

Before discussing the scheme proposed by the Government, I will consider briefly the working of the existing banking system. Modelled after the Scotch system, it has existed very much as it now is since Banks were first established in the country. It is universally admitted to have been, on the whole, eminently successful. It has supplied the country with a currency, redeemable in gold on demand, safe beyond that of any other country during the same period. It has contributed largely to the development of the resources of the country. Its elasticity permitted it to expand and contract, according as the trade of the country required. Its peculiar adaptability to the wants of the country was universally recognized by the people, and it had come to be regarded by them with pride and as really national.

Until the failure of the Bank of Upper Canada in 1866, no institution ranking as a Canadian bank had become insolvent;* and it is the only instance—if it be one—in which note-holders need be losers, and that only to a very small amount. The causes of its failure are too well known to require me to dilate upon them.

I must, however, in justice to that bank say that the losses by its failure are insignificant when considered against the benefits it conferred upon the country. Many wealthy families in Ontario owe their prosperity to assistance rendered them in former years by the Bank of Upper Canada. Much of the business done then would not be considered strict banking now. But the circumstances of the country were entirely different, and it was not loans such as I refer to that brought ruin upon the Bank of Upper Canada.

The Commercial Bank of Canada suspended in 1867, but it was not insolvent; it was amalgamated with another bank; and no loss was incurred by any of its creditors.

The Royal Canadian Bank was also under the necessity of suspending recently, and although it never occupied the high position in the public estimation that the Bank of Upper Canada and the Commercial Bank did, its notes have been in demand at from 2 to 4 per cent. below par. These facts prove that, in the past, the circulation has been well secured.

Notwithstanding that our system has worked so safely and satisfactorily for about half a century I do not say that it is perfect, but I do

* The "International," the "Colonial," and one or two other similar concerns not deserving the name of banks, attempted to get a footing in the country but failed.