

FREE BANKING IN CANADA.

I.

In the session of 1850 of the Legislative Assembly of Canada, the Honorable William Hamilton Merritt introduced a Bill "to establish freedom of banking in this Province, and for other purposes relative to Banks and Banking."

The group of large chartered banks which had hitherto carried on the banking business of the Province seemed to the general public to be insufficiently equipped with capital. Whether just or not, complaints of a lack of banking facilities were frequent, and there was a widespread demand, as often happens in comparatively undeveloped countries, for an increase of bank capital, for the extension of banking facilities, and particularly for the incorporation of small banks in the lesser towns where local opportunities for accommodation were much desired.

Important safeguards in the then existing banking system were the large capital stock of the banks, the small number, doing business, the broad fields from which they drew their business, and the prudent and cautious manner in which that business was as a whole conducted. It was thought that in maintaining the system it would be very difficult for the Legislature to refuse to incorporate small banks for the small towns. But to allow such institutions the important privileges of the chartered banks, especially that of circulating notes which would be only a general charge against assets, seemed too great a risk. If small banks were to be established it was necessary to devise some other plan for issuing a sound currency. There was no bank of such predominant position that to it alone, as to the Bank of England, the function of issue could be entrusted, after the complete failure of Lord Sydenham's proposals of 1841 (largely, to be sure, through the influence of the chartered banks); there was no probability of establishing a Government Bank of Issue, and there was on the part of the Government itself such pressing financial need that any step towards relief would be welcome.

The Free Banking Laws of the State of New York had