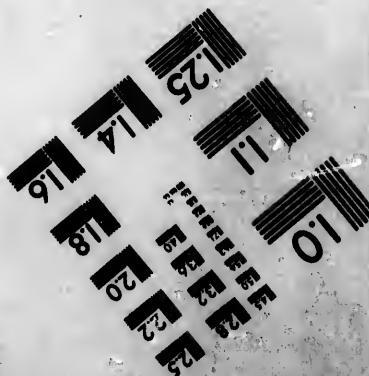
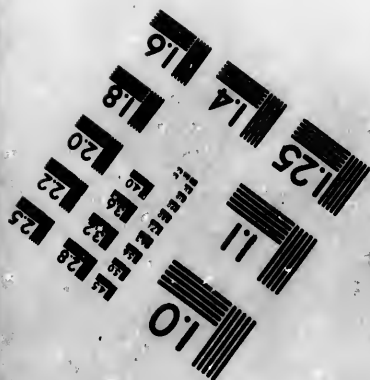
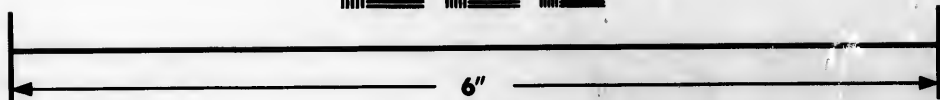
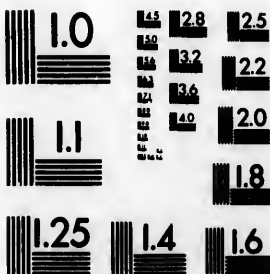


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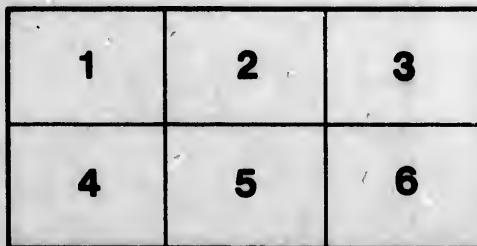
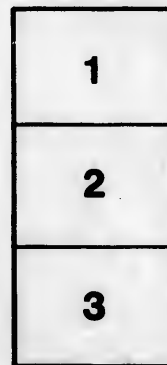
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CONSIDERATIONS
ON THE
USES OF PAPER MONEY,
AND THE EFFECTS OF THE
BANKING SYSTEM OF CANADA ;
TOGETHER WITH
THE PROJECT OF A LAW
TO REGULATE
BANKS OF ISSUE.

MONTREAL :
PRINTED AT THE MORNING COURIER OFFICE.

1836.

1836
(18)

P R E F A C E.

THE writer of the following pages has not the vanity to imagine, that he offers to the consideration of the public, any very original thoughts, profound views, or striking illustrations on the subject of which he treats ; but he trusts that even this humble effort of his pen, may incite persons, in the proper quarter, and well qualified for the task, to enter upon it, with reference to an immediate improvement of our Banking system. Such is his apology for publishing at all.

He has only further to deprecate any severe criticism, on the literary character of the work. He does not profess to be a practised writer ; and, besides, many of the marks of hasty composition, discernible throughout the pamphlet, must be attributed to his anxious desire, to submit it to perusal, at this particular juncture, while the Petitions of the Chartered Banks are lying before the Provincial Parliament, now in Session.

MONTREAL,
January 4, 1836.

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INTRODUCTION.

FEW subjects have commanded more attention, especially of late years, than the one of which I am about to treat. It has been discussed by numberless writers, some conspicuous for their intellectual acumen, others for their practical sagacity. It has been the theme of public debate, in almost every country; and few Governments have neglected its regulation. It possesses such general interest—it influences so universally the transactions of private parties—and is so interwoven in the condition of a nation, that upon its being correctly understood, and placed on right principles, with the just application of those principles will mainly depend the happiness and prosperity of individuals, and the advancement and power of a nation, as society is at present constituted. It is not now the time to determine, how far the happiness and virtue of mankind have been secured and improved by an increase of fictitious wants, and a devotion of time and energy to the gratification of artificial desires. It would therefore be idle in me to discuss the question, whether new impulses given to internal trade, or fresh encouragement afforded to foreign intercourse, by increasing those wants, and stimulating those desires, add or detract from the peace of mind, or refine or prejudice the moral character of individuals. We can only, for purposes of utility, view the subject of CURRENCY as it is applicable to the existing organization of civilized society; and as it promotes that state in which is now supposed to consist the wealth

and power of a nation, and the prosperity and contentment of its several members.

I do not propose taking so wide a range, as to enter upon the subject of CURRENCY in all its bearings, but shall limit the contents of this paper to a general consideration of the origin and uses of paper money—a summary history of the rise and effects of our Colonial Bank medium—and a proposition for restricting and regulating the power of paper issues.

PART I.

THE ORIGIN AND USES OF PAPER MONEY.

“THE sole use of money,” as ADAM SMITH remarks, “is to circulate consumable goods. By means of it, provisions, materials, and finished work are bought and sold, and distributed to their proper consumers.” Gold and silver, in consequence of being found to combine in themselves, in a peculiar degree, the essential properties requisite for a circulating medium, became, even in the primitive ages, the universally recognized standard of value. In modern times, however, an improvement has been effected in the *domestic* circulation, or currency of a country, by the introduction of paper money, either in addition to, or in substitution of gold and silver. The improvement consists in saving to the country the expense of collecting and maintaining a circulating capital of the precious metals, equivalent to the amount of paper money used. These metals must be obtained, like any other commodity, by the value of so much labor, or by the exchange of the productions of labour. The object of the paper money, therefore, is to effect all those purposes of internal circulation, for which gold and silver would be required, and thereby save the value of the labor, or the produce of labor, being expended on their purchase; and the value thus saved, is so much added to the neat revenue of the society.

But besides the saving thus effected, an immediate and additional impulse is afforded to the productive industry of the country, by creating a new and en-

larged capital. Before its introduction, the industry of the country may have been languishing, for want of sufficient capital to cultivate its lands, to manufacture its raw materials, and export its surplus produce, at one and at the same time.

The paper money at once, not only increases the capital required for domestic uses, but gives freedom to the gold and silver, to form themselves into a foreign medium. "Purchases are often made abroad on more advantageous terms with specie than goods, so that, either more consumable articles are brought home, or an additional quantity of materials are added to the stock for the employment of industry, and to be again re-exported in a manufactured state."

The paper money best known, and best adapted for the service of internal circulation, consist in the notes of Banks and Bankers, and to such paper currency are my observations solely applied.

