

BANKING AND CURRENCY.

THE following is a full report of the speech, made by the Minister of Finance on Banking and Currency:—

Hon. Mr. ROSE moved—That a select Committee of 15 members be named to inquire into and report on the subject of Banking and Currency, with power to send for persons, papers, and records.

He said—In introducing this motion I need hardly observe that this is a subject of very great importance, not only as affecting the banks themselves but in its influence on the interests of the community at large. Indeed, there is hardly any question, the correct solution of which affects the public welfare in a greater degree than this.

There is no more general desire than that banking should be done on a sound basis.

At the present time it becomes peculiarly necessary to consider the question of banking not only owing to the diversity of systems prevailing in the several Provinces, but also because the time draws nigh at which the charters of all the banks in the old Province of Canada will expire. They are limited in their operation, as the House is aware, to June, 1870, and until the end of the then next session of Parliament so that they cannot be prolonged beyond the summer of 1871. There are therefore but three years to run before they will expire. The interests involved are so important that it is full time to begin the consideration of them now, and it ought not to be deferred till the days when their privileges cease.

There are no less than 39 charters in existence in Canada, of which 27 are in actual operation; viz., in Ontario 6, in Quebec 11, in New Brunswick 4, in Nova Scotia 5,—besides the Bank of British North America, which is common and does business in all the Provinces. There are thus 12 which are not in operation, but some of which may be put in operation under existing Acts. The capital of these banks vary from \$60,000, which is that of the "Peoples' Bank" at Fredericton, up to \$6,000,000, the capital of the Bank of Montreal. The aggregate authorised capital of those in operation is about \$38,000,000, and the proportion paid up is about \$31,050,000, which sum may therefore be said to be the actual banking capital of the Dominion.

The limitation to 1870 applies to all the charters in Ontario and Quebec, but the New Brunswick and Nova Scotia charters are not *all* so limited, some having a considerably longer time to run.

There are three banks in Nova Scotia, having an aggregate capital of \$850,000, whose charters expire in 1871; one in New Brunswick with a capital of \$200,000 expiring in 1871; another in New Brunswick, with a capital of \$600,000, in 1876; one in Nova Scotia, with a capital of \$300,000, in 1869; one in New Brunswick, with a capital of \$600,000, in 1880; one in Nova Scotia, with a capital of \$120,000, in 1885; and lastly, one in New Brunswick, with a capital of \$60,000, in 1890, which is the extreme limit beyond which no bank charter extends.

The total authorised capital of those nine banks, the charter of which outlast 1870, is \$1,880,000, and the committee will probably think it proper to deal with them in some uniform system. The banks of the Maritime Provinces, it is true, are not so large as those of Ontario and Quebec, but their interests must be as carefully thought of and tenderly dealt with. The committee will also have to consider the various theories that have been advanced in reference to the question of currency, and to obtain information from all sources from bankers themselves, from merchants, manufacturers, and others engaged in trade, and whose interests are especially dependent in having the circulation on a satisfactory footing, while we may also benefit largely by hearing the opinions of men, who, though less actively engaged, have made this important subject one of special study.

I may glance for a moment at the different characters of the shareholders liabilities under existing Acts incorporating banks as one of the anomalies which must engage attention.

In the Ontario and Quebec charters the bank shareholders, with the exception of Bank of British North America and the Banque du Peuple, are liable to double the amount of their stock. The Bank of British North America exists by Royal Charter, and the liability of the shareholders is, I believe, limited to the amount of their stock, except, perhaps, as to the circulation of notes under \$4, which are still issued under the late "Free Banking Act" of Canada, and is secured by the deposit of Government debentures. The shareholders of the Banque du Peuple are liable to the extent of their stock only, but the Directors, under certain limitations, are liable for all the debts of the bank. It has been said that there are no adequate provisions in the bank charters for enforcing the double liability clause. This is another point which, if the principle of double liability be adopted, would doubtless not escape the attention of the Committee. Most of these Canada charters contain also the stipulations that their circulations shall not exceed the amount of their paid-up capital, *plus* the specie they hold and the Government securities they may have in their own vaults. There is no provision, however, in any of them requiring them to keep any specified amount in specie, or any proportion of specie to circulation or deposits. There is, it is true, the very general provision that their total liabilities shall not exceed three times the amount of their capital in addition to their bullion and Government securities.

In Nova Scotia and New Brunswick there is considerable diversity in the provisions of the charters on this subject. They do not, by any means, follow the same general rule I have just mentioned as being applicable to the banks in Ontario and Quebec.

