

# JOURNAL

OF THE

## CANADIAN BANKERS' ASSOCIATION

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### OLD CURRENCIES IN NOVA SCOTIA

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WHEN British authority was once firmly established throughout North America by the settlement of Lord Cornwallis in Halifax in 1749, Nova Scotia rapidly grew to be a centre of Imperial and commercial activity. The spacious and magnificent harbor of Halifax offered a safe rendezvous for the fleet, and the hill on which the city was situated afforded a site on which works of a defensive character could be made to command every approach of a hostile character, whether by land or sea; while throughout the entire province the shores were indented with bays and harbors which afforded every facility for fishing and trading. Under such conditions Halifax rose to be a place of great importance, and it was not long before it was found necessary that some steps should be taken to place the currency in circulation on an established basis.

In the earlier days of the province, down to 1758, the affairs of the country had been managed by decrees of the Governor and his council. We find that in 1757, at a council held at Annapolis (then the headquarters of Government), an order was issued fixing the value of the French coins then in circulation,

in consequence of an attempt on the part of some traders to lower their value. The new French crown "*Stampd with four double L.L. to be at 12/6.*" In 1730-31 an order had been issued rating the value of French silver at 8s. an ounce, New England currency, and declaring the bills of New England to be current and a legal tender.

In 1758, nine years after Cornwallis' settlement, the first House of Assembly in the province was called together on the 2nd October, and among the first acts of this first session of a popular assembly was one to regulate the value of the currency of the British coins in circulation. In 1761 a treaty was concluded, at another session, with the Indians, by which a legal valuation was given to the furs and other articles which they brought for sale, to protect them from the unfair dealing and rapaciousness of the traders. A Commissary General for the Indians was appointed, and truckhouses established, at which their products could be disposed of at a legal price, and goods supplied in return, much in the same manner as the stores of the Hudson Bay Co. supply the Indians in their territories. The legal tender goods currency so established was accepted generally in the province, as a fair scale for Indian transactions. The standard of value was one pound of best spring beaver, by which all other pelts were to be valued, and the price was fixed at 5s. Two pounds of spring beaver were to be equal to three pounds of fall beaver; one otter skin to one pound of spring beaver; three marten or sable skins to one pound of spring beaver; one bear skin, of large size and in good order, to equal one and one-third pound of best spring beaver; a black fox to two pounds, a silver fox to two and a half pounds, and a red fox to half a pound of beaver; two gallons of rum for a pound of beaver; a large blanket for two pounds of beaver; thirty pounds of flour for a pound of beaver, and fourteen pounds of pork for a pound of beaver; other articles being similarly regulated. Judging from the prices of articles of consumption at the present time, not any fault can be found with the prices for flour and pork, and rum must have been in larger supply in those days in proportion to population and demand, as to be sold at only 2s. 6d. a gallon. This Act of a legal currency in articles of trade, other than money, appeared to have worked

satisfactorily while it lasted. It was done away with in 1768.

The Act of 1758, besides fixing the rate at which British coins should be valued, prohibited the circulation of any copper coins except such as were in use in Great Britain and Ireland. In subsequent years other Acts were passed dealing with clipping, counterfeiting, and otherwise debasing the coins in circulation.

In the closing years of the century, and after a complete occupation of the country by the British Government, and well down to a little past the first decade of the present century, the chief coins in circulation throughout the province were of foreign varieties, French, Spanish, a few Portuguese, and still fewer English. Traders and citizens seemed mutually to agree on certain values for the different coins which came into the circulation. Accounts were kept in pounds, shillings and pence, according to English numeration, but there were few of those coins, comparatively, in the country to represent the values expressed by them. Now and then an officer coming out to join his regiment, or the arrival of a man-of-war, or some official arriving in the colony, introduced, perhaps, a few shillings or a guinea or two, but coins bearing the royal effigy were not at all common. One can only suppose that the reason for this scarcity of English coins was the state of the law, which at that time, and down to the first ten or twelve years of this century, I think, forbade the exportation of the coin of the realm. Whether from the prohibition of the law, or from whatever cause, a scarcity of English coins existed in the province. The Imperial Government found it necessary, however, to provide coin of some kind for the payment of the troops in the different garrisons and stations, and for the supplies of the navy, and the other branches of the public service. For these purposes Government imported large quantities of Spanish milled dollars, and paid them out to the troops, and for other public expenditures, at the rate of 4s. 6d. sterling each. The Spanish dollar, though in use before, and recognized as an important member of the circulation of the province, became by this Imperial recognition of it a much more representative coin, as the sterling value attached to it established it as a standard in business trans-

actions. Still it was found that at 4s. 6d. it was an inconvenient coin in its relation to a pound, as no number of dollars would make an even pound. And here comes in a feature in the business calculations of to-day, the origin of which I am disposed to think is not known to many who deal in bills of exchange. All bankers and brokers, importers and exporters, have no doubt heard of "Halifax currency," and also know that in the calculation of a bill of exchange there is a factor to be taken account of, and known as eleven, one ninth ( $11\frac{1}{9}$ ); but *how* the term Halifax currency originated, and *how*  $\frac{1}{9}$  became a necessary quantity in the working of a bill of exchange, they possibly have never troubled themselves to enquire. The Spanish dollar at 4s. 6d. being found inconvenient in its relation to the pound, the business men of Halifax, by a sort of *lex mercatoria* action determined, for greater convenience, to raise the value of the dollar to five shillings currency, and establish a pound currency of four dollars, or twenty shillings, and this was effected by adding one-ninth to the dollar; that is, four and sixpence, or fifty-four pence being the sterling value of the dollar, sixpence or one ninth added thereto raised it to five shillings currency. In this manner it was that one-ninth became a part of the calculation of a bill of exchange, and the currency value thus given to £100 sterling became \$444.44 Halifax currency. The expression  $11\frac{1}{9}$  refers to the working of one-ninth on £100, the amount being £11 2s. 2d., and the joint terms were used to express the two ways of arriving at the same result.

$$\begin{array}{r}
 \text{E. g., } \text{£}100 \text{ cy.} = \$400 \text{ } 00 \qquad \text{£}100 \text{ cy.} \\
 \text{add } \frac{1}{9} \qquad 44 \text{ } 44 \text{ or add } \frac{1}{9} \qquad 11 \text{ } 2 \text{ } 2 \\
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 \$444 \text{ } 44 \text{ H. cy.} \qquad 11 \text{ } 2 \text{ } 2 \\
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 \end{array}$$

This ratio of currency to sterling originating in Halifax, caused the result to be known as "Halifax currency."

In making the statement that one-ninth added to the dollar was brought about by a sort of *lex mercatoria*, or mutual agreement between merchants and citizens, I do so because I have not been able to find any law of the province or order in Council by which that arrangement was effected. Had there been any

### CORRIGENDUM

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On page 416, on the tenth line from the foot of the page, "11 2 2" should read "111 2 2"

law or order of Council regulating this transaction, it would naturally have been called by a provincial name instead of one purely local.

In 1834-36 Acts were passed as in 1820, fixing the value of the shilling at one and three-pence and other coins in proportion, and making the sovereign a legal tender at twenty-five shillings, but years before these dates the calculations as we now make them on a bill of exchange were made in just the same manner, as may be seen in the accounts of the Provincial Treasurer in 1824-25, and earlier still the same rate of valuation was in use. In Murdoch's History of Nova Scotia, vol. 3, p. 276, in mentioning some public expenditures for the year 1808, he says, "the expenses" (of the Government schooner "The Hunter") "including purchase, etc., amounted to £2,759 13s. 1½d. Halifax currency, equal then to £2,477 8s. 4d. sterling; the rule at that time was to add eleven and one-ninth per cent. to sterling to turn it into currency, that every £100 sterling was equivalent to £111 2s. 2⅘d. currency." So it was evident that before 1808 the addition one-ninth and the expression "Halifax currency" were in common use.

The valuation of the Spanish dollar to five shillings currency and the introduction of one-ninth in the calculation of a bill of exchange and the expression "Halifax currency," came about most likely in the later years of the last century, and it seems very difficult now to establish the exact date when they did so. The enquiry into such matters may appear trivial and unnecessary to be made a subject of comment in a banking paper, but many of us like to know why we do certain things and the reason for doing them. For my own part I can only say that long after I knew how to work a bill of exchange, I did not know why one-ninth had to be added as a part of the process; and I supposed that the term "Halifax currency" had something to do with Halifax, but *how* I did not understand, and only learned the particulars from information afforded by one who lived in the early years of this century, and was well acquainted with most of the changes which affected the currency of the province. Previous to and down to about 1812 the Spanish doubloon as a circulating coin was scarce. It passed at first by common agreement at £3 12s., much below its value com-

pared to other coins; then it crept up to £3 15s., then to £3 17s. 6d. and reached £4, and became with its subdivisions of halves, quarters and eighths, the chief gold currency of the province. This valuation brought the dollar and the doubloon into fair relation, and in this condition currency matters continued quietly till about the year 1820, when the Spanish-American colonies having successfully revolted from the mother country, began the issue of their own coinages in gold and silver. The new coins speedily found their way into Nova Scotia, brought in by vessels which traded to the West Indies and the South American states. These coins having neither the fineness nor the finish of the old Spanish, the doubloon passed at first at only £3 17s. 6d, but quantity soon overbore quality; they gained in popular estimation, and mercantile convenience soon brought them to the same value as the old Spanish, and gradually they displaced the finer issues, which acquired a higher value as a medium for remittances. The Spanish doubloon acquired a premium value as it faded out of common circulation, and the Spanish dollar rose to 5s. 3d. and 5s. 6d.

About this time, too, another change was brought about; the Home Government began to import British silver for the payment of the troops. It was paid out at par, but the Commissary-General would only receive it again at the rate of £103 for £100 for his bills. This created dissatisfaction, as a premium of 3 per cent. was thought to be too great; it was then lowered to one and a half per cent. Sovereigns at the same time began to be imported, and passed at first at only 22s. 6d., but gradually rose to 25s., bringing them to a proportionate value with the Spanish dollar at 5s. currency. In 1834 an Act of the Legislature, establishing, as some former Acts had done, the ratio of value for coins in circulation, made the sovereign the unit of value at 25s. as legal tender, at which it remained to the time of Confederation; the doubloon was also legalized as tender at £4, or \$16 currency.

From 1812 to after 1820 coin for circulation was scarce, and various expedients were adopted to supply the wants of business. In 1812 and 1819 issues of Treasury notes were made. Corporations and private individuals had begun to issue their own notes for circulation, in sums varying from one shilling and

three, upwards; but in 1818 an Act was passed prohibiting corporate bodies to issue notes for circulation, under the penalty of forfeiture of charter; and in 1820 another Act passed restricting the issue by private parties of any note for circulation for a less amount than 26s., private debts not negotiable excepted.

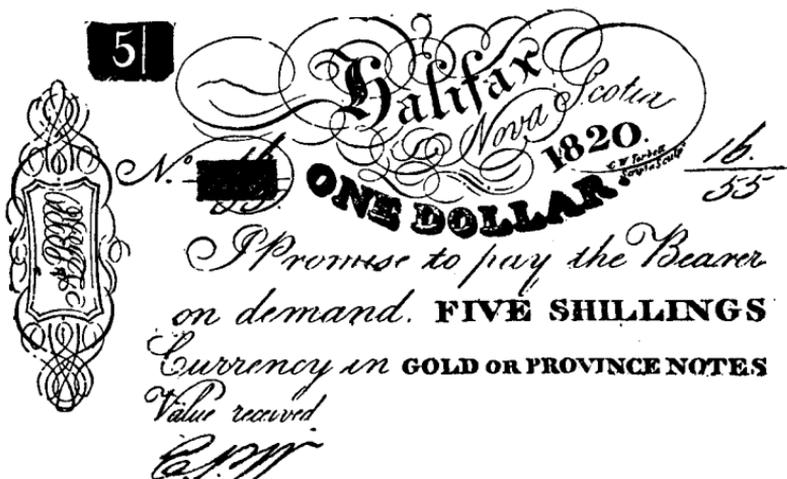
Although large amounts of coin of different varieties, and from different countries were regularly brought into the province, from the English, French and Spanish West Indies, and the States of South America, yet it seemed continually to vanish out of circulation almost as fast as it came in, and the issue of scrip and small notes by private individuals passing from hand to hand as bank notes do at the present time, though intended as helps for business, had the effect in a short time, from the quantity floated, to drive out still faster all the coin from the country. Many of those private issues became irredeemable, a loss to the holders.