The issues of a Bank, confined as nearly as possible to the demand for their profitable and healthy employment, have been found to afford to a nation the means of rapidly advancing to a state of prosperity, that its original capital could only have promoted by very slow degrees. The active capital of the country is not merely increased, but the employers of this mixed capital, the agriculturist, the merchant and the manufacturer, obtain the use of it on easier terms, than of one wholly composed of coin. This is susceptible of the clearest proof.

To induce parties to enter into the trade of Banking, it must be apparent to them, that their returns on the capital invested, will be at least equal to the ordinary rate of profits in the country. If they deal with their actual capital, their gold and silver only, the premium exacted for its use must be beyond the interest of a common loan,—otherwise a loss is incurred equal to the necessary expenses attendant on keeping offices open, and clerks employed. On the other hand, where the Banker lends not merely his original capital but his credit also, in the shape of promissory notes, or bank bills, which cost him com-

paratively nothing to create, the rate of interest taken may be much lower than if the entire accommodation were in coin, and yet leave an equal profit from the transaction. "In this, as in every other case, the plenty of the commodity ought to beget a moderation of price." A paper using country must, therefore, have great advantages over another, equally rich in internal resources, that employs a metallic currency only. Indeed, a people without mines, and whose stock in the precious metals bears but a mean comparison with the local capabilities of their country, and the spirit of enterprise that is among them, are thereby at once placed on the same vantage ground as another society, amply supplied with the precious metals.

And here it must not be forgotten, that a country is not necessarily in a sound and healthy state, where gold and silver abound, for a time, in it. It is the encouragement given to its productive industry, and the facilities afforded to its foreign trade, however that encouragement or those facilities are given or afforded, that make a nation permanently powerful and wealthy.

By the adaptation of a new fund to domestic affairs, so much of the gold and silver, not further required at home, is sent abroad, to seek a profitable employment. Strange to say, a drain on the specie of a state was formerly considered a great evil, and laws were passed prohibiting its exportation. Not only have those laws been seen, by experience, to be ineffectual, but it has been found, that the best way to ensure a regular and sufficient supply of the precious metals, is to leave the trade in them free,—and commerce will supply the amount which may be required. They are to be bought in the same way as other commodities, and a country that has wherewithal to buy the precious metals, need never be in want of them. If a country be poor in them, the employment of a paper currency, to assist its productive industry, and raise a surplus of produce, will speedily put it in its power to gain them if required. But so long as the paper currency is found to be efficient for all the pur-

poses of an internal circulation, a prudent and enterprising nation will never reject it. Not only the charge on the more expensive medium, gold and silver, is saved, but those articles of commerce continue still to be used, in foreign channels, to the gradual augmentation of the national wealth.

In reviewing the working of a paper currency, I should be looking wholly to the bright side of the picture, were I not to consider what effects sudden revulsions in trade would have on it, and, consequently, on the public welfare. It has been said, that "in countries, the currency of which consists principally of Bank paper, Banks will have a beneficial or pernicious influence on credit, and on a currency depending on credit, according to the manner in which they may be administered; useful, when their operations, in prosperous times, and whilst under their control, are regulated by probity, great discretion, and skill; pernicious, when their administration is defective in any of those respects."—That "Banks have, during a period of high prices, and great apparent prosperity, stimulated the enterprise, naturally excited by such a state of things, by incautious loans, and consequent issues of paper; so that, when the revulsion takes place, the very time when aid of the Banks is most wanted, those institutions, prematurely disabled, instead of simultaneously enlarging their issues, and lending their credit to solvent, but embarrassed dealers, are compelled, in self-defence, to contract their issues and loans, and thereby greatly aggravate the evil which they had at least neglected to check, if they were not chiefly instrumental in its growth."—That "the countries, where the currency consists wholly or principally of the precious metals, and where Bankers lend money or discount bills, but do not issue paper money, though not exempt from commercial revulsions, they will be of less common occurrence, and have little influence on the currency itself." The force of the above reasoning mainly depends on a supposed imprudence in the management of the Bank funds, and the constitution of the

Banks being such, as rather to engender suspicion, and enhance the panic, than to inspire confidence, and afford a prompt and steady support, in times of distress. Besides, the writer does not seem to reflect, that the use of a paper currency (even of a vicious construction) may have been the chief means of such a development of a country's resources, and addition to its real wealth, as to place it in a situation, quickly to recover from any shock given to its credit.* I am persuaded that a mixed currency, of paper and coin, gives to a country a decided advantage over one employing specie only, as an internal medium, as well in times of commercial difficulties, as in the seasons of trading prosperity. The latter is liable, by a revulsion in its foreign business, and consequent internal distrust, to have its specie exported or hoarded to such an extent, as to leave the different channels of circulation almost dry, and the manufactures and agriculture of a country without adequate support; and the country may not possess such an elasticity as to enable it to rise from its depression, until after many years of hard struggle.

The return of the exported coin must depend on the return of internal confidence, and the renewed exertions of the growers of produce, and the manufacturers of goods, to effect a balance of the foreign trade, in favor of the country. The return of confidence, on the part of the domestic holders of the coin, will be tardy; and when they are again induced to give credit, it will be upon exorbitant terms, each lender acting solely from views of direct personal interest, and without any reference to the welfare of the trading community, except so far as the safety of his money is immediately concerned.

How different is the situation of a country, using a mixed currency. When any of the specie portion of the currency is withdrawn, the Banks (I allude to Banks of issue properly constituted, as shall be hereafter stated,) immediately enlarge their issues, and not only save, with early assistance, those, who

* *Vide* note at the end.

though embarrassed, are yet solvent, but prevent the utter destruction of others, who are thereby enabled to make a liberal compromise with their creditors, and to put their talents and industry speedily again into activity. That the Banks can, and will do this, is clear.† A prudently conducted public establishment does not issue more than the real legitimate wants of its customers, or the productive industry of the country, can safely and profitably absorb. It does not, therefore, encourage the spirit of overtrading, whenever a state of high prices may induce speculators to come into the market; and when the re-action takes place, it is in a situation, from the previous cautious management of its resources, to extend further assistance, to such as may require extraordinary support, and who are persons the Bank may safely protect from ruin. This conduct induces a quick return of confidence, and prevents any great stoppage of the business of the country, which would affect materially our foreign relations. The funds of the Bank, being the property of numerous individuals, many of them more or less connected with trade, it is the interest of such parties to check, as much as in each of them lies, the spreading of any panic, which might prejudice the stability, or operations of the Bank, so as not only to secure their investments of Bank Stock, but also to obtain aid from the Bank, at a moment when it is so imperatively required by them, in their respective private affairs. It is evident, therefore, that when Banks (as all issuing Banks should be) are based on the capital, the credit, and the enterprise of a large and widely spread proprietary, they, in times of national difficulties, draw the sympathy and confidence of the public towards them. Thus, they and the public eventually act and re-act in each other's favour. But the selfish fears and interests of the limited number of the holders of specie, lead them to act precipitately and harshly against the great body of the community.