For instance, in New Brunswick the total liabilities of their institutions are usually limited to twice the amount of their capital. In some of the New Brunswick charters there is no double liability clause, al-

though in the amendments to their charters, which several banks there have obtained, a double liability clause would appear to be added. In none of them is there any provision for holding specie or Government securities against either circulation or deposits. In most of the Nova Scotian Charters there is a provision that their total liabilities shall not exceed three times their capital; but then the shareholders are only liable, according to my reading, for an amount equal to the stock they hold, in case of maladministration or revolution of the provisions of their incorporation. The liability is not *absolute* as in Quebec and Ontario.

In reference to the circulation of the Provinces there is in the old Province of Canada, as the House is aware, the direct issue of the Government, called Provincial notes; and besides these the issue of the banks themselves. In Nova Scotia there is a Government issue of notes above four dollars and below twenty, and no bank circulation of notes below twenty dollars. A considerable amount of the circulation of the Dominion therefore consists of the direct engagements of the late Province of Canada and of the Province of Nova Scotia, but those of the latter Province are issued under different conditions to those which regulate the issue of the Provincial notes of Ontario and Quebec. In the latter Province the whole issue is covered by Government securities actually kept in fund, and there must be held besides 20 per cent. of specie, as long as the circulation is below \$5,000,000, and 25 per cent. of any excess above that amount. In Nova Scotia, however, there are no such provisions, and the Government circulation appears to rest wholly on the Government credit, no debentures and no specie being held against it.

It seems undesirable that this want of uniformity should be prolonged beyond a period when Parliament can legislate intelligently and maturely on the subject.

There are certain points on which I am sure the feelings of the House will be quite unanimous. All will agree, that both in regard to the circulation which is in daily use, and in regard to the deposits in the banks, the fullest measure of security should be given to the public. (Hear, hear.) All will agree, moreover, that there should be such a system in reference to circulation, as will meet the commercial wants of the country, and allow of the periodical expansion of the currency when the harvests have to be moved and of its contractions when this movement is over. (Hear, hear.)

All will agree further that uniformity should, if possible, be secured, and all will admit that (whatever system we may adopt hereafter, as the best calculated to ensure safety, and to give the largest measure of facility to the country) that any change should not only give ample time to allow existing institutions to accommodate themselves to it, but that it should be so brought about as not to derange to any sensible extent the monetary operations of the people at large. (Hear, hear.) In asking for a Committee of Enquiry, it would be improper for the Government to pronounce by anticipation in favour of or against any particular system. We wish to enquire into and weigh the advantages, the security, the drawbacks and dangers that may attend each; and I purposely withhold all expression of my own views until that enquiry is exhausted.

Mr. Rose then stated that many thought the currency should be in the bonds of the Government, others that it should be similar to the National Bank system of the United States. Legislation on this subject ought to be as it always had been, preceded by fullest Parliamentary enquiry. Such had been the case in several instances in England, and we should pursue the same course. The banks should have ample notice of the change so that they may be prepared for it. The following gentlemen form the Committee:—

From Nova Scotia—W. S. Campbell and Mr. Macdonald of Lunenburg.

From New Brunswick—Hon. A. J. Smith and Mr. McMillan.

From Quebec—Hon. Messrs. Cartier, Chauveau, Galt, Holton and Rose.

From Ontario—Mr. Blake, Mr. Gibb, Hon. Messrs. Howland and J. S. Macdonald, Mr. McKenzie and Mr. Street.

COTTON TRADE WITH CHINA.—Cotton manufactures, as the Commissioner of Maritime Customs at Tien-tsin remarks in his report recently issued here, form the largest part of the direct trade between England and China; cotton piece goods of the value of 4,351,785 taels were imported at Tien-tsin in 1866. Cotton, however, is grown extensively in China, and, he says, even as far north as 40 deg. and 41 min. of latitude, and the Chinese are large producers of cotton manufactures. They weave their cotton into a strong cloth, which is better suited to the wants of peasants and workmen than the more showy, but less substantial, product of foreign machinery. In many of the country places the cost of the labor employed in manufacture is next to nothing, for it is labor which would otherwise be unemployed during the intervals of agricultural work. The customers of the British manufacture in China, therefore, are not the bulk of the people, but only those of them who can afford to buy a better-looking but less useful article than that of native manufacture. At the same time, the foreign is better suited than the native fabric for many purposes which require fineness rather than strength of texture. The Tien-tsin Commissioner gives the result of a comparison he has made between the weight and retail price there of grey shirtings imported from England, and of cotton cloth manufactured in the province in which he resides. He found that the Chinese article cost per lb 441 cash, equal to 2s. 0½d., while the foreign article cost 495 cash, equal to 2s. 5½d.; and the Chinese say that the superiority in strength of the native article over the foreign is greater than the difference of weight between them.