Murdoch in his history of Nova Scotia tells the following, to show to what an extent those shin plaster issues had reached. He says that the skipper of a coaster from Lunenburg pasted a stick of firewood from end to end with the small notes of one dealer in Halifax, then shouldering the stick, went off to the office of the merchant who had signed the notes and demanded payment for them.

Specimens of those original issues are exceedingly rare. I have only seen two and I have heard only of two other persons who have seen any. One of the specimens was kindly lent to me by J. J. Stewart, Esq., of the Halifax *Herald*, in order that I might give a *fac simile* of it for this paper. The other one was given to me by the gentleman himself who issued it, that I might add it to my collection of old paper issues. With these two exceptions, I do not myself know of any others in the possession of anybody else in the province. Mr. Stewart wrote to me to say that he had heard of other issues by well known Halifax names, as Cunard, Lawson, Pryor, Fairbanks, but that he had never seen any of them. It was suggested to me that I might obtain the most information on the subject from the records of the provincial library at Halifax, and I was recommended to write to the librarian. I did so and asked him if he had seen or known of

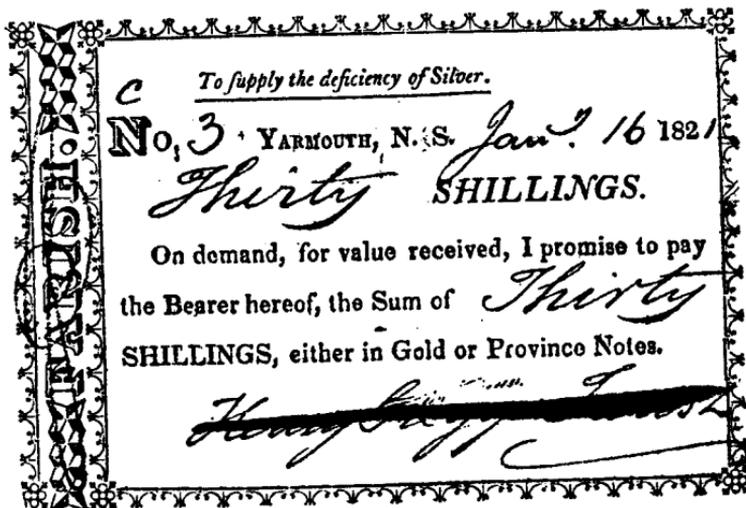
any such issues, and if so, would he obtain a *fac simile* copy for me. In reply he wrote to say that he had seen specimens of such issues, but could not obtain a copy, that some information might be obtained by searching, but as he was not contemplating a work on the subject, it was unlikely he would embark on such researches. Possibly, then, the provincial library may be the mine from which, and the librarian may be the foreman of it, from whom more reliable information may be extracted by some other person who may take up this subject and who could command the time to make enquiries and researches personally.

The following is a *fac simile* of a five shilling note, issued, as the ornamental letters in scroll work in the margin state, by A.L.B.R.O. The business must have been esteemed as of sufficient profit and importance to warrant the getting up of the plates in an attractive, artistic style. This Albion note is printed from copper plates handsomely engraved and decorated, with flourishes around the word Halifax. It is as nicely finished a specimen of bank note engraving as anything one meets with to-day. It bears no date except the annual 1820; the signature is torn off.



The scrip for thirty shillings, copy herewith, was given to me by the gentleman whose name it bears, and who was well known in the province during his life time, and who lived at

Yarmouth. It is printed on ordinary paper, and with common type, and was issued, as it states, "to supply the deficiency of silver."



30/-

Besides these examples of early bankers' scrip, it is quite supposable that others were put out by private persons in other parts of the province, and that somewhere in somebody's collection of old family papers, perhaps, at some future day, other specimens may turn up.

Nova Scotia has always had, in common use, as a circulating currency, a greater variety of coins in gold, silver and copper than any other of the British American provinces. I have seen in ordinary circulation most of the gold and silver coins of France, Spain, Portugal, Mexico, and the South American republics. These all came in as part proceeds of cargoes of fish, lumber, etc., which had been disposed of in the West India and South American markets. It was not an unusual sight, at least in Yarmouth, occasionally to see, on the return of a West Indiaman, her captain going to the office of the owner accompanied by two or three of his sailors, each with a bag of dollars, or other coin, on his shoulder. Many old residents, in

every seaport town especially, were known to hoard coin in their bedrooms or other places, varying in sums of a few hundred dollars to ten thousand and more.

About 1840 the supply of dollars from foreign sources began to slacken. The establishment of banks in the West Indies made bills of exchange a safer mode of remittance than dollars in bulk, and this with an increase of British silver gradually drove out the dollars as a common coin of circulation. It, however, held its place with the doubloon as a legal tender reserve in the banks till the time of Confederation.

The Government of Nova Scotia at various times made provision for the supply of copper coins. Acts were passed for that purpose in 1817, 1832, 1840, 1843, 1856. All but the last were known as "thistle" coppers, *i.e.*, they were stamped with the *nemo me impune lacessit* badge, the thistle, bristling out with sharp points. The issue of 1856 were "Mayflower" coppers, with a figure of that plant as the new emblem of the province on one side. In 1861, 1862 and 1864, cents and half cents were issued instead of pennies and half pennies. All those provincial coins were creditable specimens of coinage, especially the Mayflower series, and the cents. The Mayflower coin, with the handsome bust of the Queen, is a desirable specimen in any collection of coins. The cents of 1862 are scarce enough to command a premium of over a dollar.

About 1840, I think it was, there was suddenly thrown into circulation a large amount of spurious coppers. They first made their appearance in Yarmouth, where I live, and I have personal knowledge of their introduction. Some Acadian fishermen of the Wedge district near Yarmouth sold their fares of fish in the autumn of that year to parties in St. John, N.B., and received in part payment many kegs of coppers. On returning home to the Wedge they divided the coppers among their crews for their proportions of the fishing ventures, and the fishermen brought them into town to pay their bills. At first they attracted no particular attention, but when it was found that they came in unusual quantities and the story about how they came into the place becoming known, and they were seen to be Brummagens of the roughest cast, the holders began to find a difficulty in passing them off. The French people about the

Wedge and Tusket village named them "copper de coteau," after the name of the persons who brought them in. The coins were very thin, with a sharp raised rim to give them the appearance of the proper thickness. The St. John men who carried out this speculation must have made several hundred pounds by the operation, as the coins were pretty liberally distributed throughout the province before opposition to their circulation could do the original distributors any injury.

It became necessary, of course, at the time of Confederation that one system of currency should prevail throughout Canada, still the people of Nova Scotia parted with their currency with regret. It was such a convenient one—so easy of calculation—so simple it hardly required any calculation—sterling and currency seemed so readily to transpose themselves without any effort—a shilling was in a moment one and threepence—four shillings became a dollar—a sovereign was five dollars—add one-fourth to sterling and it became currency—deduct one-fifth from currency and it went back to sterling again. But this simplicity had to give place to one of more complexity. The sovereign was taken as the unit of currency at \$4.86 $\frac{2}{3}$ , and one now has to use pencil and paper to find out the value in dollars and cents of a £5 Bank of England note.

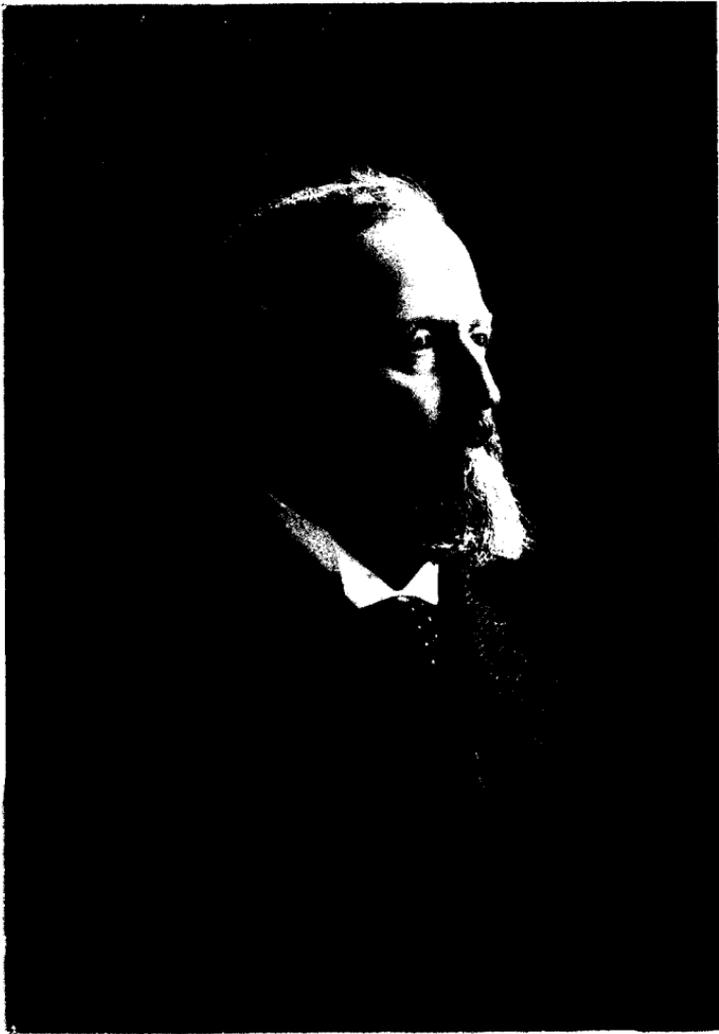
The foregoing remarks are but fragmentary, made up from occasional readings and clippings during a life time, with some personal knowledge and experience. The inability to search personally, in any public institution (none being within my reach) in which any records or reports might be found, has prevented me from ascertaining the exact dates for some of the statements, even if exact dates can be found. I have made many enquiries among persons from whom I thought I might obtain definite information, and while most of them regretted their inability to assist me, all were unable to do so, except Mr. Stewart, of the Halifax *Herald*, who kindly, as before stated, lent me the Albion note for illustration.

As an instance in proof of the—I won't say ignorance, but—the non-knowledge, that prevails about many of the old subjects of interest around us, I showed the Farish scrip to some of the children of the gentleman whose name it bears, and to others of my acquaintances; and all were surprised, and said

that they had never seen anything of the kind before, or had ever heard that an issue of private paper money had been in circulation in the place. Still there may be somewhere in public libraries, or private collections, as in the case of Mr. Stewart and myself, among old family papers and letters, or in old newspaper paragraphs, something which at some future time may turn up and help to make some of the points referred to in this paper somewhat clearer than they are now.

J. W. H. ROWLEY

Yarmouth, N.S., 10th May, 1895



*W. W. Brewster*

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## THE LATE R. H. BETHUNE

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SINCE our last number went to press we have with deepest regrets to record the death of Robert Henry Bethune, General Manager of the Dominion Bank.

To those who were intimately associated with Mr. Bethune in the higher walks of life, in business, in society, or in those rational amusements and outdoor sports which he intertwined with his round of duty to the institution which he raised to the highest pinnacle of success in Canada, nothing need be said to remind them of his high sense of honor, his charitable disposition, his unselfishness, his unswerving friendship, his intimate knowledge of human character, his indifference to what is commonly called popularity, and his thorough business tact and capacity. These virtues and qualifications were recognized and appreciated by all who knew him. As a practical advocate of innocent and healthful recreation, he gave proof that success in business is not hindered by a fair admixture of rational amusements with great responsibilities. His example has assisted materially in raising the physical as well as the moral culture of those who came within his influence, and is, moreover, worthy of imitation by others occupying similar positions of responsibility. In addition to being an enthusiastic golfer, Mr. Bethune was a keen curler, an all round cricketer, a fine whist player, a good sportsman, and whilst gratifying these tastes, was able by close attention to his duties to build up for the bank of which he was the first chief executive officer a reserve of profits unprecedented in the history of Canadian banking.