Scotland never could have made the rapid internal

† *Vide* note at the end.

improvement, or extended her foreign intercourses so widely, without the aid of her paper currency. When a large field of commercial operations was opened to her, by her union with England, she at once entered the foreign trade, upon almost equal terms with the sister kingdom, though a much poorer country in internal resources. Without a surplus of the products of internal industry, how, it may be asked, was she enabled to contend with her richer and more powerful neighbor? The solution of the apparent mystery is easy; she took the greater part of her specie out of the home circulation, and applied it to foreign trade, which gave her a great advantage at the very outset in that commerce. But while looking with eager regard abroad, she was not unmindful of providing some substitute, that would answer all the domestic purposes, which her exported coin had done. We now behold, in the almost unexampled prosperity of that small kingdom, in its progressive and steady career in commercial enterprise, and internal improvement, under many serious disadvantages, an indisputable evidence in favor of the vivifying principle of the substitute found in a paper circulation. As the paper has hitherto, during several ages, stood against the cabals of its enemies, and risen firmer after temporary depression, we may fairly prognosticate its future soundness and utility.

I may be accused of having occupied the time of my readers very unprofitably, with self-evident and long admitted truths. I could not, however, well avoid going over much of what has, perhaps, become a beaten track, in order to lead those, who may peruse these pages, to some opinions of my own regarding paper money, which I am not aware are generally shared in by others; especially in reference to the circulation of notes of a low denomination. To the arguments and facts, with which I shall endeavour to illustrate and support this part of my subject, I have to beg a patient attention.

Public notice has lately been directed to our small note circulation, and it has been thought by some,

that if the recent example afforded by England, of the rejection of this part of the paper issues of the Banks, were acted upon here, the currency would be put on a much sounder footing, without, at the same time, curtailing the means of the Banks to continue their usual accommodation to the public.

An objection made, by the author of the "Wealth of Nations," to the small note circulation of Scotland, in his day, was, the facility it afforded to persons of slender capital, and of desperate enterprise, to throw out, principally among the lower classes of the people, a greater quantity of paper than they could have succeeded in doing, had no Bank notes been legal, except above such a sum, as would confine their use among dealers, and not consumers, and thereby promote their quicker return on the issuers. This is, however, an evil easily avoided. The Legislature has merely to prohibit any Company, or Bank, from issuing its own notes, unless it consists of a certain number of partners, and has a prescribed amount of capital paid in.

Again, in reference to the lower classes,—the small note circulation has been condemned, on the ground, that, in cases of Bank failures, much of the loss of that part of the paper falls on the poor and the ignorant. Admitting the correctness of this assertion, it will, I think, appear, from a little consideration, that this evil has been much exaggerated. The real wealth of the laborer is his *industry*, and it provides, from day to day, for his daily wants. Though I do not mean to object to the hard working man having a dollar or two of surplus money in his pocket, which might add something to his limited comforts, yet I must be permitted to observe, that the dollar in his pocket, after his day's labor has provided for his wants, is, in his situation, a superfluity, on losing which, the value of his real stock of wealth, his labor, is not in the least diminished, nor does any other party suffer any positive evil. Besides, Savings' Banks enable the laboring population to place their little surplus money in safe keeping.

It ought, likewise, to be borne in mind, that the addition made to the capital of the country, more particularly intended for the support of labor, has been the means of providing the lower classes with more employment, and higher wages, than could have been done without such addition—so that any loss to them, by the failure of a Bank, has been more than compensated to them, by previous steady employment. But the greatest injury, from Bank failures, falls upon the working classes where their employers lose part of their capital, which is either in deposit with the Bank, or in its large notes, in readiness to effect a purchase of materials for their business. To the extent of such loss, the masters are deprived of the command of labor, and are obliged to dismiss a number of those, to whom they had previously given employment. Justice, therefore, to our more humble brethren, does not seem necessarily secured by the withdrawal of the small note circulation—certainly the most active, and the most saving part of our paper currency. It is that portion, which admits of the application to other purposes, of a large amount of specie, which would otherwise be required for the petty transactions of the country. It circulates more widely, and is more immediately employed in supporting domestic industry, than the paper of higher value; and as Banks have found this the steadiest part of their paper issues, they have always been eager to avail themselves of every opportunity to accommodate such customers, as intend to take the loans out in small bills, for *the payment of labor*. The larger bills are chiefly used for remittances, or kept on hand by dealers, in the momentary expectation of making large purchases. Where the Bank paper is sound, and of uniform value, the inland Exchanges are certainly made at a very low rate, (much lower than with specie,) through the medium of large bills. But the value of such bills, for extensive purchases, is not so apparent, since a draft on the deposit account of a buyer in good credit would never be refused.

Much of the opposition to small notes has arisen from the idea, that the forced and temporary redundancies of Bank issues consist in that portion of the paper currency. But this is an opinion wholly untenable. I shall submit a table, from which the contrary will appear. It cannot, I should think, but strike every person, who will be at the trouble to reflect on the matter, that when over-trading takes place, it is chiefly owing to a number of speculators coming into the market; and as these parties are neither the producers, or collectors of produce, nor the manufacturers of goods, they do not require, for their temporary purposes, a description of currency suitable to the employment of labor, or the payment of numberless petty transactions. They use large bills to take into the market with them, to buy today what they mean to hand over, to a similar party, on the morrow; thus enhancing the price of the article against the fair dealer, and ultimately the consumer, without any advantage to the original producer. Parties might as well throw the dice, as thus "play at commerce." The following table, taken from the Returns made by the Bank of Montreal to the Legislature of Lower Canada, will strikingly illustrate my position, that the small note circulation is the steadiest, and most operative part of the paper currency, and adapts itself to the real demands of domestic industry.

Table exhibiting the circulation of the Bank of Montreal on the 1st of every Month during one Year:—

DATE.	In Notes under \$5.	In Notes of \$5 and upwards.	Total Circulation.
1834—December	\$185,089	\$608,605	\$ 793,694
1835—January	174,525	545,150	719,675
February	171,025	491,345	662,370
March	171,713	468,115	640,828
April	174,818	498,120	672,938
May	175,802	465,940	641,742
June	199,414	638,200	837,614
July	196,231	795,380	991,611
August	197,325	851,205	1,048,530
September	193,798	831,715	1,025,513
October	189,668	841,870	1,031,538
November	196,343	823,735	1,020,078

The highest amount of circulation under \$5 on 1st Juno was	\$199,414
And the lowest amount of circulation under \$5 on 1st Feb. was	171,025
Being a fluctuation of about 1-7th, or.....	\$ 28,389
Whereas the highest amount of circulation of \$5 and upwards on 1st August was.....	851,205
And the lowest amount of circulation of \$5 and upwards on 1st May was.....	465,910
Being a fluctuation of over 2.5ths, or.....	\$386,265

A statement of the circulation of the other Banks would show a similar position.

