

THE WORK OF THE SESSION.

THE work of the Parliamentary Session which closed last week at Ottawa, may be glanced at under two heads—What has been done, and what has been left undone. Examined from either or any stand point, the Session has been one of marked importance—one which must ever be memorable in Canadian annals.

Few Parliaments of any Nation ever had questions of higher magnitude submitted for their consideration. The purchase of the North-West Territory, the admission of Newfoundland into the Union, the measure for the pacification of Nova Scotia and the Banking Bill, were all questions of the greatest moment. The English House of Commons or the American House of Representatives—imposing as these legislative bodies are—would have been honored by the consideration of any of them, but particularly by that of the Annexation of the magnificent Territory which has been so long a *terra incognita* under the Hudson Bay Company's rule. It is not every day that a Nation's representatives are called upon to consider the purchase of a rich and fertile Territory large enough to make a dozen or more kingdoms such as exist in Europe. But such has been the distinction of the representatives of British America during the late Session, and the future will alone reveal the momentous importance of the question so quietly disposed of.

But what has been done? That is the first question we proposed to answer in beginning this article. Well—a great deal has been done of one kind and another. A large stride has been made towards rendering uniform the Criminal Laws of the Dominion. Some seven or eight of such Bills were passed. The Dominion may be said to have extended its bounds immensely both East and West, for the formal admission of Newfoundland and the North-West is reduced to a question of months. The preliminary steps towards the annexation of Prince Edward Island have also been taken, and in all probability our Legislators will be called upon during next Session to adopt the basis of Union with that small but spirited people. The friends of Confederation have reason to rejoice at the rapidity with which the whole programme adopted at Quebec in 1864 is being fulfilled, and our only fear now is that our Legislators may be led to undertake responsibilities too fast. We hope the Nova Scotia concessions will have the desired effect, and completely reconcile that valuable Province to the Union. We confess that we regret, on Constitutional grounds, the mode in which the Government has met the demands of Nova Scotia; but now that it is done, let us hope our fellow citizens at the last will admit the generous manner in which Parliament has acted, and that the precedent established will not be made use of in excuse of any further assaults on the Dominion exchequer. Supplies have been granted to open up the mixed land and water route to Fort Garry, recommended by Mr. Dawson. The work will be proceeded with rapidly, but it is quite evident a railroad will soon be required if we are to divert the trade of the North-West towards our cities. The Insolvency Bill is also an important feature of the Session. We regard this measure as a wise piece of Legislation. Under the old law a great deal of fraud was being perpetrated, and although we did not favor its total abolition, we are glad that such changes have been made as will check the wholesale white-washing process which was going on among delinquent debtors. Such acts as that on Immigration, the settlement with the Great Western Company, and the subsidy to the Allan steamers are worthy of mention, but do not call for special notice at our hand.

Among the more important private Bills agreed to are the incorporation of the Dominion Bank and the Merchants' Bank of Halifax; the Royal Canadian Bank Bill, extending the time for specie payments, or to enable it to amalgamate with any other institution; the Act to unite the Beaver and Toronto Mutual Insurance Companies; and the incorporation of the Canadian and European Telegraph Company.

But in the second place (as the orators say), what has not been done? Well, the Banking Scheme of the Government was not adopted. The country feels very little sorrow at that. Indeed there can be no question of the fact that the people generally looked upon the whole scheme with extreme disfavour. The powerful opposition of the Banks may have contributed to produce this feeling; but that the feeling pervaded almost every class of the Province of Ontario, which would have been most deeply affected

had the measure become law, there can be no doubt. The independence shown by the House on this question was strictly in accordance with public opinion out of doors. In withdrawing the scheme the Government acted wisely, and placed themselves in a position to bring it forward at some future time. The Election law for the Dominion did not pass, mainly, we suppose, because there was not time to consider it as it deserved to be considered. This is a measure which, on account of the new machinery which has to be called into use to make out the voter's lists, as well as the qualification of voters, and whether the ballot or open voting shall prevail, deserves attentive consideration, and the delay till next Session will be advantageous instead of the reverse. The measure to re-enact the old-fashioned Usury Laws was killed off at one of the preliminary stages, apparently as much to the satisfaction of some of the Ministers themselves as sensible people in general. This sort of legislation is more than useless. Laws can not make water run up hill, nor make uniform the price of wheat or any similar commodity. The prices of such articles are regulated by the law of supply and demand, and so it is also with money. We hope the Statute-book of our New Dominion may never be disfigured by such legislation, for so long as it remained it would be a standing reflection upon the intelligence of our people.

In the future before British America our statesmen will undoubtedly have important subjects to grapple with. But we venture to express the opinion that there will not be many sessions of the Dominion Parliament which will surpass that of 1869. As regards the amount of money voted, that of last year may rival it, as the cost of the Intercolonial Railway and of the projected fortifications was provided for; but the amount in the Supply Bill just passed is also large, much larger, in fact, than we like to see it. Indeed, we feel called upon to raise our warning voice as we have done frequently before, against running the Dominion into debt too fast, for that is the principal danger which lies in our path. The principal expenditures of this Session, however (the purchase and opening up of the North West) will soon pay good interest upon the capital invested. We wish we could say as much for some of those of last year.