Mr. Bethune's success as a banker was not confined to the period of his connection with the Dominion Bank. In 1866, after having had experience in various branches of the Bank of Montreal, including the New York agency, and while Manager of the St. Catharines branch, he was selected by the late James Stevenson, who had early in that year accepted the position of Cashier of the Quebec Bank; to fill the position of Inspector of

that bank. Shortly afterwards (January, 1867), he was appointed Manager of the Toronto branch. When in 1870 the Directors of the Dominion Bank desired to complete its organization by the appointment of a chief officer, their choice fell upon Mr. Bethune, who had by that time justified the confidence and exceeded the expectations of his then employers by the remarkable success which had attended his management. It was with considerable regret and not without some hesitation that he severed his connection with the Quebec Bank, his prospects therein being of the brightest and his friendship with Mr. Stevenson being closely cemented, a friendship, by the way, that lasted continuously during their lives.

Mr. Bethune threw into his new position an astonishing amount of latent force and administrative ability, which, as a branch manager, he had not had an equal opportunity to bring into use, and, almost at once, gathered about him a large and influential clientele which was ever increasing up to the day of his death.

A son of the late Right Rev. Bishop Bethune, he acquired from that beloved divine a true Christian spirit, which he exemplified throughout his daily life. As churchwarden for many years of Holy Trinity parish, Toronto, and as a trustee of the University of Trinity College, he had many opportunities, which he did not neglect, of relieving the necessities of church and university alike with open purse and with wise counsel.

"Débonnaire," the family motto, expresses the normal tone of Mr. Bethune's mind. A quotation from "Sir Charles Grandison" is not out of place: "From whom can spirits, can cheerfulness, can debonnairness be expected, if not from a good man."

We cannot close this brief outline of the life of the deceased without inserting a copy of the very appropriate and well expressed resolution of condolence to his family passed on the 28th of March last by the Executive Council of the Canadian Bankers' Association, of which Mr. Bethune was a member at the time of his death:

"That the members of the Executive Council have learned  
"with deep regret of the decease of their late confrere in the

“ Council, Robert Henry Bethune, Esquire, General Manager  
“ of the Dominion Bank, and now desire to place on record and  
“ express to the family of the deceased their profound sense of  
“ the loss which has been sustained by them, and by the banking  
“ community.

“ A man of few words, clear insight and correct judgment,  
“ he promoted by sound and consistent banking principles the  
“ best interests of the institution which he served so loyally  
“ and successfully, and he was at all times ready to forward  
“ reforms in banking practice, and to co-operate in any worthy  
“ movement connected with the banking interests of Canada.

“ The members of the Executive Council further deplore  
“ his loss as one of their number, and in recording this resolu-  
“ tion upon the minutes of the meeting, they desire that a copy  
“ thereof be transmitted to his family.”

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## THE ASSOCIATION FOR THE DEFENCE OF THE GOLD STANDARD

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THE bimetallists' campaign in Great Britain has for several years been productive of but insignificant results. The prolonged depression of trade, however, and the accompanying severe fall in the prices of commodities to an unprecedented level, has strengthened the hands of the bimetallists on both continents in an important degree, and in the United States at least the silver question has loomed up more menacingly than ever. The bimetallist party have taken advantage of the favoring circumstances of the time to conduct their campaign most aggressively, with such a fair measure of success as to rouse to action the champions of the gold standard. In Great Britain this has resulted in the formation of "The Association for the Defence of the Gold Standard," which has enrolled an imposing array of prominent financiers and public men, and the first move of the Association has been to present to the Chancellor of the Exchequer a memorial of which the following is the text :

"The Right Honourable the Chancellor of the Exchequer.

Sir,—We, the undersigned, merchants and bankers in the city of London, desire to address you in reference to the discussion which has lately taken place in Parliament on the question of the currency.

We have observed with regret the growing agitation in favour of what is called bimetallism, the more so since this theory has obtained the support of persons of eminence and authority.

As long as it was proposed to apply the bimetallic principle to foreign countries only, we did not feel concerned to offer an opinion thereon, but we are constrained to state that we should view with grave apprehension any change in the system of currency which has prevailed without intermission in this country since 1816.

The experience of nearly eighty years has convinced us that this system is in every respect suited to our wants, and that under it the commercial supremacy of Great Britain and the financial ascendancy of London have been established and maintained.

We believe that any serious attempt to modify it by the substitution of silver as a standard of value, either alone or concurrently with gold, would be followed by consequences dangerous to the trade and commerce of the country, and further, that, if it were possible that such a measure could not only become law, but be made effective in practice, or should become law without becoming effective in practice, it might disturb contracts, injure credit, check enterprise, and thus prove disastrous both to capitalists and to wage-earners.

We venture, therefore, to express our earnest hope that her Majesty's Government will not only refuse their countenance to any change in our monetary system, but that they will avoid entangling proposals which might lead persons either abroad or at home to believe that England is prepared to depart from the single gold standard which is established by law and sanctioned by custom "

To this memorial the Chancellor returned the following reply :

" Treasury Chambers, Whitehall, S.W., May 27th.

My dear Bertram Currie,—I have received with much satisfaction the address you have forwarded to me, which I recognize as bearing names amongst the most weighty which could be found to represent the judgment of the merchants and bankers of the city of London.

I can have no hesitation in giving to that address on the part of Her Majesty's Government the reply which you have a right to expect.

I may briefly recall to your recollection the history of the last International Monetary Conference which was assembled in the year 1892.

The Government of the United States had taken measures to promote a conference of the European Powers, in order to take into consideration the condition of silver, and expressed a wish to Her Majesty's Government that a ratio might be established by the leading nations for the coinage of silver at their several mints.

My predecessor in office, Mr. Goschen, while assenting to an inquiry as to the possibility of an enlarged use of silver in the currency of nations, distinctly declined to accept the invitation, couched in terms which involved the adoption of a bimetallic system.

When the Conference met at Brussels, the bimetallic proposals brought forward by the delegates of the United States, owing to their generally unfavorable reception, were not pressed to a division.

At the last session of the Conference an adjournment was agreed to, with a view of its reassembling after an interval of six months, in order to consider some agreement (if any such could be produced) ' which should not infringe in any way the fundamental principles of the monetary policies of the different countries.' (Report of Brussels Conference, p. 195.)

It was recognized that there would be no advantage in calling the Conference together again, except for the purpose of the examination of practical and explicit proposals brought forward on the responsibility of one or more of the Governments there represented, and which should conform to the condition that those proposals should not interfere with the fundamental principles governing the monetary systems of the various States.

When the prescribed time arrived, it appeared that these conditions were not fulfilled, and none of the Governments concerned expressed a desire for the reassembling of the Conference, which accordingly came to an end.

I concur entirely in the opinion expressed in your address, that the experience of well nigh a century has proved that our present system of currency is suited to the wants of this great commercial country, and that to depart from it would be disastrous to the trade and credit of the United Kingdom.

Continuity of national policy is more necessary in this than perhaps any other question. You may rely upon it that Her Majesty's Government will not depart from the course pursued by all the Governments that have preceded them, and will give no countenance to any change in the fundamental principles of our monetary system ; nor in any discussion in which

they may be called upon to take part will they admit any doubt as to their intention firmly to adhere to the single gold standard, which you justly regard as essential to our well-being as a commercial nation.

I remain yours faithfully,

W. V. HARCOURT "

The prominent position occupied by Mr. Arthur Balfour, the leader of the bimetallists in Britain, in the Conservative party, had added prestige to the cause, but the unmistakable announcement of the party policy, made by the Conservative leader since the date of the above correspondence—practically on a line with the latter—has been a disconcerting development for the bimetallists, and, taken in conjunction with the above enunciation of the attitude of the Liberal Government, has acted as a serious check to their progress.

# THE CANADIAN BANKING SYSTEM

1817 - - - 1890

BY ROELIFF MORTON BRECKENRIDGE, PH. D.

## CHAPTER VIII

### BANKING UNDER THE CONFEDERATION, 1867-1889

#### § 43.—THE EXPANSION BETWEEN 1867 AND 1873

THE economic history of Canada since the Confederation of the Provinces presents several well-defined periods, of which the first includes 1868-1873, the second 1874-1879, and the third extends from the autumn of 1879 to nearly the close of 1883. The most interesting of the three, probably, is the first, but even a cursory description would need the whole of a separate paper; to mention a few of the phenomena, and some of the general results, is all that respect for the limits of the present essay will permit.<sup>1</sup> The period was one of growth, great apparent prosperity and general expansion. Thus, the total debt of the Dominion was increased from \$93,000,000 in 1867 to \$141,000,000 on the 30th June, 1874; the net interest charge rose from \$4,300,000 to \$5,100,000. The receipts of the Treasury rose from \$13,600,000 to \$24,200,000, and the expenditure in similar ratio. Fifteen and a-half millions of dollars were spent upon the Intercolonial Railway, one million and a-half on the canals, a million on the Canadian Pacific Railway. Twelve millions of the debt increase was in Dominion notes, the circulation of which was quadrupled from 1867 to 1874. The total exports of the country, \$57,000,000 in 1868, were \$89,000,000 in 1874; the imports, \$73,000,000 in 1868, were \$128,000,000 in 1873-4. Extension of the railway system was begun in 1871;

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<sup>1</sup> It might well be desired that some account of the commercial growth and economic development of British North America were available. A most careful search has revealed no such work, and it is impossible to refer the reader to a convenient and full discussion of questions which can barely be touched here.

by 1875 the mileage was doubled, being 4,826 miles as against 2,497 in 1870. The figures serve to indicate what other evidence proves to have been true.

There was heavy immigration into the country. The area of settlement was extended. In the west, the new Province of Manitoba was established. The supply of agricultural produce was much increased, and a powerful impetus given to the business in produce. Building operations in Canada and the United States, and the rapid additions to the railway system in either country, raised the price of lumber. With the increase of other foreign demands, they stimulated the timber trade, and caused abnormal inflation. The speculation extended to timbered lands and timber limits. All sorts of manufacture were pushed to bounds, which, in 1875, were acknowledged to have been unreasonable.<sup>1</sup> Municipalities of every grade caught the infection and adopted the pernicious system of granting bonuses to manufacturing companies proposing to establish themselves in the district of the grantors. The whole series of years was marked by general growth of commercial operations, expansion of credit in its various forms, and large additions to the class of small shop-keepers doing business on long time. Except where related to timber production, the values of real estate were much less affected by the upward movement than other investments. The time is best described as one of increased activity in manufacture, transportation and exchange. The great land boom had occurred in 1857 and preceding years.

The banks, it may be expected, shared in this expansion. From May, 1868, to June, 1874, twenty-eight new charters were granted by the Dominion Parliament, the record for each session being as follows: 1868 one, 1869 two, 1871 four, 1872 ten, 1873 nine, 1874 two.<sup>2</sup> After 1870, the charters usually provided that if \$100,000 of the new bank's capital were not paid in to some existing chartered bank, and the fact certified to within one year

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<sup>1</sup> *The Monetary Times*, the contemporary newspapers, other financial and monetary publications, and the statistics prepared for the Dominion Government, are the chief sources for the facts of this period.

<sup>2</sup> See Note 1, next page.

from the date of incorporation, the charter should be forfeited for non-user. Provisions as to the payment of an additional \$100,000 varied, the term being fixed at from one to three years after the beginning of business. In four cases the time for commencing operations was extended to the end of the second year. The work of founding a bank was by no means finished by the passing of the Act of incorporation, and some of the charters were forfeited. Nevertheless, nineteen new banks came into existence and entered the competition for Canadian business before the end of 1874, but only nine of these were making returns to the Government by the end of June, 1873. The Commercial Bank of New Brunswick, the Commercial Bank of Canada, the Gore Bank, and the Merchants Bank (acting under a Nova Scotian charter in 1867), whose combined capital in 1867 was a little over \$6,100,000, had disappeared from the return. So the total number of banks in the four provinces, acting under charter, appeared in the Bank Statement for June, 1873, as thirty-three, a net increase of five since June, 1867.