There is another argument, in favor of the small note system, which ought to have great weight. I refer to the facility it affords for the establishment of branches of large corporate bodies. I shall hereafter shew, why such branches are generally preferable to small independent Companies, and can often be located, in distant and poor parts of the country, where the latter could not succeed. In places far removed from the sphere of action of any Bank, and no local capital, any peculiar advantages possessed by those places, are very tardily developed. Not only are some of the most certain means of increasing the national wealth neglected, but the benefits of a paper currency being confined to the more favored districts, the riches of the country soon get into partial heaps, and create a pernicious monied oligarchy. If branches, however, be distributed in remote parts, where industry could be made productive, then will the country, like a well irrigated farm, be seen to flourish from one end of it to the other, and not resemble a desert with a few *oases* in it. In Scotland, all the larger Banks have numerous agencies, or branches, throughout the country; and it was given in evidence, before the Imperial Parliament, that the expenses of supporting many of these establishments, exceeded their returns from the ordinary transactions of deposits and loans, —the loss being made up and a profit left, from the circulation of the notes of the parent institution. It must be evident that in such vicinities, the demand must be almost wholly confined to a currency of a fractional value; and here may be seen the immediate

connection between the profit of a Bank, and the general promotion of national prosperity, from the use of small notes.

On the discussion that preceded the withdrawal of notes under £5, in England, it was strongly objected to them, that the forgeries were for the most part on such notes. However, it appears, from the returns then made to Parliament, that, with few exceptions, the prosecutions were for forgeries of the notes of the *Bank of England*, and this preponderance was attributable, more to the wretched manner in which the genuine plates were executed, than to the wider circulation of their notes. The Provincial Banks were not only more attentive to the engraving of their bills, but "hunted out the criminals with more eagerness than the Bank of England, as the injury to the credit of their notes, by a successful imitation, was more sensibly felt by the former." In Scotland, the total loss sustained by the Banks and the public, from forgeries, from 1815 to 1820, did not exceed £500 in all. Whereas Dr. COLQUHOUN states, that the public loss from base coin, and sweating and clipping the genuine metal, in London alone, in six months, has frequently exceeded the amount of all forged sums under £2, throughout Great Britain, for the fifteen years previously to his report. In this country forgeries have generally been confined to the five and the ten dollar notes. Indeed, it cannot be supposed that the notes of lower denomination would hold out temptations enough to a forger to exercise his skill and labor, at the risk of his life; unless it might be, that the *miserable execution* of some particular bill, of a low denomination, offered the greatest facility to imitate and circulate a false impression of it. The objections that have been urged against the small note circulation, on the ground of forgeries, appear, in reality, to have little support, and would better apply to that class of notes, which, with a pretty general circulation, are of an amount to be a temptation to the forgers and utterers, for their labor and risk.

Some parties seem to think, that the more the

small notes increase in a country, the less sound is its currency. Scotland has rapidly advanced in wealth, and internal improvements, and extended its foreign intercourse, yet the relative proportion of small notes over the large has been gradually on the increase; and in 1826, out of a paper circulation amounting to £3,309,182—no less than £2,079,000, nearly two-thirds of the whole, was in notes under £5. It is said, that paper money, particularly that of a lower denomination, augments the money price of goods. But this is not the case, since the paper money, added to the currency, is only equal to the amount of specie that would otherwise circulate, under similar circumstances; for any redundancy would immediately return to the Banks. ADAM SMITH says, that from 1600 to 1775, provisions were never cheaper than in 1759, though, owing to the circulation of notes of five shillings and ten shillings (repealed before 1775), there was more money in the country. At the present day, prices are not higher in Scotland, than in England. Moreover, the great outcry about small notes being the cause of so much overtrading, and so many Bank failures, is negatived by the fact that in 1792, while there were no bills in England *under* £10 value, *two-thirds of the Bankers failed*. And it is well known, that the country was almost saved in the latter end of 1825, by an issue of small notes, from the Bank of England. At that time, the small note circulation of the Bank had been reduced to £400,000, but it found it necessary, in consequence of the ruinous drain on its specie, for exportation, to issue, for domestic purposes, instead of coin, £1,000,000 of small notes. A great outcry is kept up about a metallic currency, as if it were essential to the prosperity of a country. It may be a very good thing to have, provided we do not pay “too dear for our whistle.” France luxuriates in a metallic currency, there being only one Bank, ‘The Bank of France,’ allowed to issue paper money, and that not in bills under 500 francs. Yet who refers to France, as a country making rapid

progress in its commerce, its manufactures, or its agriculture.

It will, I think, be allowed, by every reflecting and unprejudiced person, from what has been said, that the mere withdrawal of the small notes, does not thereby put the paper currency of the Bank on a more solid basis. It is only by exacting a security, in favor of the public, in the original formation of the Banks of issue, and Government keeping up a supervision over them, that safety to the holders of the notes can be secured; and who will be bold enough to say, that this safety will not extend equally to one description of notes, as another.

A writer states, that in Scotland the most ignorant inhabitants of its remotest parts, almost universally prefer Bank paper to coin; and that there the currency, which even at present is very partially metallic, would be almost entirely Bank paper, if Government allowed the circulation of notes under £1. "In any calculation," he adds, "of the individual or national loss, which has attended the hoarding of specie, in England, the compound interest on, or the reproductive powers of so much sunk capital, during the last hundred years, will be found to be immense."‡

I have therefore used arguments, regarding paper circulation, applicable to almost any society, but they will apply, with peculiar force, to the present condition of Canada. We have here inexhaustible resources for the profitable employment of capital, but we possess no mines, and only a depreciated metallic currency; and from the want of Registry Offices, and the existence of Feudal Tenures, we cannot, in Lower Canada, make use of our land as an active capital in trade, by pledging it, for money or credit. Besides, the balance of trade has been for years against us. Without the accommodation afforded to the public, by the Bank issues, it is certain that this country could not have made the rapid ad-

‡ *Vide* note at the end.

vancement that it has done, in the short space of twenty years, since Banks first became established here. But this more properly belongs to the second division of my subject.

If the foregoing observations, respecting paper money, be impartially and maturely considered, I think they will convince the most sceptical, that this description of currency can effect, the following among other desirable objects of domestic economy in a State, more perfectly than specie:—

1. It makes a great and valuable addition to the active capital of a nation, whereby local resources, and internal improvements, are more rapidly developed and advanced.

2. That addition is made thereby at less cost to the public than by obtaining a metallic medium.

3. It facilitates the exchanges between distant parts of the country, and reduces the charges of making remittances, infinitely below the expenses of specie transport.