SURPLUS OF AMERICAN WHEAT.

THE Milwaukee *Sentinel*, a paper known to be very careful and exact in its statements, says the only States which have a surplus of wheat for export East are Illinois, Wisconsin, Minnesota and Iowa. The same writer adds, we have seen a report of the stocks now held at the various wheat depots on the different railways of these States, which were taken with great care, and although it is difficult to form a perfectly correct estimate of the amount still in farmers' hands, yet we have arrived at the following figures, which we think will be generally deemed by western dealers as very near the mark:

	Bushels.
Yet to be received from Minnesota.....	3,500,000
" " " Wisconsin.....	3,000,000
" " " Iowa.....	4,000,000
" " " Illinois.....	2,000,000
Wheat in Milwaukee, March 20.....	1,200,000
Wheat in Chicago.....	1,100,000
Wheat at other lake ports on Lake Michigan.....	200,000
Wheat in New York, March 15.....	1,000,500
Wheat on Erie Canal.....	850,000
Wheat in Buffalo, March 20.....	400,000
Flour in New York, March 15 400,000 bush.....	2,000,000
Flour in Chicago and Milwaukee, March 20, 110,000 bbls.....	550,000
Flour and Wheat in Boston, Portland, and other Atlantic ports, say equal to.....	1,250,000
Total bushels.....	21,000,000

These figures the *Sentinel* gives as the probable supply the East may expect from the West between the first of April and the first of September, together with the stocks now on hand in the East. The statement is thought to be a very close estimate. As to the amount on the canal, however, we should have put down the figures at about 1,250,000 bushels, and in New York (afloat and in warehouses) as somewhat in excess of the total given; but these changes would not very materially affect the result. For the purpose of showing the surplus we shall have for export, the *Sentinel* gives the following estimate of consumption:—

	Bushels.
Consumption of New York city and environs from 15th March to 1st Sept., 169 days, at 8,000 bbls per day, or.....	6,760,000
Pro rata shipments from New York from the 15th of March to the 1st of September, to other ports than Great Britain, supposed to be equal to the shipments actually made from the 1st of September to December 1867, or 100,000 bbls per month, equal to 600,000 bbls.....	2,000,000
Pro rata export of wheat for same period to other ports than Great Britain.....	300,000
Consumption of flour in State of New York (not city) and New England States, is equal to 17,000,000 bush., per annum, or, for six months.....	8,500,000
Total.....	18,000,000
Probable amount free for export to France or England.....	2,500,000

These figures do not take into account the quantity that may be shipped by way of New Orleans; nor do they include California wheat, or the supply we may possibly receive of early Southern wheat during July and August.

THE WESTERN CROPS.

(From Cin. Prices Current.)

LAST February, and during the early part of March, the general impression among farmers was, that the wheat had been badly injured by the frost, and that in many cases it was entirely destroyed. But towards the close of March, the genial temperature caused the roots to bud, and it soon became apparent that the fears regarding winter killing were groundless. There will doubtless be a good wheat crop, both as regards quality and quantity, gathered in the West.

The winter was long and the temperature was low and unusually uniform. This continued up to the middle of March, and was immediately followed by mild spring-like weather, which continued up to the close of the week, when a general snow storm swept over the country north of the central line of Missouri, Illinois, Indiana, Ohio, and then to the Atlantic, with a low freezing temperature, making ice as far south as this city on Saturday night, one-fourth to one-half an inch thick.

The fruit, with the exception of early cherries and pears, was not forward enough to be seriously injured, so that this frost will hardly lead to any serious results. The earth is now in fine condition for getting the Spring crops, and generally speaking the agricultural prospects are quite favourable. As an abundant harvest is now so much needed, and its importance at this time could hardly be overestimated, the state of the crops and of the weather will be regarded with intense solicitude.

Large numbers of those who had abandoned the cultivation of the ground, and moved into cities or engaged in trading in country towns, have returned to their original business, wiser, though doubtless, sadder men, and with a favourable season, during the ensuing six months, a large crop of grain and other agricultural products may be looked for with confidence.