These were as follows :

	Site of Principal Office	Act of Incorporation	
1868	Bank of Agriculture*.....	Hamilton, Ont.	31 Vic., cap. 85
1869	The Merchants' Bank of Halifax .....	Halifax, N.S.	32-33 " " 59
"	The Dominion Bank .....	Toronto, Ont.	32-33 " " 60
1871	The Metropolitan Bank .....	Montreal, Que.	34 " " 39
"	The Bedford District Bank* .....	Waterloo, Que.	34 " " 40
"	The Western Bank* .....	Yarmouth, N.S.	34 " " 41
"	The Bank of Liverpool.....	Liverpool, N.S.	34 " " 42
1872	The Exchange Bank of Canada.....	Montreal, Que.	35 " " 40
"	Banque Ville Marie .....	Montreal, Que.	35 " " 51
"	The St. Lawrence Bank .....	Toronto, Ont.	35 " " 52
"	The Bank of Hamilton.....	Hamilton, Ont.	35 " " 42
"	The Halifax Banking Co.....	Halifax, N.S.	35 " " 54
"	The Bank of Acadia .....	Liverpool, N.S.	35 " " 55
"	The Bank of St. John* .....	St. John, N.B.	35 " " 56
"	The Maritime Bank of the Dominion of Canada.....	St. John, N.B.	35 " " 58
"	The Superior Bank of Canada .....	Toronto, Ont.	35 " " 59
"	The Bank of Manitoba* .....	Fort Garry, Man.	35 " " 60
1873	La Banque d'Hochelega .....	Montreal, Que.	36 " " 13
"	The Three Rivers Bank*.....	Three Rivers, Que.	36 " " 14
"	La Banque de Saint Jean.....	St. Johns, Que.	36 " " 15
"	The Stadacona Bank.....	Stadacona, Que.	36 " " 73
"	The Imperial Bank.....	Toronto, Ont.	36 " " 74
"	The Victoria Bank of Canada* .....	Montreal, Que.	36 " " 75
"	Pictou Bank .....	Pictou, N.S.	36 " " 76
"	La Banque de St. Hyacinthe.....	St. Hyacinthe, Que.	36 " " 77
"	The Central Bank of Canada* .....	Montreal, Que.	36 " " 78
1874	The London and Canada Bank* .....	Toronto, Ont.	37 " " 55
"	The Bank of Ottawa .....	Ottawa, Ont.	37 " " 56

\* Charter forfeited for non-user.

The totals of the various items included in the return were as follows:—

LIABILITIES	30th June, 1867	30th June, 1873
Number of banks in operation.....	28	33
Capital authorized.....	.....	\$64,766,666
Capital paid-up.....	\$32,500,162	55,102,959
Promissory notes in circulation.....	10,102,439	24,956,046
Due to other banks in Canada.....	2,984,344	1,807,404
Due to other banks or agents not in Canada.....		2,496,969
Government deposits payable on demand <sup>1</sup> .....	14,935,213	7,261,273
Other deposits payable on demand.....		31,074,316
Government deposits payable after notice <sup>2</sup> .....	16,727,378	4,451,017
Other deposits payable after notice.....		25,890,531
Liabilities not included above.....	.....	349,821
<b>Total liabilities to the public.....</b>	<b>\$44,548,376</b>	<b>\$98,296,677</b>

ASSETS <sup>3</sup>	1867	1873
Specie.....	\$8,200,229	\$6,829,226
Provincial or Dominion notes.....		8,353,290
Notes of and cheques on other banks.....	1,806,052	4,571,650
Balances due from other banks in Canada.....	5,345,372	3,095,220
Balances due from other banks or agents not in Canada.....		11,879,044
Government debentures or stock.....	6,277,593	1,324,761
Loans to the Government.....	.....	107,869
Loans, etc., to corporations.....	.....	2,431,710
Notes and bills discounted and current.....	54,899,142	121,977,754
Notes and overdue debts not specially secured.....	.....*	1,242,897
Overdue debts secured.....	.....	1,298,356
Real estate other than bank premises.....	1,628,249	934,841
Bank premises.....		2,186,780
Other assets not included above.....	2,618,021	2,286,355
<b>Total assets.....</b>	<b>\$80,772,834</b>	<b>\$168,519,746</b>

About \$364,000 of the Gore Bank's capital was written off when it disappeared from business, and two-thirds of the capital of the Commercial Bank. If this is added to the capital of the Commercial Bank of New Brunswick, the sum of \$3,630,666 is

<sup>1</sup> This item in 1867 is classed as "Deposits not bearing interest."

<sup>2</sup> In 1867, "Deposits bearing interest."

<sup>3</sup> Owing to incompleteness in the return of the assets of one of the Nova Scotia banks, the figures under this head for 1867 are approximate merely.

obtained as the gross reduction of banking capital between 1867 and 1873. The gross increase, therefore, will be \$55,102,959 paid up capital on the 30th June, 1873, less \$32,500,162, the like total in 1867, plus \$3,630,666, or \$26,233,463, an increase of over 80.71 per cent. More than fifteen million dollars of this increase was contributed by the shareholders of the Bank of Montreal, the Merchants' Bank of Canada, and the Canadian Bank of Commerce, in nearly equal proportions. The remaining eleven millions were added to the capitals of twenty other banks, in amounts ranging from \$70,000 to \$1,130,000. The increases of over a million dollars were those of the Royal Canadian Bank and the Union Bank, while the Quebec Bank, Molsons Bank, Bank of Toronto, Ontario Bank, Banque Nationale, Banque Jacques Cartier, Merchants Bank of Halifax, and the Bank of New Brunswick each added \$400,000 or more to their stock.

The competition between the ambitious and enterprising gentlemen who guided the three larger banks, Mr. E. H. King, Sir Hugh Allan, and the Hon. William McMaster, respectively, did not end before the capital of the Bank of Montreal was brought to an even \$12,000,000, that of the Merchants' to \$9,000,000,<sup>1</sup> and that of the Bank of Commerce to \$6,000,000. Even then they strove each to accumulate the larger rest. The Bank of Montreal, however, had at the start an advantage of almost six millions more capital, and the management of the Government account; it was never overtaken, much less outstripped, by its rivals.

Naturally, with so many banks yet to be opened, the increase of capital did not stop with the date in 1873 at which I have chosen to consider it. Nearly the highest point reached between 1870 and 1890 was in June, 1876, when the official return for forty-one banks showed the total paid-up capital to be \$67,199,051.<sup>2</sup> The most of this extension was undoubtedly genuine. Yet banks were empowered, by the Act of 1871, to loan upon shares of the capital of other chartered banks. On December 31, 1873, \$3,800,000 of loans were secured by such

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<sup>1</sup> \$498,950 of this were not paid up. The capital of the bank has since been reduced and is now \$6,000,000.

<sup>2</sup> Statistical Year Book of Canada, 1892, p. 516.

shares, the aggregate of banking capital then being almost sixty million dollars; on the same date of 1875, \$5,300,000 of loans on bank shares were current, total capital being then sixty-three million dollars. To the extent of such loans, and of a good part of the loans granted by the several banks to their own stockholders (an item, however, which does not appear in the return), these additions to capital were practically fictitious. And to that extent, too, the banks were trading on fictitious capital, a practice the faults of which are too obvious to require explanation. Speculation in bank stock was promoted, a large business on margins developed, and, in the end, widespread and heavy losses caused among the participants.

But, from the mass of evidence examined, I cannot conclude that a greater part in furthering the expansion of the period must be attributed to the banks than to any other important members of the organization of production and exchange. The commerce of Canada was under the influence of much the same tendencies as were acting throughout the civilized world; the returns show that the banks followed rather than stimulated the upward movement. The number and extent of the simpler exchanges increased by reason of the growth of population, higher wages, and greater activity in retail trade. The bank note circulation, wherewith they were effected, also rose, as our comparison shows, from \$10,100,000 to \$24,900,000 on the 30th June, 1873. Six months later it was \$29,016,659. The new commercial enterprises, the greater operations in produce, the processes of railway construction, and the swollen volume of general business, caused a new demand for loanable capital. The rate of interest rose. The banks supplied the need by expanding their discounts and other Canadian loans from some \$54,000,000 in June, 1867, to \$127,000,000 in June, 1873, and \$157,000,000 on the 31st December, 1874, an increase between the extreme dates of \$103,000,000. Only \$18,000,000 of this was derived from circulation; the remainder from additions to capital, amounting to \$31,000,000, and an increase of deposits of all sorts amounting to \$54,000,000. For a more extended statistical comparison, there is no present opportunity, but the figures already quoted will suggest the conclusion which such a comparison would establish, viz.: that the extension of banking was not out of

proportion to the growth of export and import trade, or to the development of the internal commerce of Canada, and the means of conducting it, or to the apparent increase of accumulation, as indicated by the total deposits in the chartered banks.

§ 44—DEPRESSION, 1874-1879.

That the growth exhibited in the preceding section was accomplished without loss or cost to the banks, is an inference, probably, that no one will make. Yet no panic, in the accepted sense of the term, occurred in Canada in 1873, nor is it easy to discover the phenomenon designated by the broader expression "commercial crisis." Relaxation from the tense activity of the preceding period began in the fall of 1873, and continued through 1874. Thus the change was gradual, though none the less complete for that. Before, however, the effect upon the banks is discussed, a digression to certain losses of an earlier date may be allowed.

By the amalgamation of the old Commercial Bank with the Merchants' Bank of Canada, the shareholders of the former received about one-third of the par value of their paid-up capital. Another of the old Upper Canada corporations was the Gore Bank, established in Hamilton in 1833. At the time of its failure, the Bank of Upper Canada had charge of the Montreal account of the Gore Bank, and owed it about \$78,000. The bank was embarrassed in the next year by the failure of the Commercial Bank, to which the Montreal account had been transferred. Then a committee of stockholders reported that three of the agencies should be closed, that another was loaded with bad debts, and that its funds had been misapplied by the manager. The system of inspecting the agencies was neither efficient nor regular. The staff was needlessly large. Heavy losses incurred long previously (principally after the collapse of 1857), had never been written off. The deposits of the City of Hamilton were withdrawn, and though they were afterwards restored, the action injured the bank. The fears of the public were aroused, and a heavy drain started upon the bank's liabilities. Between June, 1867, and June, 1868, its deposits were reduced by \$760,000, its circulation by over \$330,000.

The price of stock in the Gore Bank, which stood at 92½ in October, 1867, fell to 80 in December, 70 in April, 60 in May, 50 in June, and in October, 1868, to 30 and 35. The Bank of Montreal temporarily advanced \$150,000 to help, and other Ontario banks some \$200,000. This enabled the Gore Bank to keep on. In June, 1869, the reduction of its stock in the ratio of 40 to 24 was authorized by Parliament. (32 and 33 Vic., cap. 54.) The bank was still solvent, but rather than continue the struggle alone, the shareholders decided to accept for their paid-up stock in the Gore Bank fifty-five cents on the dollar in shares of the Bank of Commerce, then worth 105½. On the 27th August, its debts and property were taken over by the Canadian Bank of Commerce. The old bank was amalgamated with the new, and the sole survivor of the banks chartered by Upper Canada, apparently doomed to perish like the others, lost its identity and separate existence.<sup>1</sup>

Of the Commercial Bank of New Brunswick, which suspended payment on the 10th November, 1868, no more need be said than that its noteholders, depositors, and other creditors were paid in full, and a dividend saved for the shareholders. The Westmoreland Bank, another New Brunswick concern which failed about the time of Confederation, was also creditably wound up, the double liability of the shareholders being successfully enforced.

In 1871 the Bank of Liverpool, situated at Liverpool, N. S., was chartered by the Dominion Parliament, and in the following year the Bank of Acadia, located in the same town. (34 Vic., cap. 42; 35 Vic., cap. 55.) Both concerns were involved with a Boston firm of rather doubtful credit. The Americans had taken one-fourth of the Liverpool's stock, and one-eighth of the Acadia's, and paid for it by promissory notes.<sup>2</sup> In connection with lumbermen and ship owners of Liverpool, they got some advances by a system of mutual indorsement, and other credits on bills of exchange drawn on the American house and supposed to be covered by lumber shipments, but met really by

<sup>1</sup> *Monetary Times and Insurance Chronicle*, Vol. II., pp. 162, 167, 398, 468, 525, 867; Vol. III., p. 36.