4. It can be supplied to the distant and thinly-peopled parts of the country, far from the money marts, where specie either would not find its way, or must be forwarded at a great cost.

5. It has the faculty of expanding and contracting, when properly directed and controlled, according to the *effective* demand.

The only questionable part of the matter is, the establishment of a paper money that will remain uniform in its value, and always possess the above properties. I shall presently submit the project of a law, which I think would produce the result required, as nigh as it is possible for human wisdom and authority to do.

PART II.

THE RISE AND EFFECTS OF THE BANKING SYSTEM
OF CANADA.

Our early British emigrants generally arrived here with little capital, and that little was, in most cases, laid out in the purchase of land, leaving the individuals wholly dependent on their industry. The soil and climate of Canada could always enable them to obtain, most amply, the articles of necessary subsistence. Unlike, however, the great bulk of the French§ inhabitants, who had but a rude idea of the comforts and enjoyments of life, and whose wants were easily supplied by the application of domestic industry alone, they had habits and wants, the results of former connections and education, which could not be supported or satisfied without a recourse to a foreign market. But with the greatest abundance of provisions, unless there be a foreign market, for the surplus of its produce, a new country cannot purchase what it does not produce. Destitute of mines, and with not even enough of specie for their own internal trade, the earlier settlers were obliged to have recourse to barter, in many of their transactions among themselves; and the want of capital, the great bulk of their usual products, and the difficulties of communication, in such an extensive and thinly-peopled country as theirs, necessarily restricted their foreign commerce within very narrow limits. This slow progress was not at all suitable to their desires, and by no means such as their energies had a right

§ *Vide* note at the end.

to expect, under an alteration of circumstances. To assist, therefore, their internal trade, as well as to open to them a channel for their surplus products being conveyed to a foreign market, their circulating medium was to be enlarged, and a body of men called into existence, to act as the carriers of produce, between them and foreign consumers. The addition to the currency could not be immediately made by throwing more specie into it, as that was a foreign article, which was not to be obtained otherwise than by an exportation of products, beyond the value of the foreign merchandize imported. And in regard to the class of traders, required to act as the channel of communication, between the local producers and foreign consumers, the early state of the country, and their small capital, necessarily limited them to few in number, and very much restricted their operations.

To a combination of the foregoing circumstances, do our Banks owe their existence, as also one of their most valuable characteristics,—the having a large proprietary. The small capitals, in the hands of individuals, used independently and dispersedly, could not effect either of the objects above described. These small sums required to be thrown into large masses, so that they might again be distributed either in large amounts, or to the parties, and in the channels, most likely to employ them to the greatest advantage. But the intention was not that the efficacy of the measure should stop here. It was fairly expected, that the confidence of the public would be readily extended to establishments, that had the command of the aggregate capital of a large number of persons; and that, upon such confidence, the Banks would be induced and justified to lend and circulate a greater sum than the amount of their respective stocks, and thereby, “to all purposes of trade and industry, encrease the active capital of the country.”

I should have observed, that for some years previously to the establishment of the Banks, the business of the country was greatly indebted to a large local

expenditure by the Imperial Government, which, however, has gradually been diminishing, since the close of the last war with the United States. The foreign commerce, as well as the stimulus to internal improvements, arising from the above source, when at its height, would have gradually decayed and subsided on its falling off, if a new and invigorating capital had not been promptly provided to meet the demands and exigencies of the country. And had local Banks not started into existence, we should, ere this, have seen the capital and enterprise of our neighbours, usurping and enjoying those great advantages, which native money and energy have fortunately and justly secured to ourselves.

The only paper part of our circulating medium, in this Colony, is the Bills of the Banks, Government not issuing any paper money. These Bank bills are not under one dollar, and not exceeding one hundred dollars, expressed to be payable to bearer, on demand, in the current coin of the country. A forfeiture of its charter, is made the penalty against the Bank, that refuses compliance with this engagement. In order still further to give this paper money a sounder character, by legislative control, it is enacted, that the total amount of notes issued by the Bank, must bear a fixed relation to its capital. Each Bank is also required to furnish statements of its affairs to the Legislature, whenever called on. These safeguards, in favor of the public, are nearly complete. I shall, however, hereafter shew how they may be still further strengthened, without at all cramping the fair operations of a Bank.

A table, which I annex to this chapter, will shew how rapidly our exports have become increased in value, and our sphere of comforts and enjoyments, by our import trade, been extended during the last ten years. That all this has chiefly resulted from the use, and gradual enlargement, to meet the progressive demand, of a paper circulation, must be evident to every inhabitant of this Colony. Our Provincial coin has remained, for years past, in the same

depreciated state, besides the greater part of it being kept out of circulation, by the propensity of the French *habitans* to hoard their money, instead of employing it to improve their farms, or encrease their comforts. The balance of trade with England and the United States, being generally against us, we have not been enabled to draw into circulation, any quantity of foreign coin.

I have already referred to the valuable services of a small note circulation, but I must be allowed, in a few words, to point out its great importance to Canada, in particular. The Banks provide the public, through their issues under \$5, with an active capital of nearly \$400,000 (a little less than one-fourth of the entire amount of their paper.) Should the \$400,000 of small notes be withdrawn, the Banks would of necessity be obliged to curtail their accommodation to the public, nearly to that extent; for it is the profit derived from the small note circulation, that enables them to pay the heavy charges incurred in replenishing their vaults with specie, from New York. The Banks in this Province, besides keeping *large reserves* of specie on hand, are constantly importing coin in order to meet the country business, which is nearly all done in specie, the *habitans* being ignorant of the uses and convenience, and suspicious of the character of Bank paper, and requiring to be paid in '*l'argent dure,*' which is hoarded by them to a great extent. Remitters to the neighbouring States, also drain the Banks of much silver.

The prudent conduct of the Banks has sustained their currency in both Provinces on equal terms with specie. Indeed a more uniform value has been produced, in the entire circulating medium here, than can be found either in England, or among our neighbours—notwithstanding their large supplies of the precious metals, and more improved internal communications. || The exchanges, between the most distant parts of the two Provinces, are now effected, in almost all cases, at a quarter per cent. premium, and frequently even lower. We have had

commercial distress, and been twice visited by a disease, that seemed to threaten the dissolution of society, and yet the Bank paper of this Colony has retained its value and stability, unimpaired and unimpeached throughout these severe trials.

Some parties have objected to the chartered rights of the Banks, on the ground, that the high profits they have reaped, are the consequence of monopolising privileges, and an oppressive use of them. Such cavillers are those, who have not credit enough to obtain accommodation, and whose passions blind their judgment. There is an intimate connection between the prosperity of the borrowers, and the large returns of banking capital; and the more the latter promotes the progressive advancement of the country, and the more it is profitably employed by its customers, the greater is the re-action in favor of the Bank, in enlarging its business, and enhancing its gains; indeed there is a mutual dependence and relation between a Bank and its customers, in regard to their well or ill-doing. The present prosperous condition of the Chartered Banks in Canada, may, therefore, be fairly adduced in proof of such relation and dependence having hitherto had the happiest results, in forwarding the interests of the country at large.

