE SENATE DEBATE ON DOMINION NOTES.—The debate in the Senate on the Dominion Note Act contained much interesting information, and we think it advisable to give a synopsis of it even at this late date. On the bill being moved (May 7) Hon. Mr. McPherson said that the Government must either adopt this Dominion Note system, or retrace their steps and leave the entire circulation of the country to the banks. He inferred that it was the desire of the Government to introduce the Dominion note system, but he considered it undesirable and unwise to place the whole banking system of the country in the hands of the Government as it would lead to unfortunate results. If Government undertook the issue and redemption of the currency, it would be uniting the finances and the politics of the country which might lead to disaster. In time of panic it would cause all to lean upon the Government, and Government might find it difficult in finding specie to redeem Dominion notes. Debentures are held now for the purpose of being sold to provide specie; but in times of panic, government securities would, like all securities, become depreciated and unsaleable. This was true even of British Consols. In a Government bank there was an absence of power of expansion, and such power was indispensable to the trade of the country. For the first eight months of 1865, the circulation varied very little. It ranged from \$8,761,239 to \$8,066,202; in August it stood at \$8,445,068; in September it increased to \$11,347,890, an increase of nearly \$3,000,000; in October it ran up to \$14,158,313, a further increase of nearly \$3,000,000. It then began to decline, and in November it fell to \$13,338,598, and in December to \$12,128,772. He read an estimate for the same year of the circulation of Ontario and Quebec separately. In preparing this he had assumed that two-thirds of the circulation of the Bank of Montreal and the British North America Bank was in the Province of Ontario. With respect to other banks he assumed that their circulation was all in the Province where their head offices were situated, although he knew this was not strictly correct; for he was aware that a large proportion of the notes of the City Bank of Montreal and the Quebec Bank were circulated in Ontario; and he also believed a large proportion of the circulation of the Banks of Montreal and British North America, than he had assumed. He was persuaded that he had largely understated the circulation of Ontario, but it could not be ascertained precisely, and he preferred to err on that side. According to his estimate therefore the circulation in the Province of Quebec from January to August, inclusive, varied from two millions and a third to a little exceeding two millions and a half. In September it increased to \$3,642,760; in November it fell to \$3,365,260, and in December to \$3,097,221. In the Province of Ontario for the first eight months of that year the circulation varied from five millions and three quarters to six millions and a quarter, standing on the 31st August at \$6,074,692. In the following month, September, it increased to \$8,

341,822, being an increase of nearly two millions and a third. In October it increased to \$10,515,553, being a further increase of upwards of two millions, an increase of four millions and a half during the two months when the chief portion of the harvest of Ontario is being removed to market. In November it declined to \$9,973,338, and in December to \$9,031,551. He would leave hon. gentlemen to imagine what the consequences would have been in Ontario had our system of currency not admitted of expansion. He would read a statement of the circulation of last year, 1867, after provincial notes had very nearly taken the place of the circulation of the Bank of Montreal. In this year the circulation was lower during the months in which expansion usually took place, than in 1865.

Jan.	\$13,148,478.	Sept.	\$12,357,663.
Feb.	13,298,958.	Oct.	13,678,762.
Mar.	12,813,694.	Nov.	12,620,023.
April.	12,254,924.	Dec.	12,087,515.
May, June, July & Aug.	about 11,500,000.		

At no time did it reach the circulation of Oct., 1865, when it exceeded \$14,000,000. This was, no doubt, due to the crisis that followed the suspension of the Commercial Bank, and he believed gentlemen from Ontario would agree with him that the contraction of the currency that then took place, bore very heavily and prejudicially upon the interests of that Province.

He had prepared an estimate for 1867 of the circulation of Ontario and Quebec, separately made, in the same manner as the estimate for 1865; and assuming that Provincial notes payable at Montreal were circulating in the Province of Ontario, and that those payable at Toronto were circulating in the Province of Quebec, it showed that it had varied less than in 1865, ranging in Quebec from about \$3,000,000 to \$3,600,000, and in Ontario from a little over \$8,000,000 to about \$10,250,000.

The cost of money would be increased by the withdrawal of the bank circulation. In the past the people of Canada had obtained money at a cheap rate. The profits of the banks had been moderate, perhaps, under seven per cent. on an average. A large portion of that profit was derived from circulation. In this country the majority are borrowers, and interested in seeing that the price of money is not needlessly enhanced.

Hon. Mr. Campbell in reply thought his hon. friend appeared to confine his attention not so much to what was for the interest of the public, as to the stand point from which bankers looked upon the proposition.