<sup>2</sup> *Ibid.*, Vol. VI., p. 915; Vol. VII., p. 222.

the proceeds of similar new bills. The funds thus obtained were used to increase the lumber plant of the ring, rather than to discharge their debts, or to pay for the quantities of merchandise purchased in Montreal, Boston and Halifax. Liverpool and the surrounding country enjoyed a season of high prosperity. But early in 1873, acceptances of the American house went to protest, the principal Liverpool firm succumbed, and with it dragged down the banks. The Liverpool failed on the 11th April, the Acadia, after a business life of four months, on the 18th. Dun, Wiman & Co. reported failures for liabilities of \$3,000,000 in Nova Scotia during 1873, and the prospect that creditors would get 30 to 33 per cent. of their claims. One-third of the amount involved was owed by parties in the neighborhood of Liverpool.<sup>1</sup> There the pinch was severe, and the losses, compared to the resources of the community, heavy. The Bank of Liverpool ultimately resumed; the Bank of Acadia never resumed and paid almost none of its debts. But its total liabilities at the time of suspension were only \$106,914, and the loss directly due to this bank failure was slight.

Reverting now to the more general aspects of Canadian banking, we have to observe, in the summer of 1872, a slight stringency in the money market, and the rise of the rate of discount to 10 per cent. Discounts, however, increased, as indeed they continued to increase, until the end of 1874. The addition was doubtless partly due to the speculative efforts of traders in wool, produce, lumber and timber, to hold the stocks they had bought for a rise, or manufactured in hope of large profits. A subsequent increase of loans on bank stock is similarly to be explained. In the early months of 1873 activity still prevailed in all directions. But by March the banks, in spite of advancing prices, began the policy of restricting discounts. In May, the large American lumber company of Dodge & Company failed. Its connections with Canadian houses were close and many, and numbers of operators in timber and sawn lumber were forced to the wall. The deep depression in products of the Canadian forests dates from this point. Then came the American crisis. But confidence in the banks was strong. It was strengthened

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<sup>1</sup> *Ibid.*, Vol. IX., p. 549.

by full explanation as to their escape from losses in the States. The condition of Canadian producers was improved by the higher grain prices, due to the scarcity in England. And, except for a slight but rapid decline in bank stocks in September, and a small run on two or three of the banks, no critical features appeared in the situation, and the country escaped the evils of a banking panic.

During the next year the banks enforced the restrictive policy with what strength they could. The absolute increase in their total advances was due in a measure to the necessity of supporting the operations of many of their debtors until the assets of these parties could be better realized. The real stringency did not occur until January to March, 1875. In these three months, the deposits of banks in Ontario and Quebec were reduced by \$8,500,000 to \$70,800,000, and their circulation by \$3,900,000 to \$21,500,000. They met this drain of \$12,500,000 by drawing on English correspondents for \$2,300,000, calling in funds, chiefly from the United States, for \$2,500,000, reducing their outstanding loans by \$2,300,000, and by parting with cash to the net amount of \$1,700,000. New stock for \$1,300,000 was paid up during the period, and the liabilities of the larger to the smaller banks, for whom they were agents, increased by \$1,800,000. A test no less severe was stood by the banks in 1893, and, as in 1875, passed without exciting the public or precipitating bank suspensions.

Of commercial failures, on the other hand, the record for 1875 shows an enormous increase, 1,968 as against 966 in 1874, and 994 in 1873, and for liabilities of \$28,843,967, as against \$7,696,765, and \$12,334,191, in the two preceding years. The record for 1876-78 is nearly as bad, but hardly suggests the full severity of the hard times through which the people of the Dominion were passing.<sup>1</sup> In the winter of 1876, the depression reached what was, probably, the lowest depths. The carrying trade between foreign ports had fallen off, and the ships had been brought home to compete with coasting vessels for the diminished volume of Canadian trade. The lumber and timber trade was suffering from lessened demand in England and the

<sup>1</sup> See Note 1, next page.

United States, from reduced prices, and from the increased competition of the products of Michigan and Wisconsin forests. Stagnation in the lumber trade left many of the laborers usually employed in it without work. Farmers and others who supplied them were affected, and in great sections of the country, dependent for prosperity on the lumber business, the stimulus to active industry was withdrawn.

The long credits, easily obtained from English houses, had induced persons to enter the wholesale business, ill-equipped either with capital or experience. Imports were purchased in excess of the actual needs of the country. To get rid of them, long credits were granted in turn to retailers. The wealth of the country had increased at best not more than five per cent. per annum, but imports more than thirteen per cent. The conclusion from this and the annual difference between the exports and imports, was that the country had bought in excess of its power to pay. The annual interest charge upon the foreign mercantile debt alone, then about \$78,000,000, was \$4,000,000. Added to this were payments upon railway, Dominion, Provincial and agricultural debts held abroad, a total burden that served sorely to intensify that mercantile distress for which the system of long credits was largely responsible.

Ship-building and agriculture felt the troubles in less degree; like the agricultural implement industry, they were comparatively prosperous. Iron manufacturers lost by stoppage of the railway enterprise, and coal, cotton, salt and slate industries were

<sup>1</sup> The following is DUN, WIMAN & Co.'s list of failures in Canada for the years in question:

Year	No. of Failures	Liabilities
1879.....	634	\$11,648,697
1878.....	1615	23,152,262
1877.....	1890	25,510,147
1876.....	1728	25,517,991
1875.....	1968	28,843,967
1874.....	966	7,696,765
1873.....	994	12,334,191
	9795	\$134,704,000

all more or less depressed, the shrinkage in their business being proportionate to that in other lines.<sup>1</sup>

After their experience early in 1875, the banks had the disagreeable task of appraising their mistakes, and reckoning their losses in the "era of remarkable prosperity" which had been brought to a close. Certain items of their assets underwent striking changes. "Notes and debts overdue, and not specially secured," rose from \$1,141,410 on the 31st December, 1872, to \$4,436,636 at the end of 1875. "Overdue debts, secured by mortgage or other deed on real estate, or by deposit of, or lien on stock, or by other securities," rose from \$1,455,385, in December, 1873, to \$4,057,591 in December, 1877, while "real estate (other than bank premises)" increased from \$586,996 in 1873, to \$2,383,454 at the close of 1879. "Notes and bills discounted and current," on the other hand, fell from \$139,379,457 in December, 1874, to \$97,603,688 in December, 1879, circulation from \$28,465,192 to \$22,352,761, and all classes of deposits from \$85,600,000 to \$79,370,000. The reduction of deposits, it will be observed, was comparatively slight, the reason, of course, being that in hard times idle money is placed with more attention to the safety than the profit of the investment. The last change to be noted is that in paid-up capital. The item stood at \$66,800,225 on 31st December, 1875; four years later it had fallen to \$60,351,505, within \$700,000 of the lowest point reached after 1874. All these changes, however, are better studied from the table given in the Appendix I.

#### § 45.—BANK FAILURES AND LOSSES, 1874-1879

The reduction in the banking capital of the country was effected in four ways: I—the reduction of capital stock by resolution of the shareholders of the bank under authority granted by Parliament; II—the amalgamation of banks according to special Act of Parliament, and reorganization on a reduced capitalization; III—voluntary liquidation and retirement from business; IV—and compulsory winding up.

<sup>1</sup> "Report of the Select Committee on the Causes of the Present Depression of the Manufacturing, Mining, Commercial, Shipping, Lumber and Fishing Interests," printed by order of Parliament, Ottawa, 1876, sections 3 to 15.

I. (a) The capital of *La Banque Jacques Cartier* was successively reduced from \$2,000,000 to \$1,000,000 in 1877, and from \$1,000,000 to \$500,000 in 1879. (40 Vic., cap. 55; 42 Vic., cap. 54.) The policy of the bank in the preceding period was described as enterprising and aggressive. It had no branches and the losses were due to the poor management by which many ill-advised loans became lock-ups. The cashier was afterwards convicted for falsifying returns.

(b) The President and General Manager of the Merchants' Bank of Canada resigned in February, 1877. A new Manager took hold of the bank in March. At his suggestion, the stockholders secured authority in 1878 to reduce its stock in the ratio of three to two. The reasons assigned for the reduction were bad and doubtful debts previously unprovided for, losses in the New York office by gold transactions in a falling market, the reduced market value of the Detroit and Milwaukee bonds purchased at the time of the Commercial failure, expenses and losses incurred in disposing of certain Quebec securities, and provision for contingencies likely to arise in the business of a widely extended bank, whose organization was lacking both in strength and centralization. The reduction effected was almost \$3,000,000, the capital being brought from nearly \$9,000,000 to a little less than \$6,000,000.

II. (a) The Niagara District Bank, one of the survivors of "free banks," lost heavily from the failure of American correspondents in 1873. It is probable that the decaying fortunes of St. Catharines, the city in which the bank was established, also affected it. The paid-up capital in June, 1873, was \$356,000. The bank was amalgamated in 1875 with the Imperial Bank of Canada (38 Vic., cap. 61), and an exchange of shares made on the basis of the relative value of the two stocks. Certain assets of the Niagara District Bank were excluded from the reckoning for realization in exclusive behalf of the original proprietors.

(b) In 1876 the St. Lawrence Bank, of Toronto, was rechristened the Standard Bank of Canada, and shares of the old bank's stock of the par value of \$100 exchanged against new shares worth \$50, at the ratio of one to one and a half. This operation, nominally an amalgamation, was really a stock reduction (amounting to not more than \$150,000), by which the bank

could start on a new basis, and escape whatever associations may have been attached to the name St. Lawrence. (39 Vic., cap. 45.)

(c) At the instance of the City Bank, then under the presidency of Sir Francis Hincks, that corporation and the Royal Canadian Bank agreed to unite in September, 1875. The agreement was confirmed by Parliament in 1876, and the two re-incorporated as the Consolidated Bank. (39 Vic., cap. 44.) No reduction of capital occurred at this time, but rather an increase. The reasons for the union are obscure; the subsequent history of the united bank pertains to another part of the section.

III. (a) The Metropolitan Bank of Montreal was one of the banks chartered in 1871. From the first it engaged largely in loaning upon bank stocks, and taking exceptional transactions at high rates of interest.<sup>1</sup> It was young and ambitious, and its officers, no doubt, fancied their methods modern. When the turn came in 1874-5, the bank's affairs took a different aspect. Instead of profits there were large losses. In May, 1876, it held \$121,150 of its own stock, over 15 per cent. It had been forced to re-discount in October, 1875, \$425,000; in May, 1876, \$187,690. As given in the Return for October, 1876, the assets of the bank were \$314,000 less than the liabilities to the public and shareholders. In June, 1877, authority having been obtained from Parliament, the shareholders resolved gradually to wind up the bank, pay off its debts, and save their investments from further depreciation. The reduction of paid-up banking capital due to this action was \$800,170.

(b) Like the Metropolitan, the Stadacona Bank of Quebec was one of the younger corporations. And like those of the Metropolitan, its shareholders, discouraged by adverse fortune, decided to wind it up. Voluntary liquidation was begun in July, 1879. Within two years the proprietors had recovered about 90 per cent. of their investments, and the prospect for further returns was good.<sup>2</sup> By this action, \$990,000 were withdrawn from the banking capital of the country.

IV. So far a gross reduction of \$6,500,000 in capital alone

<sup>1</sup> *Monetary Times*, Vol IX., p. 1129.

<sup>2</sup> *Monetary Times*, Vol. XIV., p. 70.

has been accounted for, without mention of the other ways in which, to meet their losses, the banks were obliged to reduce the valuation of their resources. To investors, of course, reduction of rests or reserve funds, the application of earnings to prevent the impairment of capital, and the falling off in dividends, was almost as serious as actual impairment of capital. The average rate of dividend paid in 1874 by banks in Ontario and Quebec, was 8.76 per cent.; in 1878, 6.46 per cent.; in 1879, less still. The shrinkage of the market value of bank shares in four years was estimated in 1878 at not less than \$17,000,000. In 1879 Sir Francis Hincks reckoned the shrinkage at \$25,000,000.

From the standpoint of the banking interests, the year 1879 was the most disastrous of the five. On the 28th May the Mechanics' Bank stopped payment; on the 16th June, La Banque Jacques Cartier; on the 1st August, the Consolidated Bank; on the 7th, the Exchange Bank; on the 8th, La Banque Ville Marie; and in October, the Bank of Liverpool. All save the last named had their head offices in Montreal. Naturally the public were alarmed by so many suspensions, and began to wonder where difficulty would next arise. But the condition of the failed banks, if the decline of stocks is an indication, had been suspected for some time. Many former creditors had transferred their trust to banks in better esteem. Moreover, it was known that the Exchange, Ville Marie and Jacques Cartier Banks would soon be enabled to resume. The press and financial leaders pointed out the exceptional circumstances of the banks in trouble, and urged the people to maintain a sober calm. Runs started upon some of the solvent banks were cordially met, and in one way and another a bank panic was again averted.

