

discounts \$7,500,000, and using the \$2,500,000 of specie thus ruining the mercantile credit to the above extent, and in all probability of half as much again.

The banks to obtain the legal tender notes will pay over to the Government the necessary amount in gold by withdrawing it from their deposit reserves, and through the agency of cheques paid, diffuse it over the country. The amount we shall suppose to be taken by the banks to be ten million dollars though of this amount there would be little hope owing to the diminution of discounts caused by the curtailment of credit indeed there is no likelihood that for many years a circulation of ten millions would be attained. Yet for the sake of illustration I shall use these figures. The \$10,000,000 received less \$1,000,000 kept as reserve for redemption, in all probability will be sent to England to retire indebtedness: (or most likely used in construction of Intercolonial Railway.) This view we shall take at present, and afterwards that of its expenditure in Canada. Seven and a half million dollars are now lost to business, with one million reserved for legal tenders.

The country it may seem to some on a superficial view has been benefitted to the extent of nine millions at a loss to mercantile credit of but \$7,500,000, this so far figures go correct, but the conclusion drawn is false in fact, and the figures are deceptive, as the question should be, not relief from debt, but from taxation. If interest on debt. The country at large will not have been saved more on its (lost) nine millions than it made on its seven and a half millions borrowed on banking credit. What can be thought of such financiering as withdraws capital or credit from employment at 7 to 10 per cent., and sends it to a country paying but 2 per cent. or, withdrawing it from profitable employment at the above rate to more capital borrowed at 5 per cent. Consider with this that the State of Massachusetts, has negotiated a loan for twenty years to run at 4 per cent per annum. Surely all the capital we can import at 4, 5, or even 6 per cent can be used here and made to pay. Were bonds or Government debentures payable in Canada issued here, it would be but returning the money to holders who would readily re-invest in Government stock, or other securities, thus making no change except disturbance in Canadian capital; holders of Government stocks not generally being persons who would invest their means on any enterprises for developing the country. The following consequences would most likely ensue. A considerable amount of Canadian stock at present held in England, would be known on our markets for sale, in expectation of advanced prices. Such a large sum as ten millions of investment, would raise the price of all kinds of stocks, and a considerable amount would be absorbed and withdrawn in premiums. A large amount would also find its way to England and the United States, in consequence of the financial depression that would previously have occurred on the withdrawal of this accommodation.

The withdrawal of the power from banks to grant credits by means of circulation, could not but have a powerful effect in heavily increasing the rate of interest.

The preceding remarks though lengthy are necessary to show a reason for the following plan.

In any change of currency the object to be kept in view should be the causing as little loss and derangement to present interests as possible.

To obviate the immense loss and disaster which must ensue should the banks be forced to call in their circulation, and withdraw funds from their deposit reserves for the purchase of legal tenders, the suggestion is now made that the Government in preference loan to the banks permanently the currency with which to retire the present circulation, charging interest on average amount circulating \$10,000,000 or \$12,000,000, which would include present issue of legal tenders, at say 4 per cent. per annum, amount loaned to be borrowed and returned as required, but not to exceed amount of paid up capital, unless secured by Government debentures. This measure would give the expansiveness required at the spring and fall, and would give the kind of security which some think the people require. It would also be a considerable item in the Government revenue worth at least \$400,000 per annum, and the loss to the banks over the cost of the present system would not, I am persuaded, be over one per cent. It would not I think be necessary for the Bank of Issue to keep on hand more than one per cent. of a reserve, as the notes being in universal use would seldom be sent for redemption, and an arrange-

ment might be made that all banks should in the first place be required to give specie in payment when asked for by holders. The danger from a bad Government would be small, with an efficient and honest controller at the head of the Bank of Issue. Any sudden demand for specie could be met from the bank's reserves of gold, to be replaced by Government sale of debentures or exchange at the earliest moment, as it will be seen that by the above plan no specie would have been withdrawn from the banks.

The object of the Government it is to be presumed is not so much the getting rid of debts of taxation, and the plan now submitted has I think the merit of achieving that last result in the manner most beneficial as there can be no doubt that for this country it is better to continue to borrow capital at 5 per cent. from England, than to withdraw the amount from profitable pursuits where it is worth from seven to ten per cent.

This scheme I believe has the great advantage over a currency based on Government securities, that while its volume expands its value is fixed and cannot fluctuate with the rise and fall of Government stock—as do the National Bank Notes of the United States. The public being secured not only by the Government, but also by the banks, the Government should have the first charge on the Banks assets in case of suspension.

The banks and public would be freed from the disastrous effects of panics and runs. The banks could more confidently advance, and their customers could more confidently depend on their credits.

The cost of a Bank of Issue of two branches should not exceed 1-10 percent. of circulation.

The saving to the banks in express charges under this scheme could not but be considerable.

Were the system of economising capital by means of exchequer bills in operation here, (bearing say 6 per cent. interest,) it would as a means of investment here, aid in preventing the accumulation of Canadian bank capital in London and New York. These bills being payable yearly would have a fixed value of interest, and might well be used as in Scotland, in the settlement of the bank balances at Toronto and Montreal.

SECOND REPORT OF THE SELECT SENATE COMMITTEE, UPON THE CAUSES OF THE RECENT FINANCIAL CRISIS IN ONTARIO

THE Select Committee appointed to enquire into and report upon the causes of the recent financial crisis in the Province of Ontario, beg leave to submit the following as their Second Report.—

That in their first Report, your Committee had the honor to submit to your Honourable House they presented much valuable evidence bearing upon the subject referred to them.

That they now submit that of Mr. E. H. King, General Manager of the Bank of Montreal.

