

I consider, then, that our present system, with certain improvements to be named hereafter, is capable of fulfilling every reasonable demand, both of convertibility and security. It is free from certain objections which lie against other systems of circulation, and its continuance would save the country from a protracted financial revolution. It produces the greatest economy of capital; it enables the largest amount of facilities to be given to trade and commerce; and it provides, naturally and easily, for those expansions and contractions which periodically occur in agricultural communities. It is sound in principle, being based on redemption in gold on demand; and the certainty that excessive issues must immediately return is an efficient check on irregularities. A government issue of circulating notes even if it could be substituted for our bank circulation without disturbance, is open to grave financial and political objections. Of the former the gravest, in my judgment, is that in a period of pressure the government could, at pleasure, suspend payments of its notes in specie without ruin. Its very existence, therefore, is bound up in maintaining specie payments inviolate; but no such pressure would weigh upon the government, whose operations under suspension of specie payments would go on undisturbed. The political objections to such a system are perhaps graver still. With regard to a system by which the bank circulations are based on government securities, I may observe that it is in every respect preferable to the foregoing. It would still be open, however, to the grave objection, that its substitution for the present system would inevitably produce a financial revulsion; and when in operation, it would be without any facility of expansion required by the incidents of our seasons; it would be far more difficult to work; be exposed to greater risk of inconvertibility; give less security to depositors; and provide no better ultimate security to note holders. If it led to the establishment of small local banks, these would be exposed to all the evils previously referred to. If the experience of the national banks of the United States is pointed at in this connection, I may observe—and it is a fundamental point in the question—that the currency of that country is not now on a specie basis, and has not been since the national bank act was passed. No argument can, therefore, be drawn which is applicable to the circumstances of Canada.

After a careful study of the causes which have led to the failure of our banking institutions, and of the course of action which those failures suggest, both for the public interest and the safety of creditors and stockholders, I have come to the conclusion that, while it would be in most inexpedient to introduce any radical and fundamental changes in our banking system, it would be highly desirable were improvement and modifications introduced in the following important particulars, to which I humbly crave the attention of the Honorable Senate:—(1.) As to the qualification of Directors. I begin with this, because in the it is Directorate that the essential power and character of the Corporation consists. It is obvious that it is a matter of fundamental importance to secure for the governing body of the corporation those who have a large pecuniary interest in its prosperity. It is, I think, further obvious that the qualification for the control and government of a corporation with large capital should be greater than that required for the government and control of a corporation with a small capital. I respectfully suggest, therefore, as the first measure of amendment, that to remedy the evils which have been found to arise from a weak directorate, the future qualification for a director of a chartered bank be the possession, in his own name and right, of at least one per cent. of the capital stock. (2.) I conceive it to be a point of fundamental importance in the management of a Joint Stock Bank to accumulate and maintain a considerable rest or guarantee fund. The banks of Canada, until recent years, all fell into the serious mistake at various times, of dividing nearly the whole of their reserve fund amongst the shareholders, in the shape of bonuses. Calculation will show, that had the various sums that were thus injudiciously and improperly divided in the case of the two banks

which have failed, been retained and invested, a sufficient sum would have accumulated to have saved them both from suspension.

I recommend therefore, that a bank be prohibited from distributing to its stockholders in any one year more than eight per cent of its profits, until its rest or reserved fund reaches 25 per cent of its paid up capital, after all bad and doubtful debts have been provided for; and should this reserve be infringed on for the purpose of keeping up the dividend, the amount be again made good. (3.)—I would prohibit the reduction of the capital of a bank under any circumstances. The reduction of the capital of the banks in Canada has been proved to be productive of great evils. Instead, therefore, of allowing such a measure, when the capital has been impaired by losses, I would give powers to the directors, and make it imperative to call upon the stockholders for a sufficient amount to restore the capital to the original amount. One effect of a provision of this kind in all probability would be, that stockholders would take a deeper interest in the affairs of their corporations than they appear generally to have done, at all events when affairs seemed prosperous. The returns required from the banks have undoubtedly exercised, to a certain degree, a corrective and restraining influence. This might, I conceive, be considerably increased, and it would be of great benefit to the public and to the customers and stockholders of the banks if it were so. The returns of the Bank of France, I submit, might be adopted with advantage as a model upon which to frame the returns of the banks of Canada. I make no further suggestion in detail but submit that had the banks for the past ten years been required to state separately the amount of their loans to merchants, and men of business; their loans to railway or other corporations; their loans on security of railway bonds; debentures, stock, &c., and their loans to the Government; distinguishing such as were due and over due, and such as were secured by real estate; if, in addition, the banks had been required to show what they owed the Government, as distinguished from other depositors, and what their foreign agents, as distinguished from other bankers, it is certain that much mischief would have been checked in its beginning, and more would have been prevented (through fear of the returns) altogether. (5.) The privilege of circulation ought certainly to be continued, but it might be an advantage to restrict it to the amount of capital and government securities. (6.) The banks should be required to hold 20 per cent. of their demand liabilities in specie or legal tenders, and so long as they do this to prevent public interests suffering by any bank jealousies or hostilities, they should be bound to receive all current notes on deposit, provided the same were fully redeemed. (7.) In case of it becoming necessary to wind up the affairs of a bank, the interests of creditors should be paramount, and the stockholders be called on to make good any deficiency to the extent of their ability without delay.