The following table will, in one view, shew the connection between the trading prosperity of Canada and the gradual extension of Bank circulation:—

Year.	Imports.	Exports.	Ships.	Tonnage.	Tolls collected on the Lachine Canal.		Bank Circulation.	
					Downwards.	Upwards.	Lower Canada.	Upper Canada.
1825	1,145,461	731,855	762	191,614	1089	190	125,370	90,000
1830	1,512,909	1,555,403	855	225,198	3708	1604	270,000	125,000
1833	.....	.....	.....	.....	4844	2310	.....	.....
1835	*	*	1132	323,305	.....	.....	403,057	360,920

* The returns for this season have not yet been made up, but from enquiries of the best informed persons on the subject, I am led to believe that the trade of the Provinces has increased since 1830, in a still greater ratio than during the five preceding years.

The above table does not include any returns of the trade with the United States, over land; nor any estimate of the paper circulation of private Banks, in either Province.

Had I at hand the necessary materials to compose a statistical table for the purpose, it would be seen, that the internal improvement of the country—(the encrease in cultivated lands—the additional mills, &c., erected—the number of bridges, roads and canals made, &c. &c.,) since the first establishment of a Bank here, has advanced in a much greater ratio than the extension of its foreign commerce.

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PART III.

THE REGULATION OF BANKS OF ISSUE.

I READILY admit, that the degree of utility and security of the paper currency of a country, which I have described it to be capable of possessing, must very much depend on the original constitution, and the prudent management of Banking establishments. It, therefore, behoves our Legislators, to consider well how by salutary restrictions, and prudent regulations, they could give the greatest security to the notes of a Bank. It must be acknowledged, that the Legislatures of both Provinces have hitherto shewn an anxious desire, by chartering large bodies placing their funds under certain restrictions, and requiring statements of their affairs to be published, to put banking on a sound basis. But I think, the temporary system of legislation, hitherto adopted, ought to be discontinued, as productive of great uncertainty and injury to the commercial interests of the country; and a general law passed, under the provisions of which, bodies of individuals might start into existence, concurrently with the real demand for their services. Besides, it is not sufficient, in order to preserve the currency from depreciation, to charter large Companies; but it should be an object with Government to prevent private dealers from issuing any paper money, below a certain sum. These are the parties who endeavour to force out an excess of small paper; and it is well known, that the bills of insolvent or doubtful persons, have obtained a circulation in company with

those of sound Banks ; especially wherever there exists a general preference for, and confidence in, paper money : and a large portion of the community cannot discriminate between the various issues afloat.

There cannot be a doubt, that the greater extension and prosperity of Banking operations in Scotland, than in England, and the almost freedom from losses, on the part of the public, by Bank failures, in the former, while the people of the latter have repeatedly been involved in the greatest difficulties, almost ruin, from such causes, must be chiefly ascribed to the absence of any restrictions as to the number of partners. Scotland has always shewn a disposition to avail itself of this privilege ; and by a return before me, (the latest date to which I could get access,) it appears, that in 1819, there were thirty Banks in Scotland, twenty-eight of them having 1478 proprietors—the two others, the Bank of Scotland, and the Royal Bank of Scotland, not having made a return of the number of their Stockholders. In England, on the contrary, Banks, until within a few years, were restricted to six partners ; so that the smaller amount of capital and credit, engaged in these institutions, was the cause of their instability.

In discussing the comparative advantages of a large number of small rival Banks, or a limited number of large incorporated Companies, I wish it to be understood, that I mean to view the subject, solely as it is connected with *paper issues*. With their own actual capital, let monied men deal as they think proper. They have as much right to a freedom of action, in lending their money, as a manufacturer, or farmer has in disposing of his goods or produce. Money Brokers can often render services to individual customers, which the large Banks, by being obliged to act within defined rules, could not do :—for example, in discounting business paper, at long dates, and on terms suitable to each particular transaction. But when it comes to a question of the employment, not merely of their actual, but a fictitious capital,—the coining of their

credit, it is then the duty of the Government to ensure the people, as much as possible, from the effects of imprudent conduct, or deliberate frauds on the part of those who substitute money, of their own creation, in the stead of the legal coin of the country.

That this is not a novel exercise of authority on the part of Government, the practice of the State Legislatures among our neighbours, is a sufficient proof.

As early as 1810, the Legislature of Pennsylvania passed a law, prohibiting unincorporated institutions from issuing notes, or pursuing any of the operations of Banking.

The advocates of a restricted copartnership, as to numbers, say, that "the smaller the Banks, the keener their rivalry, thereby presenting the public with every desirable accommodation, and diminishing the risk of loss to the public, in the failure of any one of them; besides affording stronger checks to any of them overtrading." The fallacy of this theory has been sufficiently exposed, by dear experience in England. Indeed, without a knowledge of its practical failure, one may readily conceive, that, in the too great eagerness of the several small Companies, to gain business at the expence of each other, they will often be found engaged in picking up each other's notes, to excite a run against some of their rivals, which will, in all probability, end in a run against them all. Besides, these small establishments are too apt to be conducted under the influence of sanguine notions, and the keenness of men desirous of making rapid fortunes. The partners are also too frequently induced to use their Banking resources and credit, in other trades; thus not only weakening their support against a run, but extending some monopolizing mercantile establishment of their own, instead of encouraging a wholesome rivalry among traders. On the other hand, public Banks are obliged to attend to the wants of a large body of shareholders, and cannot use the Banking funds in any one channel, or among a certain class of men, to the detriment of other trades, and the ma-

majority of the applicants, but must distribute their funds, as equally as circumstances will admit. Their more extensive operations, and the absence of a direct personal feeling, or rivalry, between larger institutions, preclude all petty manœuvres to injure each other. Many persons are also interested in more than one of these Banks ;—and it is not, therefore, to be supposed, that they would knowingly act in opposition to their own interests. The greater the extent of numbers, composing a Bank, the less liable is it to be affected by a run, it being the interest of each partner, to use his influence to check any panic, at its commencement—not only the safety of the Bank, but a speedy restoration of public confidence, is thereby secured. Such salutary results cannot be expected from restricted partnerships. It ought, therefore, certainly to be the duty of the Government of a country, in the position of ours, where a paper currency is essential to the progress of improvement, to place the issuing Banks on such a footing, that will render them efficient checks to the extension of commercial difficulties, and public panic and distress. It cannot be a matter of doubt, that “ many dealers could, under secure Banking arrangements, stand out, against a natural fall of prices, who otherwise would be involved in the ruin of other really insolvent traders.”