THE BANKING SYSTEM OF THE DOMINION.

No. 1.

THE London *Economist* of June 12th states that the failure of the Royal Canadian Bank "has naturally drawn attention to the financial system of the New Dominion; and it appears that Mr. Rose has introduced a general bank law, applying to all future charters or renewals, giving Canada a system very closely resembling that of the United States, both as to banking and currency." After giving a very brief and not altogether accurate synopsis of the proposed law, the *Economist* closes by saying: "This looks like as if Canada was going to imitate the Union in the bad as well as the good features of the present system. Why should the New Dominion 'issue greenbacks at all'?"

The failure of the Royal Canadian Bank cannot be attributed to any defect inherent in the present banking system. Bad management, if not corrupt management; disagreement between members of the Board of Directors; some known unfortunate transactions in which loss was suffered; these and other causes led to a withdrawal of public confidence, and the Bank having lent its funds where they could only be gradually realized, found itself so weak in coin as to be obliged to suspend specie payments. But it must be remembered that this was only a suspension—not a failure. The Bank not merely had assets ample to pay dollar for dollar of its indebtedness, but its paid-up capital was nearly if not quite intact. An early resumption of specie payments will in all probability take place. The old Board of Directors has to make way for the new one, chosen at a general meeting last week. The unpaid capital is being called in, and everything betokens an intention of placing the Bank in such a position as to command all the public confidence with which it first started, and which it had so shamefully lost during the few years of its existence.

We repeat that the failure of the Bank in question cannot be attributed to any defect inherent in the present banking system. At the same time we cannot close our eyes to the fact that this system is not altogether perfect, and that there exists a necessity for

such a re-modelling at least of it as will remedy its most obvious deficiencies. And as the consideration of the Government resolutions has been postponed for another year, ample time is given for the most careful study and fullest discussion of the entire question. We trust it will continue to receive both from the press and the people all the attention its importance claims for it, and that when the matter comes up—as it probably will next session—for final decision, the matured judgment of the country may have been declared on Mr. Rose's scheme, its good as well as its weak points, and on any other schemes which may be put forward for adoption.

We consider that the one great point to be attained, in so far as it is attainable, is safety to the public as creditors of the Banks. The increase of banking facilities and banking capital is of immense importance to a young and progressive country, where enterprise exists, but cramped for want of the necessary means. In no way, not even by the prospect of large returns in the shape of interest, is money so surely attracted as by the goodness of the security offered. The mode by which increase of banking capital may be expected to take place in this country is two-fold. The first and greatest source of supply is the yearly savings of the country, coming to the Banks in the shape of deposits, and from time to time furnishing the capital of new banks. The other and less important source of supply is foreign capital, invested in bank stock.

Much stress has been laid on the large credit obtained by means of bank circulation, and its value as a means of moving the crops to market. That this is altogether over-estimated becomes apparent when we compare the circulation of the banks with the deposits. By reference to the statement published in other columns, showing the condition of the banks at the 31st of May, it will be seen that the total circulation amounts only to \$7,806,443, while deposits foot up \$38,822,787, the latter being 80 per cent of the total liabilities, whereas the former are less than 17 per cent. This disparity increases from year to year. In January of 1861, Circulation was \$12,822,657, and Deposits \$16,292,263. In January of 1862, Circulation had decreased \$200,000, while Deposits had increased over two millions and a half. In 1863, '64 and '65 Circulation decreased, while Deposits were steadily increasing, amounting in August, 1865, to three times the circulation. While the business of Canada has been growing rapidly, the circulation of money has not increased in anything like the same ratio. It has been found possible, by means of cheques, drafts, letters of credit, &c., &c., to dispense with the handling of much money that would otherwise be necessary. And the more the country advances, the more banks we have, the less will it be necessary to depend on circulation, and the credit obtainable by means of it.

The all-important point then is to secure increased capital, and that can be done in two ways, namely, by making banking safe, and by making it profitable. The public must have a certain amount of confidence in a bank before they will risk their means by even keeping their current balances with it, and much more before they will leave their money on permanent deposit. It becomes necessary then to secure a system with such safeguards that only downright dishonesty can cause loss either to depositors or note-holders. There must be a sufficiently large paid up capital, there must be liability—and immediate liability, in case of suspension—on the part of the shareholders, and there must be always in the vaults of the bank a reserve of coin and cash securities large enough to secure confidence on the part of the public. Government inspection, at irregular periods and without due notice to the Banks, would suffice to determine whether the published returns were, as they too often are now, prepared; and such inspection should be insisted on. The returns, all are agreed upon this, should be fuller, and convey more definite information than they now do; and it should be possible from them for any intelligent man to form a correct estimate of the position of a bank, making only due allowance for the proportion of bad debts which every bank must make. Any system of banking, to be what it should be, must, we think, provide such safeguards as we have enumerated; and with them, complete confidence on the part of the public will be commanded, and deposits will increase even more rapidly than they have done in the past.

The Knoxville *Press* and *Herald* says that present indications are that there will be at least one-third more corn planted this season in East Tennessee than there has been since the war.