(a) The first of the failures was the worst. The Mechanics' Bank had been a blot on the Canadian banking system for years, and it died at last because it was too corrupt to live. The support accorded for a time by the Molsons' Bank was withdrawn in 1876. The Mechanics' was then obliged to reduce its capital by 40 per cent. Its subsequent existence was maintained by means neither worthy nor legitimate. The managers had almost no support from reputable business men, their discount business was small and confined to the most undesirable

classes. The circulation, on the contrary, was higher in proportion to capital than that of any other bank in Montreal, but it was kept up by artificial and improper methods. Brokers in Montreal, and agents on the steamboats and at the hotels, were used by the Mechanics' Bank to change its notes for other paper, and were paid for the service. After its failure, the shareholders were forced to contribute the whole of the double liability. Even then but forty-five cents on the dollar of the bank's debts, either by notes or deposits, had been paid in 1882, and in the end only 57½ per cent. of its liabilities were redeemed. The principal sum thus lost by the creditors was not less than \$240,000; the reduction of the banking capital of the Dominion, caused by its losses and disappearance, about \$450,000.

(b) From the failure of the Consolidated Bank, on the contrary, the public lost nothing beyond the discount of 10 to 25 per cent. to which the note-holders, wishing to realize soon after the suspension, were obliged to submit, and the interest upon claims, the payment of which was postponed until the bank's assets could be liquidated. To analyze the causes of this failure, it would be necessary to examine the comparatively weak condition both of the City and Royal Canadian Banks at the time of amalgamation in 1875, their small rests and mediocre earning power, the evils of the double-headed system of management adopted, the incompetence of certain higher employés of the bank, unjustifiable advances to firms of small calibre in Montreal and elsewhere, and the unhealthy condition of Canadian business in general at the time the Consolidated met its heaviest losses. In May, 1879, authority was granted to reduce its paid-up capital, then about \$3,500,000, by 40 per cent. (42 Vic., cap. 53.) A new manager and three new directors discovered other losses amounting to \$1,420,000. Soon after the bank failed. In 1881 a Montreal stock broker offered to give \$260,000 for the Consolidated's assets, and pay what debts were still outstanding. He was accepted by the stock-holders. Including the 10 per cent. dividend already declared, the stock-holders thus recovered about twenty-three cents on the dollar of their reduced stock.<sup>1</sup>

(c) The Bank of Liverpool failure differed from that of the

<sup>1</sup> *Monetary Times*, Vol. XV., p. 127. "The Canada Securities Company" was the formal title of the purchaser of the Consolidated's assets.

Mechanics', in degree rather than kind. After the suspension of 1873, the stock had been transferred to new holders, the bank and business reorganized. Further losses were suffered, which in 1876 reduced the value of the capital to \$100,000. It managed, nevertheless, to survive till the autumn of 1879. It failed in October for total liabilities of \$136,000. The Bank of Nova Scotia bought its assets, and paid the \$4,000, or less, of notes which had been issued. The stock-holders successfully evaded the efforts to collect the double liability down till 1890. As the item in the balance sheet of the Dominion, termed "Bank of Liverpool Liquidation Account," still stands at \$84,996, the exact amount shown in "Government Deposits" in the last statement returned by the bank before its suspension, one may conclude that its debts have not been reduced in the last four years. If this be so, the creditors have lost \$132,810, and the interest for fifteen years; \$35,053 of the principal was owed to other banks, and \$12,761 to the general public, the rest to the Government. The shareholders, of course, lost all their investment, in round numbers, \$370,000.

The Liverpool's was the last of this series of failures. Including the debts of the Bank of Acadia, the ultimate loss of principal by creditors from the three disasters was less than \$500,000.<sup>1</sup> The losses inflicted upon shareholders by the various operations detailed in this section were far heavier, not less, probably, than \$12,000,000.<sup>2</sup> Upon the banking system of Canada the general effect must be regarded as hygienic and highly salutary. The business was purged of well-nigh twelve badly invested millions.<sup>3</sup> The excessive banking com-

<sup>1</sup> Or, precisely, according to the most careful calculation, \$482,300.

<sup>2</sup> The materials for these calculations and the statistics as to banks failed or going into liquidation, were mostly derived from an unprinted "Return to an Order of the House of Commons, dated the 23rd January, 1890," Sessional Papers, Canada, 1890, Vol. XV., 30 c. Other sources were the *Monetary Times*, various daily newspapers containing reports of shareholders' meetings, etc., the "Statement of Banks acting under Charter," published in the *Canada Gazette*, and for some facts, private letters from persons acquainted with them. Part of the Return cited, it should be said, is printed in Garland, *ut supra*, p. 42; but this quotation contains at least two serious errors, namely, as to the dividends paid to depositors in the Bank of Liverpool and in the Exchange Bank of Canada. In neither case was the payment as Mr. Garland has it, made in full, but the dividend from the former bank to creditors, not noteholders, was practically nothing; from the latter, about 66 per cent.

<sup>3</sup> Cf. The remarks of the General Manager of the Bank of Montreal, on the 4th June, 1878: "There is, perhaps, no department of business where competition is more keenly felt than in banking. We have, perhaps, as great an excess of banking capital as in any other line of business. We have to compete not only with the capital wielded by our neighbors in Canada, but also with the very cheap money of Great Britain, which is finding its way more and more into this country."—*Monetary Times*, Vol. XI., p. 1,432.

petition so conducive to the unsound trade, exaggerated "enterprise," and speculation on borrowed capital that had festered in the country's commerce, was palliated. Mindful of the lessons taught by five years of depression, and animated by the resolve to buy less and produce more, to live economically and work hard, Canadians were now prepared to turn to best advantage the changes that were about to come in their affairs. The banks, too, relieved in great degree of the incubus of inflated assets and capital beyond their needs, were now in the best of condition to extend their business in safe directions, and in so doing, to lend their countrymen whatever help should be deserved.

In October, 1879, the tide finally turned. The prices of wheat and flour rose by nearly 33½ per cent. The iron market improved. Breadstuffs, groceries and dairy products increased in value. The market for timber and sawn lumber revived, and exports increased. The grain crop was good, and the farmers soon disposed of it. The entire commercial organization felt the new impulse, manufacturers, importers, exporters, wholesalers, retailers. With the entry of a new party to the control of the Government, the scheme for a transcontinental railroad was pushed forward. Millions on millions were brought into the country in the next few years to build the Canadian Pacific Railway towards the western coast. Settlement in Manitoba had been started some years before 1879. Immigration now increased rapidly. Canadians also took a part in the development of the West. Extraordinary activity in real estate began along the line of the new railroad, and indeed, throughout the more accessible portions of Manitoba. But this is material for the historian. We must turn to

§ 46.—THE BANK ACT REVISION OF 1880

Such changes as were made in the banking law of the Dominion after 1872, were designed to correct defects of detail rather than alter general principles. In 1873 the form of the monthly return was expanded in the manner shown by the table in Appendix I. (36 Vic., cap. 43.) An Act of 1875 relaxed the clause by which the bank was unconditionally forbidden, directly or

indirectly, to deal in shares of its capital stock, an exception being granted for the necessity to realize upon such shares held by the bank as security for any pre-existing and matured debt.<sup>1</sup> The form of the monthly return was again amended, and a statement of the direct and indirect liabilities of the directors required. (38 Vic., cap. 17.) In 1876 a general Insolvent Act, passed the year before, was applied to incorporated banks, with modifications for their peculiar powers and circumstances. (39 Vic., cap. 31.) By 1879 the evils of permitting the banks to loan upon shares in other chartered banks were become too manifest longer to be tolerated. The clause permitting loans upon shares was stricken out by an Act taking effect upon the 15th November, 1879. (42 Vic., cap. 45.) The lien in favor of the banks upon shares held as security for such loans then current, or for renewals thereof, was declared to cease with the end of the Parliamentary session of 1880. To enforce the prohibition, banks were required, under penalty, to number their shares, while in all contracts for the sale of bank stock, made after the 1st October, 1879, it became necessary to specify the numbers of the shares conveyed. Not to do so was made a misdemeanor.

The expiry of all bank charters had been set for the 1st July, 1881. In accord with the policy adopted a decade before, Ministry and Parliament took up, in the session of 1880, the question of what changes to make in the system at the time of the first decennial renewal of charters.

They were anticipated both by the public and banks. Among the people, much dissatisfaction had been caused by the bank suspensions of the preceding year. The notes of only one of the failed banks were finally redeemed at less than their nominal value, but at that time liquidation in several cases was still incomplete. To change the notes of failed banks into convertible paper, the holder had to submit to a discount, and the brokers who took the risk exacted ample pay for it. Many of those holding notes at the times of suspension had only the option between this loss and physical want. They were forced to realize at the time when the credit of their debtors was at the

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<sup>1</sup> The expression "Bank" is defined to mean any bank to which the Act applies. (33 Vic., cap. 5, sec. 2.)

lowest ebb. They could not even wait until the fears of the first week were quieted, much less till the day of final payment. And upon other scores, the failure of the Mechanics' Bank, the shameful inadequacy of its assets, and the pitiful dividends paid to its creditors, gave every one just cause for complaint.

The bankers understood the popular discontent with the security of the currency. They saw their own interest, and the country's interest, no doubt, in calming it. For them, their privilege of circulation provided an easy, convenient, and useful means of profit; to the country, it gave an elastic currency, increased sources of discount, and through the system of branches promoted by it, widespread and accessible banking facilities. To make the currency more secure would be a help to the banking interest no less than to the people; the one would be strengthened in credit, and the other protected from loss.

Sir Samuel Leonard Tilley, of New Brunswick, was then Minister of Finance. To him the bankers presented, as with one voice, their proposals for reform. Among them was the plan to make the notes issued by a bank the first charge upon its assets in case of insolvency. It was believed that by this plan the ultimate payment of all bank notes in full would be assured. For the total assets of each bank were from six to ten times its debts on notes, and it was thought impossible for a bank to keep in business until its entire assets were worth but one-sixth or one-tenth their nominal amount. Beyond the assets, there was the reserve liability of shareholders, equal always to the highest limit of the authorized note issue. That limit might be exceeded, but not without fraud. To prevent such fraud, the fear of punishment was believed effective. Even the most reckless bank operator would know that the world is a small place for the criminal, and the arm of the law surprisingly long.

Against the scheme, revived apparently by the bank troubles of 1879, to remodel Canadian charters on the plan of the National Banking System of the United States, the bankers exerted an energetic opposition on grounds with which we are long familiar. Another proposal was to establish a Government bank inspection, or to provide for the appointment of an auditor by shareholders. Some of the banks had been grossly

neglectful of proper inspection, and difficulties arising between 1876 and 1879 were clearly traceable, in certain cases, to the failure promptly to detect and acknowledge the character of questionable assets. But the bankers argued that on account of its many branches, and the multiplicity and variety of the commercial paper in its assets, it would be impossible for a Government inspector, or an auditor, properly to inspect a Canadian bank. It was far better to rely on the careful organization of the banks, the vigilance of the directors, and the inspection by trained men of its own staff, who, travelling the year round from branch to branch and reporting to the General Manager, would have nought to gain by concealing the truth, and everything to lose. Then if a bank upon which the report of the Government inspector had been favorable should fail, many of those who had made their deposits on the strength of the official report would certainly hold the Government responsible for such loss as they might incur. The Minister decided in favor of all three of the contentions of the bankers.

The resolutions for the Banking Act Amendment Bill brought down by Sir Leonard Tilley, were adopted by the House without much objection, and after very short debate. The principal proposal, further to secure the note circulation, was objected to by Liberals, as likely to increase the danger of runs from depositors, if from no other motive than a desire to convert his ordinary claim into a privileged lien.<sup>1</sup> This, it will be remembered, was the view taken by Sir Francis Hincks in 1870, a Minister to whom they were also in opposition. But what really deprived the criticism of its force was the fact that the proposal now came from banks. The Bill itself was presented on the 27th April, 1880. It passed the House on the 5th May, the Senate on the 7th. On the same day it received the Royal assent. (43 Vic., cap. 22.)