Another advantage to the public, of a few large Institutions, in the place of many small Banks, under the control of two or three partners, has already been hinted at. I refer to the establishment of agencies, which, from their less expensive management, and being supported by the general credit of a rich and powerful Parent Institution, can often flourish, where local independent Banks could not sustain themselves. To illustrate this, I cannot do better than give the words of a writer on the Scotch Banking system :—“ Two or three branches are frequently seen in places or districts unequal to the formation of a local Bank, with sufficient capital to ensure success. From this competition of Bank branches, the poorer, or less important districts, are placed in the

possession of all the Banking facilities enjoyed by the richer, or more populous portions of the country, whose surplus funds are thus, frequently and most beneficially, transferred to the points most in want of them. By the reciprocal interchange of information, the office-bearers, or directors, at head quarters, have a general and correct knowledge of the Provincial traders, through their agents and partners, dispersed throughout the face of the country ; and the latter, of course, acquire, at the same time, a similar knowledge of persons carrying on business, at a distance from their own positions ;—thus enlarging the circles of individual credit, and presenting many inducements to the cultivation of commercial intercourse, betwixt individuals and places the most remote from each other. Small local Banks, whose partners reside mostly in one place, and whose trade is, chiefly, among manufacturers of, or dealers in some staple article, are liable to be affected by the vicissitudes of that locality, and apt to rise and fall accordingly in their credit with the public, and are, therefore, obliged to restrict their advances, at the moment their customers stand most in need of them. On the other hand, branches of Banks, whose partners are scattered over various districts, and whose business is not confined to one or two towns, or to one or two classes of persons, experience little or no fluctuation of credit, from the cause alluded to.”

From the foregoing observations, it must be obvious, that my opinion is against allowing private parties to issue notes, at their own discretion.

I, therefore, offer to the consideration of the Legislature, and the public generally, the following outline of a law, to regulate Banks of issue. Remarks, on the several sections, are subjoined.

1. That no private individual, or any partnership, except as hereafter mentioned, shall issue any Bank bill, or promissory note, whatever, under the value of £12 10s. or \$50.

2. That, before any Company shall proceed to issue any bills or notes, under the above value, the fol-

lowing certificates, on oath, shall be forwarded to the Executive, viz. :—a certificate of the names, and places of residence, of the individuals who compose the Company, and of the number and value of their respective shares ;—a certificate, or deposition, by each partner, that he is a *bona fide* holder of the shares standing against his name, or as trustee for minors, or creditors, or some public or charitable institutions ;—and a certificate, specifying the amount of capital subscribed for, and the amount actually paid in, and the quantity and description of coin in the vaults of the Company.

3. That on the receipt of such certificates, or depositions, and it appearing, that at least thirty subjects of His Majesty, and resident in this Province, compose the said Partnership or Company ;—and that they have a subscribed capital of at least £75,000, two-thirds of which being, at the time, in current coin of the country, in the vaults of the Company,—it shall be the duty of the Executive, by public proclamation, in the Official Gazette, to empower the said Company to issue bills or notes under £12 10s. or \$50, the certificates to be published at the same time.

4. That no individual or partnership shall at any time be a holder of more than one-twentieth part of the stock of any Bank under this act, except by voluntary gift or will, on pain of forfeiting any amount or share beyond such part for the general benefit of the concern.

5. That no Bank shall extend its capital beyond £500,000.

6. That the total amount of its issues shall not exceed the amount of its capital paid up.

7. That the affairs of the Bank shall be managed by a Board of Directors,—not less than seven, or more than thirteen, in number, each Director holding at least £500 of stock ;—the Directors to be chosen annually by the stockholders,—only four, where there are seven, or six, where there are a greater

number, to be re-elected,—the names of the Directors to be published in the Official Gazette.

8. That the Bank shall sue and be sued by and in the name of the “Directors and Company of—[the title used in the certificate].” Service of any writ; &c., to be made on the chief officer in charge, at the principal Banking-house.

9. That the several partners shall be bound in double of the amount subscribed by each, for the debts of the Company.

10. That the Bank shall make a return to the three branches of the Legislature, during the first week of each Session, or to the Executive, whenever called on, when the Parliament is not in Session, of the state of its affairs, and that when it shall appear, by such statement, that the Bank has lost one-third of its subscribed capital, it shall be the duty of the Executive to appoint two Commissioners, to wind up the affairs of the said Bank, in conjunction with the Board of Directors.

11. That no dividend shall be paid except out of the clear profits; and that when the profits shall have reached over £6 per cent. on the paid up capital of the concern, the excess shall be placed in the hands of Government, at 4 per cent. interest, until a sum equal to one-tenth part of the capital paid up, when under £250,000, and one-fifteenth part, when above that sum, shall be accumulated, there to remain until the Bank shall be dissolved, or become insolvent, as above mentioned.

12. That the Bank, on refusing to pay any bill or note, on demand, in the current coin, shall forfeit its right of issuing any description of paper money whatever, and shall also pay to the holder of the note or notes, so refused payment of, double the value thereof.

13. That in the first week of January, of each year, the Executive shall appoint, by proclamation in the Official Gazette, five persons, as Commissioners, to inspect the state of the vaults of the several

Banks ; such Commissioners, or any three of them, to make such inspection at the time or times the Executive may direct, without any previous notice given to the Bank or Banks to be visited ; and that if, on such inspection, any Bank shall be found not to have in its vaults, a sum in the current legal coin of the Province, equal to one-fifth of its paper in circulation, the said Bank shall forfeit a sum equivalent to the amount deficient, and a like sum every week, during which the deficiency exists.

The above are the principal features of the law I would propose for adoption, in order to regulate the issue of paper money, of a small value ; and the charters of the existing Banks would furnish several other salutary provisions. With these restrictions, Banking ought to be left *to the action of the public*, like any other business. I proceed to offer some remarks on the several parts of the above project of a law.

The first section, restricting the right of issuing notes, under a certain value, to public companies, is intended to secure the public against the miseries of a spurious and depreciated paper circulation, more particularly the lower orders, who are incapable of judging regarding the relative value of Bank notes, and among whom a large portion of the small notes must circulate. I have already endeavored to justify this restriction. I have, however, left to private individuals, the power of issuing notes above £12 10s. currency, or \$50, as notes of that value will not go into general circulation, and will only pass into the hands of parties, who can form a judgment regarding the solvency of the maker.

The four following sections are intended to place the issuing Banks on a broad basis, as to the proprietary, and to give to each a capital not too small, to prevent it acting independently and firmly in the midst of its opponents, or in times of trouble ; and yet, not so large, as to give it the power of acting hostilely towards inferior institutions, or oppressing

the mercantile community,—or, perhaps, defying Government itself.

