

fact that in 1851 the Colonial Office itself advised the Canadians to adopt, as far as possible, the principles of Peel's Bank Act in their regulation of banking and currency. The authority of the officials in Downing Street and the usual promptness with which the colony carried out their recommendations, leave no doubt of the marked and even decisive effect of this factor in the "freedom of banking" legislation of 1852 to 1856. Following is the significant excerpt from the letter of C. E. Trevelyan for the Lords of the Treasury, enclosed in the despatch of Earl Grey, H. M. Principal Secretary of State for the Colonies, dated 24th June, 1851: "Although the establishment of "a bank in connection with the Government appears to have "been impracticable or inexpedient, it does not follow that some "modification of the scheme adopted in the United Kingdom "with respect to the circulation, the leading feature of which is "a limitation to the amount of notes issued on the credit of "securities, and the maintenance of a deposit of securities equal "to all issues exceeding that amount, might not still be attain- "able in Canada."

The possible dangers or faults of the original Act, pointed out for the Lords of the Treasury in the same letter, and noted by us on page 158, were not, on the whole, the source of much trouble in the working of the system. To discuss the other defects in the scheme, or what might be termed the errors in principle, would be to raise the questions of bond-based or specially secured bank circulation *versus* circulation as a general charge against assets, and of the system of many small local banks *versus* that of fewer large banks with branches. But for Canada, at least, these and the minor controversies they involve have been decided. What really prevented a thorough trial of so-called "Free Banking," and a complete experience of its results, whether for good or evil, was the inferior opportunity which it offered for banking profits. Very few banks began operations under the law; the system of chartered banks remained predominant and characteristic. The fate of the free banks will show how unequal was the struggle with these competitors. Nor is the reason far to seek.

The bonds receivable on deposit as note security bore interest at 6 per cent. Since they could be bought at less than