The charters of the thirty-four banks still in operation were continued to the 1st July, 1891, and those of four others until their liquidation should be completed. Besides establishing a prior lien in favor of the holder of an insolvent bank's note, the Act prohibited the issue or re-issue of notes for sums less than \$5, or

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<sup>1</sup> Debates of the House of Commons, Canada, 1880, Vol. II., p. 1,729, Remarks of Sir Richard Cartwright.

sums not multiples of \$5, and called for the retirement of all \$4 notes as soon as practicable. The banks were obliged, when making any payments, to pay the sum at the request of the payee, or so much thereof, not exceeding \$50, as might be requested, in Dominion notes for one or two dollars each, at the option of the receiver. The proportion of cash reserves, to be held in Dominion notes, was raised from one-third to 40 per cent. Proxies not made or renewed in writing within three years next preceding a meeting of shareholders were declared invalid for purposes of voting.

Persons holding stock as representing others, if so declared in the bank's books, were exempted from liability on such stock, recourse being reserved against the estate and funds held in trust. The form of the monthly return was again expanded, partly to secure more complete details of the position of the several banks, partly to remove the ambiguities in the return, by which criminal prosecutions under the Bank Act had been lost by the Crown in 1879.<sup>1</sup> As a safeguard against investments of too great permanence, the period for which the bank might hold real property not required for bank premises, was limited to seven years from the date of acquisition. The assumption by any firm or bank of the title of "bank" without authority under the general banking laws of the Dominion, was made a misdemeanor. The purpose of the clause was to guard the public from misplacing their confidence on the supposition they were dealing with establishments organized by Parliament; one result was to confirm to the chartered corporations exclusive privileges in the name. The requirement that bank shares should be numbered, and the numbers specified in contracts for the sale of shares, was repealed. It had interfered with legitimate trade in bank stock, while the brokers, against whom it was aimed, had successfully evaded it. The sections of the Bank Act dealing with loans upon warehouse receipts, etc., were again amended. Besides timber, all sorts of lumber, all agricultural produce, and other articles of commerce, the expression "goods, wares and merchandise," were extended to include petroleum and crude oil. A bank, upon shipment of

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<sup>1</sup> MORGAN, *The Dominion Annual Register*, Montreal, 1879, p. 320.

goods, was permitted to surrender the warehouse receipt for them, and receive in exchange a bill of lading, or upon delivery and storage of the goods, to surrender the bill of lading received as security, and take a warehouse receipt in exchange.

Some further changes were made in 1883, with the purpose of more effectually enforcing the prohibitions, restrictions, and duties already imposed on the chartered banks. Most of these had hitherto been sanctioned by the penalty of charter forfeiture. Experience had proven that this was insufficient by reason of its excessive severity. The banks had imposed somewhat upon the unwillingness of the Government to punish a slight transgression by depriving the guilty corporation of its existence. So, while the penalty of forfeiture was held in reserve, money penalties were now adopted to bring the banks to time. For each day's delay, after the opening of Parliament, in transmitting to the Minister of Finance the certified list of shareholders, a fine of \$50 was imposed. The penalties laid upon note issue in excess of capital stock paid-in, were as follows :

for an excess not exceeding \$20,000 .....	\$ 100
for excess between \$20,000 and \$100,000 .....	1,000
for an excess between \$100,000 and \$200,000 .....	5,000
for an excess not exceeding \$200,000 .....	10,000.

Other fines were : for each time that the Dominion notes in the cash reserve should be less than 40 per cent. thereof, \$250 ; for each day of neglect to send the return within twenty days of the end of each calendar month, \$50 ; for each contravention of the sections limiting the business of the bank to certain transactions and classes of loans, \$500. The form of the return was amended to show the amount of the rest or reserve fund, and the rate per cent. of the last dividend. The last change to be mentioned was opposed by friends of the many private banks, but was become necessary, further to prevent the public from being misled.<sup>1</sup> The use of the titles, "Banking Company," "Banking House," "Banking Association," "Banking Institution," or "Banking Agency," by bankers, not working under the Bank Act, was made a misdemeanor, unless the expression "not incorporated," were added to the title. (46 Vic., cap. 20.)

<sup>1</sup> Debates of the House of Commons, Canada, 1883, pp. 99 *et seq.*, 183, 194, Remarks of Sir Leonard Tilley, Messrs. Blake, Fairbank and Casey.

## § 47.—DOMINION NOTE LEGISLATION, 1872-1880

Though one of them was explained as response to public complaint of difficulty in securing Dominion notes, the new clauses of the Act of 1880 in regard to these legal tender issues were altogether in the interest of the Government. Likewise in the interest of the Government, was the provision by which the banks were deprived of the right to issue notes for \$4. For it was intended partly to refill their place in the circulation by Dominion notes, and to increase the issue in other ways.

Under pressure from friends of the Government, Sir Francis Hincks had reluctantly consented in 1872 to mar the beautiful analogy to the English system he had devised in his first Dominion Note Act. The reserve of specie required against issues in excess of nine million dollars was reduced from dollar for dollar to "not less than 35 per cent. of the excess." (35 Vic., cap. 7.) Prior to 1874 there was frequent criticism of the inadequacy of the reserve held against the notes, and complaints that the requirement as to bank reserves had diminished the amount of gold in the country. One also finds protests that the Government should cease to issue from Toronto, notes payable at Montreal, or *vice versa*, and that when called on for specie to ship for New York, it should desist from paying out sovereigns instead of eagles, and thereby forcing American gold to a premium, often one-eighth of one per cent. Nothing has yet appeared to justify the opinion that these criticisms, complaints and protests were without good cause.

When the Liberals came into power they improved the law in accord with the sound monetary theories of their Minister of Finance, Sir Richard J. Cartwright. By the amending Act of 1875 (38 Vic., cap. 5), the Receiver-General was required to hold against the outstanding circulation in excess of \$9,000,000 and less than \$12,000,000, fifty per cent. in specie; and against any excess over \$12,000,000, specie to the full amount. In 1876 the laws respecting Dominion notes were extended to the Provinces of Prince Edward Island, British Columbia and Manitoba, and the Governor authorized to establish branch offices of the Receiver-General's department at Charlottetown, Victoria and Winnipeg.

Sir Leonard Tilley now proposed to extend the limit of notes, only partially covered by specie, to \$20,000,000, the circulation to be increased by not more than \$1,000,000 at a time, or more than \$4,000,000 in any one year. At the same time, he proposed to reduce the strength of the specie reserve by providing that a minimum, equal merely to 15 per cent. of the amounts outstanding, should be covered by gold, by this gold and Dominion securities guaranteed by the Government of the United Kingdom, not less altogether than 25 per cent., and the remaining 75 per cent. or less of the issue by Dominion debentures, issued for the purpose, and held by the Receiver-General. The project was strongly opposed by the minority in Parliament. It was the rallying point of the whole debate upon questions of banking and currency. The Minister, however, beheld the prospect of added financial aid; he heard, perhaps, the clamors of the "rag baby" as well among the people as in Parliament. He was confident his bill would find favor among the friends of Government paper. His party was always ready to follow Sir John Macdonald, and Sir John strongly supported the bill. It passed, as a matter of course; but the victory was one of votes rather than reason. (43 Vic., cap. 13.)

§ 48.—1880 - 1889

Two of the general measures relating to banks, and passed by Parliament in these years, have been mentioned. The only other important laws in the group were three Acts respecting corporate bankruptcy; "an Act respecting Insolvent Banks, Insurance Companies, Loan Companies, Building Societies, and Trading Corporations," passed in 1882, another of the same title in 1886, and the "Winding-Up Amendment Act" of 1889. (45 Vic., cap. 23; 49 Vic., cap. 129; 52 Vic., cap. 32.) To describe these measures in their entirety would involve too long an excursus into bankruptcy law, and only seven of the one hundred and twenty-three sections of the statute in its final form applied exclusively to banks.

Private Acts respecting individual banks were far more frequent. There had been two new charters granted between 1875 and 1879, to wit: in 1875 to the "Banque Saint Jean

Baptiste," of Montreal, and "The Chartered Bank of London and North America" in 1876. (38 Vic., cap. 59; 39 Vic., cap. 40.) The latter bank had as charter members, two bank presidents, one a member of the House, the other of the Senate, the Mayor of Toronto, and three other senators: but they failed to attract the \$250,000 required before the bank could begin business. Like the project of the "London and Canada Bank," whose charter was extended a further year in 1876, it was the expression of an effort to secure more English capital for Canadian uses, by means of a colonial bank with an agency established in London, England, under a local board of directors. The charter was revived, amended, and the name of the proposed concern changed to the "Chartered Bank of London and Winnipeg" in 1880. But neither of these projects to introduce methods so closely resembling those of the Australian banks, was ever successfully carried out.

Thirteen new banks were incorporated between 1882 and 1886. There were four in 1882,<sup>1</sup> three in 1883,<sup>2</sup> four in 1884,<sup>3</sup> and two in 1886.<sup>4</sup> Of the four proposed for Winnipeg, Manitoba, one started, the Commercial Bank of Manitoba. Of the two for Montreal, for one of which, the "Planters' Bank of Canada," it was planned to have branches and local directors in the United Kingdom and the West Indies, neither began business. Of the two for London, Ontario, only the "Bank of London in Canada" was established. Of the three whose head offices were to be in Toronto, two, the "Central Bank of Canada" and the "Traders' Bank of Canada," secured the necessary capital. One other corporation, the "Western Bank of Canada," opened in Oshawa, Ontario. Out of the thirteen, eight charters were forfeited for non-user, in spite of the extension, in four instances, of the time limit fixed for payment of the capital required before the charter could be used.

Another, and rather farcical, episode of the Parliamentary history of banking in this decade was the agitation carried on by a few strong-lunged members from the rural ridings. They wanted "Farmers' Banks," increased issues of legal tender paper,

<sup>1</sup> 45 Vic., cap. 61-64.

<sup>2</sup> 46 Vic., cap. 50-52.

<sup>3</sup> 47 Vic., cap. 48-51.

<sup>4</sup> 49 Vic., cap. 64-66.

and the allied measures which have been most favored in the United States by the Greenback Party and Populists. Similar proposals had been advanced in 1878 by Mr. Thompson, of Welland.<sup>1</sup> But the movement was begun on more definite lines in 1884. The motion for a Select Committee to consider means of giving farmers better banking facilities was supported by Dr. Orton in a speech which still fills five pages of the debates.<sup>2</sup> His complaint in behalf of the farmers against the extortions of private money lenders, or note shavers, was probably well founded. Then, too, the preliminary expense of search of title, law fees, etc., made the cost of short time loans on real estate excessively high; yet how the issue of Dominion notes, secured by first mortgage on farms, and redeemable only by four per cent. bonds, could mend matters, he failed to make clear. There was as little reason in the other proposals, *e.g.*, to establish farm, or real estate banks on capitals consisting of farm mortgages, Government bonds, and gold, to permit them to deposit the capital with the Government, and secure paper Government money in return, to permit these banks to charge no greater interest on ordinary loans than 6 per cent., and on mortgage loans than 5 per cent., and to deprive the chartered banks of their power to issue. Underneath the plan, as one may see, lurked hostility to the banks, and the so-called "money power." The notions entertained by the speaker on interest, capital, money and banking were perverted, while he was strongly influenced by a penchant for irredeemable paper currency, and a simple faith in the universal efficacy of legislation.

The next year he drafted resolutions for a Bill, and was helped in support of them by the advocates of small local banks, admirers of currency secured by bonds, and believers in the issue of paper currency exclusively by Government. No less than Sir John Macdonald himself closed this debate, and in words of honeyed ambiguity, soothed, even consoled the agitator, while not committing the Government.<sup>3</sup> In 1886 the question was again introduced, a new Bill prepared, and the

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<sup>1</sup> Debates, House of Commons, Canada, 1879, p. 1,211.

<sup>2</sup> *Ibid*, 1884, pp. 211-215.

<sup>3</sup> *Ibid*, 1885, pp. 115-120.

measure actually brought to the stage of consideration in committee. There it stopped for good.<sup>1</sup> In 1885 some of the Opposition asserted that the apparent willingness of the Government to devote time to the discussion was really a bit of fence repairing for the next election. Those less swayed by party feeling will doubtless prefer to explain it by the broad and tolerant spirit for which the Premier and his colleagues were distinguished.

