

THE CANADIAN BANK ACT.

Regarded in the light of results, the Canadian Bank Act is one of the most satisfactory achievements of man in the domain of commercial law. As previously stated, it owes its perfection to the unity which has generally existed between the Government of the day and the banking community. Occasionally, the Government has been swayed by some ulterior object, as when it essayed to compel the banks to transfer to it their unclaimed deposits or attempted (successfully in this case) to secure a large issue of Dominion notes by forcing the banks to keep forty per cent. of their cash in that form. But, as a rule, the banks were able to defeat any measure that would injure the system, while the Government restrained itself with commendable self-control.

Nevertheless, there have been occasions when the proposals of the Government had to be energetically fought, and still more frequent times when the proposals of certain sections of the country, through their parliamentary representatives, required all the influence and reasoning power of bankers to defeat schemes which would have lowered the Canadian banking and monetary system to a level of that formerly existing in the United States, from whose example many of these proposals were derived.

It is very fortunate for Canada, in the end, that her early experience with card money and assignate taught her the fallacy of fiat money. Millions of dollars were lost in these desperate resorts of bankrupt governments, and, as a consequence, the people, as a whole, looked with disfavour upon a currency system which is not redeemable in some absolute standard of value. Even in the midst of the War of 1812, Canada did not resort to fiat money, or even borrow on her credit without making provision for redemption. Her Army Bills carried interest, and were exchangeable for London drafts at certain periods.

There is no doubt that much of the success of the various Bank Acts has resulted from the fact that they were for a ten-year term. When occasions arose which excited public clamour against any part of the Act, it was easy to quiet the agitation by the promise to make a note of the complaint and revise the troublesome clause at the usual revision. This afforded time, as a rule, for careful study, for the abatement of public excitement, and in some cases the amendments adopted were not in the least degree in harmony with the first demands of the people. Some of the many proposals which have been brought forward may be here noted.

Canada lies so near the United States that it is only natural that we should look frequently to that great country for information and example, ignoring the fact that in many cases that country has been peculiarly unfortunate in the conditions under which its systems have been originated. The National Banking System, for example, resulted

almost altogether from the Civil War, and the necessity of replenishing the Treasury and the conditions which gave rise to it having passed away, the system found it more and more difficult to adapt itself to the ordinary circumstances of trade. The idea of basing a currency issue upon the holding of Government bonds was quite sensible when the Government was issuing bonds, and especially profitable when these bonds were at a discount and carried good interest. But just so soon as the country entered again upon peace and prosperity, and its bonds rose to a premium and were converted into bonds of lower interest, the country found itself in difficulties with its bank currency when that currency should have been increasing in proportion to the demands of commerce. It was this circumstance which enabled the silver advocates to make their long fight, and to deceive the public by calling a gold basis currency a rich man's weapon.

Canada naturally has had advocates of a currency based upon Government bonds. Her Dominion currency may be said to be so based, and there has probably been not a single revision of the Bank Act without someone proposing the adoption of the United States system.

The Free Banking Act of 1850 introduced into Canada the system of issuing bank notes against deposits of Government securities with the Government. Interest was allowed on the deposit, and then ruling tax of one per cent. on bank notes was remitted on such cases. Several banks were established under the Act, but as the system could not for a moment compare with that of the chartered banks, for economy, the result was the winding up of some of the banks, and the securing of charters by others. The failure of the system when placed in competition with that still in force is, and has always been, a lesson to Canadian politicians, who now endeavour to secure the safety of the bank note by methods which will not burden the business man with extra charges or deprive him of the fullest advantage to be derived from an elastic, cheap bank circulation, to protect which it is not necessary to lock-up an equal amount of funds. While as a result of the demands for currency at busy seasons, and also in connection with the emergencies of war, arrangements have been made for the temporary expansion of note circulations against deposits of securities with the Government, as a permanent system applicable to the whole bank note circulation, no such retrograde move is to be anticipated.

(To Be Continued.)

PERSONAL.

Mr. Randall Davidson, manager for Canada of the North British & Mercantile Insurance Co., is visiting important agencies of his Company in the Lower Provinces.