Hon. Mr. Bureau said, in 1850 the free banking system was introduced. The government, through the Inspector General, granted to certain individuals who complied with the Act 13, 14 Vic, Cap. 31, notes for circulation to an amount equal in value to the bonds or debentures purchased from the government, which became the principal guarantee for the redemption of the paper money in gold in case that the holders demanded it. This Act was subsequently amended in 1851 and 1856; these notes could not be offered as legal tenders, which was the reason the free banking system did not succeed. The present system is based on the following principles: each bank has the right to issue paper money redeemable at the office where they are issued, in the following proportions:—(1.) To the amount of paid up capital. (2.) To the amount of gold on hand. (3.) To the amount of value of government bonds. The directors and stockholders of these banks are responsible as follows:—The directors are jointly and severally responsible for breaches of trust or bad management towards the creditors and stockholders. The stockholders are only responsible for double the number of shares held in the bank. The banks in general are bound to buy government securities for one-tenth of the paid up capital. The success of this system cannot be denied. The government had commenced a new system, the issue of paper money granted by the Dominion redeemable in gold on demand, and a legal tender for debts contracted in the country. He considered the United States banking system best calculated to guarantee the public as to the redemption of the currency.

As regards fixing a limit to the rate of interest he said in the United States seven per cent is the rate unless fixed by State law. The following is the rate in different States:—Six per cent. in Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, North Carolina, South Carolina, Arkansas, Florida, Illinois, Iowa, Kentucky, Mississippi, Missouri, Ohio and Tennessee; seven per cent. in New York, Georgia, Michigan and Wisconsin; eight per cent. in Alabama and Texas; and ten per cent. in California. France, after abolishing all restrictions on money, has deemed it wise to fix the maximum rate. In England there is no necessity to fix a rate, for the immense amount of capital there is a guarantee that the rate will be always reasonable. We have proof in examining the discount charged by the Bank of England from 1st January, 1844, to 1864: In 1844 the rate was 4 per cent. for 249 days, and 2½ for 406 days; in 1845 from 3 to 3½; in 1846, three; 1847, from 3½ to 8; at this last rate 28 days; in 1848, from 3 to 4; in 1849, 2½, 399 days; 1852, from 2 to 2½; 1853, from 2½ to 5; 1854, 5 to 5½; 1855, 3½ to 5; 1856, from 5 to 6; 1857, from 6 to 10; 1858, 3½ to 6; 1859, from 2½ to 4½; 1860, from 3 to 6; 1861, from 3 to 7; 1862, from 2½ to 3; 1863, from 3 to 7; 1864, from 6 to 9.

Hon. Mr. Capais considered that our legal tender notes resembled very nearly the American system of currency, and he agreed with hon. members that the currency of the U. S. was in many, if not every respect, the best suited to the wants of this country. The government were considering a general system of banking.

Hon. Mr. Wilmot considered that the issue of government legal tenders would give security to the public, and at the same time the banks would be indemnified by receiving interest upon their issue at the rate of 5 per cent., besides a commission of one per cent. for management. Treasury or government notes had been in circulation in Nova Scotia for a long time. The banks there had been limited to five pound notes. The result has been, that with an authorized issue of notes to the extent \$800,000, they have been able to put up most of their public buildings without paying one penny interest for them, while no bank has failed, and as large dividends have been made, as by banks in any other part of the Dominion. If this system had worked well in Nova Scotia, what harm could result from extending it to the whole Dominion. Mr. Gladstone lays down the proposition that all money, whether metallic or paper, should be issued by the state, and the public should be thoroughly secured, and a portion of the benefits accruing from the circulation should go to the revenue. Sir Robert Peel introduced a currency measure to take from the banks the power of issuing notes and to place it in the issue department of the Bank of England. This was known as the Bank Act of 1844, which according to the bullionist theory was to make the Bank of England notes convertible into gold, on demand, at all times. The first trial of the act was in the crisis of 1847, when the government was compelled to authorize the bank to issue notes beyond what the law provided. This was repealed again in 1857, and in the late crisis of 1866, the joint stock banks in London held a larger amount in deposit of the Bank of England notes than the whole amount of gold in both the banking and issue departments, and they threatened to withdraw it unless the Government authorized the bank again to break the law. Had they demanded and received their deposits in gold, all other depositors and note holders would have been deprived of their legal rights, and the Bank of England note would have been inconvertible. The Government were not to have the right to issue notes to any extent they pleased, but a portion of the annual taxation should be a basis for the note issue, and in banking purposes the extent of that issue should depend upon certain specified securities to be deposited in a public department. He did not argue against the proposition that there should be some mode by which the Government should give security; but at the same time, he held that the State had an inherent right, in case of absolute neces-