The above amendments are all I would suggest with regard to existing corporations; but as respects any to be created in future, I submit that the following regulations as to capital might be adopted in addition:—Let no bank be chartered in the cities of Montreal, Quebec, Toronto, St. John or Halifax, having a smaller capital than one million dollars, and let the maximum capital for any such bank at no time exceed four million dollars. Any bank located at any other town or city in the Dominion, should have a capital of not less than one million dollars, but this should be the maximum, and the minimum. But if the population of any such town or city increases to 40,000, the maximum might be enlarged. No new bank to commence business until 20 per cent. of its capital is actually paid up and deposited in some chartered bank, to be approved by the government. I do not suggest that the power of circulation should be bestowed on any new bank at once, as no vested interest would be disturbed by withholding it for a time, and circulation does not necessarily expand with the progress of the country. A new bank could without difficulty make ar-

rangements with an older one, whereby its issues could be used to mutual advantage, in the same manner that many country banks in England now arrange with the Bank of England. After its stability was proved, the privilege of circulation might be granted. If the foregoing suggestions are carried out, any circulation, other than that of the banks, will be unnecessary, as the country will possess a well secured system of issues, perfectly adapted to its circumstances, and a banking system as carefully guarded against abuse as it is possible to compass.—(Concluded.)

SECURITIES ISSUED BY THE DOMINION.—A return of the amount of securities whether bonds or stock issued by the Dominion since 1st July, shows that £225,000 stg. of Nova Scotia six per cents have been sold at par, and Dominion stock to the amount of \$1,600,000 has been allotted. There were 10 tenders for the Nova Scotia bonds, and 145 for Dominion Stock. The charges arising out of the negotiations of the former were \$24,637.50, and out of the latter in cash \$12,500, in stock \$10,000, total \$22,500. \$20,000 have also been realized from the sale of old provincial debentures of New Brunswick.

SALES OF GOLD.—The total sales of gold by the United States government since 1861 amount to \$200,325,856 and the commissions paid were \$231,650 or about $\frac{1}{4}$ per cent. This coin was sold at an average price of 146 $\frac{1}{2}$ and brought in currency \$293,782,359. The 5-20 loan of 1862 cost \$900,000 in commissions. The 7-30 loan of \$30 millions cost about 4 $\frac{1}{2}$ millions in commissions.

Mining.

SALT NEAR BERLIN.—The latest accounts of the Government boring operations at Sperenberg, near Berlin, state that the total depth attained was 773 feet; at 277 feet below the surface a solid bed of rock salt was struck, and it proves to be one uninterrupted stratum of (hitherto) 496 feet thickness. How much deeper it goes is not yet known, but orders have been given to continue the boring till the thickness of the bed is ascertained. This is quite a new feature in the geology of Berlin; it was known that the city stands on a formation teeming with living animalcula, as proved by the observations of Professor Ehrenberg with his powerful microscopic apparatus, which has already revealed such wonderful and unexpected results of the workings of nature; but the German geologists hitherto never entertained the most remote idea that there was such an inexhaustible bed of salt only a few miles distant, which will now be able to supply by railway the whole of Prussia with this indispensable article of every-day consumption, and make them for the future independent for their supplies on shipments from Liverpool and Setubal.—*London Grocer.*

NOVA SCOTIA GOLD.—We were shewn the other day a bar of gold weighing nearly 48 ozs. from the Orient Mines, Wine Harbor, Nova Scotia. The Company to whom this belongs exported by the Boston steamer on Thursday morning last 600 ozs. From many parts we hear very encouraging news concerning the gold mining operations in the sister Province which yields a larger percentage of gold compared with the number of men employed than any other country in the world.—*N. B. Echo.*

GOLD CLAIMS.—We learn that the tract of land between Mount Uniacke and Beaver Bank, known as the Bushby Hill Farm, owned by Mr. Thomas Leahy of this city, consisting of about 300 acres, has been declared a gold mining area. Some fine specimens of gold bearing quartz from the new fields were exhibited in the city to day. The entire tract, which is distant about 25 miles from Halifax, has been all taken up as gold claims.—*Halifax paper.*

SANDSTONE.—The Collingwood Enterprise says a splendid quarry of building stone has been opened at Dunroon, in Nottawassa. It is a fine Medina sandstone, easily worked, it can compete favorably with Ohio stone.