The sixth section provides a limit to the paper issues of the Banks. Where the demand for Bank accommodation is so urgent and steady, as to enable a Bank to keep afloat notes equal to its capital, it is time to call into existence an additional quantity of real capital, to give a more extended and firmer support to the paper circulation, and to disperse the rich stream of Bank profits more widely throughout the country. This plan will force the public to subscribe for new Banks, if they wish further capital, and where there are many rivals no Bank will issue beyond the real demand, for its notes will immediately return on it. A number of Banks always secure, particularly where weekly exchanges are made in cash, or its equivalent, (as in Scotland, by bills on London,) an adequate limitation of paper issues.

In the seventh section, I have provided for a rotation of the members of the Board. To use the words of HAMILTON'S Report, 1790 :—"The argument in favor of rotation is this ; that by lessening the danger of combinations among the directors, to make the institution subservient to party views, or to the accommodation, preferably, of any particular set of men, it will render the public confidence more firm, stable and unqualified." The principle of rotation has been objected to, on the ground, that knowledge is derived from experience, but really in the business of a Bank, there is nothing but what the common sense of a man may grasp with. The successful administration of its affairs, depend, perhaps, as much on integrity, as great abilities.

The eighth section requires no comment.

The ninth is drawn in conformity to the views of the British Government, and, I should think, cannot be the subject of any reasonable opposition, while in other trades parties are liable in the whole of their property. Besides—

The tenth section prevents the entire ruin of the

Bank, by providing for its being wound up, when one third of the subscribed capital has been lost.

The eleventh section provides, in the first place, against the capital of the Bank being paid away to the stockholders, in priority to the creditors of the institution ; and in the second, for a fund being deposited in the hands of Government. This fund, while it is a safety fund to the creditors of the Bank, is in the nature of a tax or premium, by the difference of interest between the prescribed and legal rate, paid to the public, for the privileges conceded in favor of the Bank.

The twelfth section, most men suppose to be the real guardian of the holders of Bank notes, and I have inserted it agreeably with their opinion, as also—

The thirteenth section, as an adjunct to it.

I cannot, however, but think, that a paper, supported by the local wealth, enterprise, and industry of a people, needs not this protection ; indeed, that a provision of this sort, is only offering a temptation to speculators, and capricious and factious persons, to injure the Bank, which is, by its operations, developing and extending the resources and trade of a country. I must, even at the risk of being tedious, say more on this point.

Where Banks are safely constituted, and under public supervision, from periodical reports of their affairs,—there can be no sufficient reason why specie, except in small quantities, for change, or for balances due to other Banks, (which would have a salutary restraint on their issues,) should be legally demandable. These Banks, while they are lending capitals to those who are employed in promoting the growth and collection of local products, for the foreign market, are also, by that very course, placing the greater part of the specie of the country at the command of the outward trade. Since then, the foreign trade of the state is thus doubly encouraged and supported, by the measures of the Banks, it would be a short-sighted policy to cramp their means of affording accommodation, by requiring them to keep large reserves of

specie, to meet demands for exportation, by parties who have picked up their notes for that purpose. The quantity that all the Banks could muster, would be comparatively trifling to the demand. But trifling as might be the effect, for the moment, on the foreign exchanges, of any assistance derived from a drain on the vaults of the Banks, yet great and immediate would be the injury to the domestic business of the country, from the Banks, in self-defence, withdrawing their usual accommodation from it; and the foreign trade would also speedily feel the effects of it, from the diminished means of meeting the demands of importation, from the legitimate source of local products. Let the holders of the notes buy from bullion dealers, or the foreign debt be extinguished by an increased exportation of home produce, which the Banks will, by lending additional assistance, enable the country to prepare. It should be remembered, that the balance of trade being against a country, does not necessarily prove that it is getting poorer, because it is getting into debt. It is the balance of produce over consumption, being in its favor, that causes the capital of a society to encrease;—and it, therefore, follows, that it is the internal trade that ought first to be carefully guarded and stimulated, as being the only sure means, as well of advancing the domestic condition of a people, as of meeting foreign demands. “The balance of produce and consumption,” says ADAM SMITH, “may be constantly in favor of a nation though what is called the balance of trade be generally against it. A nation may import to a greater value than it exports for a century, perhaps, together; the gold and silver which comes into it during all this time may be all immediately sent out of it; *its circulating coin may gradually decay, different sorts of paper money being substituted in its place, and even the debts, too, which it contracts in the principal nations with whom it deals may be gradually increasing; and yet its real wealth, the exchangeable value of the annual produce of its labor and its lands may, during the same period, have been increasing in a*

large degree. It is, therefore, this real wealth, and not the balance of trade, which is the true measure of the power and opulence of a nation.

much greater proportion. The state of our North American Colonies, and of the trade which they carried on with Great Britain before the commencement of the present disturbances, (1775) may serve as a proof that this is by no means an impossible supposition."

Simultaneously with the establishment of a sound paper system, our Provincial crowns and half-crowns should be reduced to their real intrinsic value, and allowed to take their chance in the circulation with the paper currency of our Banks, which is of a uniform value throughout the Provinces, and even at but a trifling discount in the neighbouring States. A large sum, in coin, is confined here, only to enhance the price of all consumable articles,—for that is invariably the effect of raising the denomination of the local coin. It does not add any thing to the stability of our Banks, or the credit of their paper. In the Province, the holders of Bank notes rely on the character and conduct of the Directors of the Banks, and the large capital, and widely-diffused interests involved in them. And among our neighbours, the notes are received, or goods sold to us, from a confidence in the great natural resources of the country, and its means of meeting demands against it, with an export of its products, and not from any reliance on the quantity of debased coin it possesses.

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produced."

NOTE †, PAGE 10.

The following notice in the *Commercial Advertiser*, New York, December, 1835, strikingly confirms this view of the subject. That journal has reference to the late awful calamity, the destruction by fire of the chief business portion of the city :—

" We are gratified that we are enabled to state, the Banks, with one accord, are acting in this emergency upon a *scale of the most extended liberality*. Today, the officers have taken the responsibility, in all necessary cases, of doing as they would be done by."

NOTE †, PAGE 18.

A late number of the *Boston Daily Advertiser and Patriot*, has the following sound and appropriate remarks.

NOTE 6, PAGE 20.

I would not wish to be understood, as casting any degrading reflection, on the French Canadian habits, or character. I only intend, by this contrast, to shew, that trade, particularly as it is connected with foreign commerce, is much more necessary to, and fostered by, the English emigrant, than the French native. For the social virtues, simplicity of manners, and fidelity as subjects, the French Canadians may be said to be pre-eminently distinguished.

NOTE 11, PAGE 23.

Extract from the Report of the House of Representatives, U. S., 13th April, 1830.

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