That the gentlemen connected with the management of Banks in Ontario, who have given evidence, with the exception of Mr. Paton, of the Bank of British North America, are unanimous in stating:—

That general prosperity prevailed in Ontario in October last, when the financial crisis unexpectedly occurred in that Province.

That while it continued, it was severe and alarming; and that the best interests of the Province were placed in serious peril.

That it was attended with public distrust in the Bank Note Currency of the country, as evidenced by a run upon several of the Banks, and general and great depreciation in the value of the staple products of that Province.

That this state of things continued until the Government announced that the Notes of all the Banks, except those of the Bank of Upper Canada, and the Commercial Bank, would be received in payment of public dues.

That the primary cause of the crisis was the suspension of the Commercial Bank of Canada.

That, in their opinion, the crisis was aggravated by the course pursued by the Bank of Montreal, in refusing to receive, in certain cases, the Notes of other specie-paying Banks, except on collection. (Mr. Paton of the Bank of British North America, and Mr. Cassels of the Gore Bank, express opinions different from the majority of the Bankers upon this point—which will be particularly seen on reference to their evidence.)

That under the Provisions of the Provincial Note Act of 1866, the Bank of Montreal, having withdrawn its own Notes from circulation and substituted for them the notes of the Province, it was no longer interested, in common with the other kindred institutions, in maintaining unimpaired, the credit of all; and that the effect of that Act was to place the interests of the Bank of Montreal, the most powerful moneyed institution in Canada, and the Fiscal agent of the Government, in antagonism to those of the other Banks.

That Mr. King's explanation respecting the refusal, by some of the agents of the Bank of Montreal to re-

ceive the notes of other specie paying banks, is contained in his evidence, answer No. 4.

That your Committee further submit, that much valuable information on the important subject of Currency and Banking, will be found in the answers to questions Nos. 10, 11 and 12, in the evidence presented with their First Report.

That it will there be seen that the bankers are almost unanimous in condemning the existing Provincial Note Act, giving their reasons herefor, very fully.

That they are equally unanimous in stating, that in their opinion it would be for the general interests of the country, to return to the banking system as it existed before the passing of the Provincial Note Act, with additional guarantees for the certain redemption of bank notes on demand limiting the issue of the same; providing greater security to depositors; recommending that an improved Form of Return be made by the Banks, suggesting a Government inspection, and other amendments.

That your Committee recognize it as one of the first duties of Government to provide a secure currency—one that will command the largest measure of public confidence, and be convertible into coin on demand.

That your Committee are of opinion that the extension of the Bank of Issue, system, now partially in operation, would be suited to the requirements of the country, and injurious to its best interests.

That your Committee venture to express the hope that the Government may recommend to Parliament, a return to the system which formerly existed (improved as suggested in the evidence submitted, and already referred to herein) and under which Canada attained to great prosperity.

That if the financial requirements of the Dominion should induce the Government to desire the introduction of a new system, including the taking possession of the currency of the country (which your Committee would strongly deprecate,) then your Committee would recommend that the issue of the paper currency be based upon the deposit with the Government of public securities of the Dominion, under a system somewhat analogous to that of the National Bank system of the neighbouring United States, but redeemable on demand—the Government regulating the issue under the authority of Parliament: the Banks through which the notes are issued, being responsible for their instant redemption.

That your Committee beg leave to express the opinion, that in view of the early expiration of the Bank Charters, it is highly desirable that the Government policy on Currency and Banking should be settled and announced as speedily as possible.

That should any material change in the system be proposed, your Committee suggest that it be introduced very gradually and with great caution, in order to afford opportunity for observing its effects upon the interests of the country, and time to int. rose by legislation should they prove prejudicial.

In conclusion, your Committee being of opinion, that the returns, as at present required from the Banks are not as full and particular as the interests of the public and shareholders require, beg respectfully to recommend that the annexed form be substantially adopted for the returns of all the Banks of the Dominion, and that in consideration of the importance of the matter, an Act be passed during the present Session, requiring them to adopt it.

All which is respectfully submitted

D. L. MACPHERSON,

SENATE COMMITTEE ROOM.

Chairman.

25th April, 1868.

AN arrangement having been made for the running of the steamer *Secret* once a fortnight to the Bay of Chaleur, the Government steamer *Lady Head* is set at liberty for service in some other quarter. It is not known as yet where she is to be sent, but it has been suggested that during the summer months she might be employed with advantage in making a few trips to the North shore. The great interest that has recently been excited with reference to the mineral treasures below the Saguenay, and more especially below Point des Monts, renders it desirable that access to the district should be provided in some shape. There are no roads, and it is only by having a sailing vessel from Quebec that the different points on the coast can be reached at present. A visit to the North shore therefore involves the loss of several weeks, so that the country is practically inaccessible so far as the public are concerned. With the *Lady Head* making four or five trips, fortnightly or every three weeks, during the months of July, August, and September, there can be little doubt she would have as many passengers as she could carry, though the freight for the first season would doubtless be small. The Berimins, Goodbouts, Seven Islands, Moisie, St. John, Mingan, Equimaux Point and Natashquan, are among the places at which the steamer could touch with advantage. The anglers alone visiting the rivers would yield a considerable business, while the mineral resources of the country would be sure to attract numerous visitors. Nowhere on the continent could the invalid, debilitated and broken-down seek for health with more certainty of finding it, while with all the disadvantages of a short season the points fit for settlement are not so few or forbidding as is usually supposed. The Government owe it as duty to the country to render this terra incognita in some slight degree accessible. —*Quebec Chronicle.*

HOR GROWIN.—The vine has made its appearance, and there has been lively work in the hop yards of this county during the past week: most of the poles are already set.—*Copperstown (N. Y.) Freeman's Journal.*