

April 19, 1872

reserve to meet Dominion notes.

Hon. Sir FRANCIS HINCKS: Of course the Government will be perfectly prepared in dealing with Dominion notes to deal with any funds at their disposal.

Hon. Mr. HOLTON: If he understood the proposition of the hon. minister of Finance, he proposed to deal with deposits in the Banks as if they were so much specie for all the purposes of his current Act. What he desired to know was whether all the balance of the Government in the Banks were to be so considered, or whether he proposed to specialize certain balances as available for that purpose.

He could understand the desire of the hon. gentleman to have a large balance at his credit at the Bank of Montreal, making disposition for various purposes. He would like to know whether he contemplated usury, or having the power to use such balance as the basis of issue of currency. If such were the case he could see practical objection. The issues would be large when money was plentiful, but the moment the demands of Government required the use of those funds the hon. gentleman would have to lighten the money market by calling in the issues.

Hon. Sir FRANCIS HINCKS explained that there was no danger. He might occur were the Government able to expand the circulation, but it was to be observed that the circulation could only be expanded through the instrumentality of the banks. The Government had never issued a single note other than at the request of the banks. If the banks wanted notes they applied for them, and of course, when they got them, the Government had to keep a specie reserve of 20 per cent, and as far as he was concerned he had no hesitation in saying, he thought that while he occupied the position he did, he should unquestionably keep a reserve of twenty-five instead of twenty per cent, so that there would be margin of five per cent for fluctuations, which constantly occur in circulation, but the Government had no desire to extend the circulation.

His hon. friend wanted to restrict the money which they had in the banks because he feared it would be made the basis of an expanded circulation. Although the proposed amendment would be more advantageous to the banks than the present arrangement he was quite sure they (the banks) would not circulate one dollar of Government money if they could circulate their own.

Hon. Mr. ANGLIN thought the matter should be fully discussed. The intention of the Act now in the Statute book was to limit the circulation to \$9,000,000, beyond which, dollar for dollar should be held in gold. As he understood it, the Government wanted unlimited power to circulate. He considered that the proposition was for the benefit of the banks, and particularly the Bank of Montreal, and if any benefit was to be derived from the increased circulation, he thought the public should have it. He suggested that the larger notes should be withdrawn and smaller ones issued.

Mr. WORKMAN considered the measure was one required by the country, as he knew from personal experience both as a merchant and banker, that small notes were very difficult to get, not only in trade, but mechanics and others found great difficulty in getting them. He could see no objection, but on the contrary, thought the measure should pass.

Hon. Sir FRANCIS HINCKS in reply to Hon. Mr. Mackenzie, explained that there was at present no inducement to banks to circulate small notes, but if the proposed amendment was passed, it would be to the interests of the banks to co-operate with the Government in the circulation of small notes.

Mr. CARTWRIGHT cautioned the House against authorizing too large a circulation, which the Government might be called upon to redeem at any moment should a financial crisis occur.

Hon. Sir FRANCIS HINCKS did not see the slightest necessity for the apprehensions expressed by his hon. friend. The banks were bound by law to hold half their reserves in Dominion notes, and they were held chiefly in large notes. Considering the extent of the Dominion over which the notes are circulated the Government could hardly be called upon at one time to redeem all the notes. And they could get any amount of gold they might require from New York in twenty-four hours.

With regard to the Savings Bank deposits, there was not the slightest danger of a run upon the Government. His constant aim since he had held office, had been to reduce the debt of the country from a six to a five per cent interest, and he had partly succeeded in so doing. They were getting interest on \$7,200,000, and he did not think it prudent to go beyond \$9,000,000 of securities. He merely asked to treat the deposits in the Bank as equivalent to gold.

Mr. RYAN (Montreal West) complimented the Minister of Finance (Hon. Sir Francis Hincks) on his successful policy, and attributed the increased circulation to the withdrawal of specie, particularly American silver, amounting to over \$6,000,000, which was greatly appreciated by all the country. He should support the amendment.

Mr. GIBBS did not see there was any material change to be introduced except to enable the Minister of Finance in his returns to act in accordance with the Act. At present the Act was not prejudicial but such might not always be the case and he thought there should be no desire to embarrass the Minister of Finance in carrying out the Act. The country certainly required a larger circulation of small notes, and if the Government acted in good faith no harm could result.

Hon. Mr. WOOD said it appeared that the Act had worked well, that the public had confidence in the Act, and that the Government had carried out substantially the provisions of the Act to the extent