

alternative proposal. This had a very simple look on paper, and only a few lines in the Banking Act were required to make it law. But it had a very far-reaching aspect, and has proved in practice sufficient to make the notes safe, even when a bank has been scandalously or even fraudulently mismanaged. At the next renewal of the charters, still further safeguards were introduced in the shape of a Redemption Fund, which, however, it has never been necessary to put into operation, though there is held by the Government a large sum available for the purpose, contributed by the banks in a fixed ratio to their circulation.

The charters of the banks were again under review in 1891 and the Association acted with considerable effect in preventing what would have been an undesirable addition to the Act. It is easy for doctrinaires to frame theories: it is only practical men who can judge of their effect. On this occasion, as once before, it was proposed to introduce a prominent feature of the American system, viz.: the compelling by law of a fixed minimum of reserves to be held by the banks. Against this we were a unit, for good reasons. We argued the case with the Finance Minister, but like most doctrinaires he was fixed in his opinion, and insisted on its being made law. We then took the strong step of appealing to the whole Cabinet. The Prime Minister (Sir John Macdonald) was again in power, and a hearing was courteously conceded to us, a very rare favor. We stated our case; some four or five speaking, the most prominent being the General Manager of the Bank of Commerce, who had formerly been manager in New York, and could speak from practical experience. At the close of the interview the Premier desired us to put our views into writing, which was done, and we heard shortly after that the clause had been abandoned.

Thus for the second time, Sir John overruled his Finance Minister in a matter that concerned the banks. It was on this occasion that the further step was taken in the way of making bank circulation secure by the formation of Redemption Fund under the auspices of the Government to which all the banks contribute. I always had the impression that the making notes a first charge would render any further assurance unnecessary; and events have so proved it. The fund, however, was formed, and when its provisions came to be understood, it was found that under them the whole of the banks were practically guarantors of each other's notes. This was never intended by its promoters, but it is now the law, and under it we may safely assert that the bank circulation of Canada is far better secured than that of any circulation in the world.

Before the decennial period of 1901 was reached, some scandalous revelations took place with regard to the overissue of notes by a bank that had failed in Montreal. This circumstance gave rise to a good deal of discussion, and to suggestions with regard to giving the Government increased powers of supervision over the banks. Impracticable ideas were again ventilated and discussed. At length it was determined that as none were so much interested in the matter as the banks themselves