The story of the banks themselves during this decade has fewer sensational features, and no such strong contrasts as that of the preceding ten years. In most cases the end of the term found the banks with increased business rather than capital. The total capital in 1889 was \$60,289,910, \$70,000 less than in 1879. The total deposits, payable on demand to the general public, rose from \$42,000,000 on the 31st December, 1880, to \$55,000,000 on the last day of 1889; deposits payable after notice or on a fixed day, from \$37,000,000 to \$71,000,000; the total liabilities of all the banks from \$121,000,000 to \$171,000,000. Loans on stocks, bonds, etc., rose from \$8,000,000 to \$13,000,000 between the two dates; loans, discounts or advances on current account to corporations other than municipal, from \$4,000,000 to \$23,000,000; current loans, discounts and advances to the public, from \$105,000,000 to \$150,000,000; and the total assets of the banks, from \$192,000,000 to \$252,000,000. A larger proportion of the funds of the banks were invested in Canada on the latter date. "Balances due from Agencies of the Bank, or from other Banks or Agencies in Foreign Countries," were only \$10,729,877, as compared with \$19,313,588 on the 31st December, 1879, and \$27,041,608 a year later.

For this heavy increase of business on both sides of the account, there are two causes at least, close at hand. The one is the growth of Canadian trade and industry; the other the policy by which the number of branches was increased, and the banks brought into closer relations with the country's needs, particularly to those of the agricultural sections. This last may have been partly prompted by the evidences of discontent with their banking facilities among the farmers. But two

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<sup>1</sup> *Ibid.*, 1886, pp. 427, 432-437, 571-585.

other strong inducements were also effective, the first being the chance profitably to employ funds in the assistance to agriculture and the industries that thrive by its side; the second, the opportunity for increasing the note circulation that a country business always affords to a bank.

As a general rule, the practice of the banks was marked by greater caution and prudence than in 1870 to 1875. More attention was paid to the soundness and security of business taken in hand. Inquiry as to the application of means became more searching. As a result, advances converted by borrowers into real estate, improvements, or plant, or used as permanent capital, became fewer, the losses and lock-ups less serious. A share in this bettering of the discount business must be ascribed to changes in the personnel of the staff of the banks. Whether their first training had been received in Britain or in Canada, nearly all the higher officers of the banks had now enjoyed a long Canadian experience. To the admirable traditions of Scotch and English banking, they added a minute and extensive knowledge of Canadian conditions, a double equipment which redounded largely to the advantage of their employers. A keener appreciation of sound banking principles may be remarked in the declarations of managers and presidents in their published speeches to shareholders; it may be inferred from the fewer losses and bad debts incurred by the banks as a whole. This progress was furthered by the memories of 1874 and 1879, and regret for many costly mistakes in the time of expansion. It was also promoted by the penalties imposed for violation of the Bank Act, and the amendments in the Return, calculated more fully to expose a bank's condition to the watchful criticism of the public.

It is not to be supposed from this that the course travelled by the banks was one of unbroken prosperity, or that the statements, generally true, were without exception. The recovery from the depression of the seventies was slow, and as late as 1881 it became necessary for the Exchange Bank and the Banque Ville Marie to reduce their capitals each by one-half a million dollars. (44 Vic., cap. 35-36.) They, however, were exceptions, the other banks having met their losses years before. The banks generally shared in the better times of 1880 to

1883; they felt the reaction in 1884-1887; their business, like that of the rest of the country, again displayed normal activity in 1888. The periods named can be understood in only the most general way; conditions varied in different parts of the country, and changes did not come at precisely the same time.

Probably the most striking conditions and changes were to be found in the "Prairie Province," Manitoba. There the railway, immigration, settlement and trading in real estate between 1879 and 1881, developed a land boom of the first order. The price of building lots in Winnipeg, the Provincial capital, rose above the value of land as centrally located in Toronto and Montreal. All kinds of land schemes were started, and there was a corresponding expansion of enterprises of other sorts. Thousands of persons in Ontario had sold the solid securities which often comprised their entire fortune, to put the proceeds in lands in prairie villages of which the ink on the first survey was hardly dry. As others lost, they lost. The upward flight of values was high, but it was brief. The end came late in the spring of 1882. Millionaires in prospect found themselves paupers in fact. The inflation was tolerably thorough throughout the Province, and when land values fell, a good part of the community became insolvent forthwith. Their ruin caused other failures, and so on, until those were also brought down who had thought themselves, and were thought by others, perfectly independent of the turn taken by the market for real estate.

It was on this account, and not because they had loaned on land or encouraged the inflation, that the chartered banks who had established agencies in Manitoba lost heavily. Of the five banks earliest to enter the field, three dismissed their Winnipeg managers. This will indicate how grave were the losses, but not how great. To know that, one would need for some years to have attended the regular board meetings of at least seven different banks. None of these institutions were compelled to suspend payments. One advantage of branch banking is the possibility under it to spread and differentiate risks; the gains of a bank and the safety of its loaning business as a whole does not depend on the ups and downs of a single community or commercial and industrial group. Having staked but a part of their funds in Manitoba, the banks passed through the trouble

with their entire resources lessened, no doubt, but by no means destroyed, and from gains in the East they were enabled to meet losses in the West. The only outward signs of loss were lower dividends, reduction of, or smaller additions to rests and in one or two cases, reduction of capital stock.

Between 1882 and 1888 six of the banks which are still in existence, provided for losses incurred in their loaning business by reduction of capital, under authority of Parliament, amounting to \$4,070,000. Although they occurred in a time of general trial, the causes of these reductions were, as a rule, peculiar to the situations, mistakes, or management of the individual banks. To examine them here would need inquiry altogether too particular and minute.<sup>1</sup>

§ 49.—BANK FAILURES, 1883-1889

Reduced to its last analysis, the economic function of banking is to facilitate that exchange of commodities against commodities which is the essence of modern commercial credit. The ease, cheapness and thoroughness, the efficiency, in short, with which that service is performed for other members of the economic organization, is the first great point in the criticism of any banking system. The second point is the security afforded to those who must become creditors of the banks in order to utilize their services. Shareholders are obviously excluded from this class. Their investments are commercial ventures, subject to commercial risks. The description applies only to note holders, depositors and creditors on other evidences of debt given by banks. The security afforded them is measured by the extent to which the obligations of the banks are redeemed in full, a proportion best ascertained by computing the more or less of debts which are not paid, and the amounts ultimately lost. The data as to such losses are to be had only

<sup>1</sup> These reductions were:

Year		Amount of Reduction	
1882	Ontario Bank .....	\$3,000,000 to \$1,500,000.	45 Vic., cap. 57.
1882	Exchange Bank of Yarmouth...	350,000 to 280,000.	45 Vic., cap. 60.
1885	La Banque du Peuple .....	1,600,000 to 1,200,000.	48-49 Vic., cap. 8.
1886	Union Bank of Canada.....	2,000,000 to 1,200,000.	49 Vic., cap. 58.
1886	Bank of New Brunswick.....	1,000,000 to 500,000.	49 Vic., cap. 59.
1888	La Banque Nationale.....	2,000,000 to 1,200,000.	51 Vic., cap. 48.

from study of bank failures. The efficiency of the Canadian system has been reserved for principal treatment in the chapter next but one. Facts relating to its security, on the contrary, must be examined in more or less close connection with the conditions from which they arise.

1. The first of the events now to be considered is the failure of the "Exchange Bank of Canada," of Montreal, an institution chartered in 1872. In August, 1879, it was obliged to suspend payment, but resumed in November; \$500,000 were written off its capital stock in 1881. The directorate was wealthy, and their standing, combined with manipulation of the stock, kept the shares of the bank high in the public esteem. Within a year of the failure stock was sold for \$179 a share. But the management was bad, and after 1881 it showed no improvement. In April, 1883, the bank came to the Government for help. A deposit of \$200,000, bearing interest at 5 per cent., and payable at thirty days' notice, was made with the Exchange Bank. In May, \$100,000 more were granted on the same terms, the personal security of one of the directors of the bank, a Conservative Senator, being taken as a guarantee of repayment. Over one-half the stock was then owned by prominent Conservatives. The collapse of the North-West boom was still troubling men's thoughts, and many felt that the country was about to experience a serious crisis.<sup>1</sup> The crisis might be precipitated by the sudden stoppage of a single bank, and end in the failure of several.<sup>2</sup> The advances, the friends of the Government afterwards said, were made to prevent a run on the Exchange Bank, and so to ward off the crisis. The other side thought they might well have been made to enable friends of the Government to escape from the double liability of their stock. In 1885 the Hon. Edward Blake called the concern a political bank, and an example of the disasters awaiting a political bank.<sup>3</sup>

In the four months following the advances, the condition of the bank grew worse and worse. Except for \$120,000, its lia-

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<sup>1</sup> Debates, House of Commons, Canada, 1885, pp. 382, 383, Mr. White.

<sup>2</sup> *Ibid*, 1884, p. 161, Sir Leonard Tilley.

<sup>3</sup> *Ibid*, 1885, p. 378, Hon. Edward Blake.

bilities were as high in September as in March. More than the current rate was paid for deposits, money was borrowed in large amounts, and used for advances of the most reckless and desperate sort. The Managing Director of the bank appears to have lacked all sense of responsibility or honor. With some of his colleagues on the Board, he used the funds in his charge to manipulate a block of 1,000-1,200 shares of the bank, about one quarter of the whole stock. He entered other unlawful and personal speculations, made entries in obscure parts of the books, and kept papers pledging the bank's credit in his private drawer.<sup>1</sup> When the bank failed on the 15th September, 1883, he owed it \$226,000. When wanted in December, he was not to be found.<sup>2</sup> The total liabilities of the bank at the time of suspension were about \$2,430,000, the nominal value of the assets \$3,335,907. The notes for \$380,218 then in circulation never sold for much less than ninety cents on the street; within two months the liquidator was ready to pay them, and all presented were ultimately redeemed in full. Upon the other debts, after a capital of \$500,000 and a rest of \$300,000 had been wiped out and the double liability of the shareholders collected from all who could pay, only 66½ per cent. was returned to the creditors. Their loss of principal was thus a trifle less than \$690,000; that of the shareholders, at one time and another, may be estimated at from \$1,600,000 to \$1,800,000. But the shareholders could not blame commercial conditions, defects of the banking system, or the hostility of their competitors, for the loss. It was due to shameful malversation and disregard of duty on the part of the management. The Government endeavored to establish a preferential lien, for the collection of its debt, but their suit was lost because the common law priority of the Crown did not exist in the civil law of Quebec. The "Exchange Bank Liquidation Account" still stands in the Dominion Balance Sheet for 1893, as an asset of \$77,337, the cost, less interest, of Sir Leonard Tilley's salvation of the country. It is true that while the failure caused great scandal and indignation in Canada, it started no panic. The prices of

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<sup>1</sup> *Ibid*, 1885, p. 308, MR. McMASTER.

<sup>2</sup> *Monetary Times*, Vol. xvii., Issue of the 12th September, 1879.

bank stocks generally were unaffected, the course of the Exchange Bank, according to the President of the Bank of Montreal, having been known, and its suspension discounted.<sup>1</sup> The scandal was aired in Parliament in 1884, and resolutions condemning the advances to the Exchange Bank were moved in the House of Commons by prominent Liberals. The Government received full measure from the country's vial of wrath, but were sustained when it came to a vote, by 97 against 60.

II. The next failure was that of the "Maritime Bank of the Dominion of Canada," situated in St. John, N.B. It also was chartered in 1872. In its first eight years it had lost nearly \$600,000, the probable reason being that those in control, instead of scattering risks, preferred to make loans *en bloc*. Its president was described as a merchant, manufacturer, politician and banker, a man of large ambition and small capital, always ready to play high, especially when staked with the money of others.<sup>2</sup> The bank was reorganized in 1883-4, put in more careful hands, and the paid-up capital reduced by 64 per cent. to \$247,000. In spite of the fact that large Provincial and Dominion deposits were made with the bank, its subsequent course was not prosperous. In 1887 it had accounts overdrawn for \$650,000, of which \$350,000 were against the assets of bankrupts. Advances far in excess of its capital were locked up in a series of lumber accounts, which, though under different names, were really against a single concern. The bank became a party to kiting sterling bills of exchange, in order to sustain itself. When it stopped payment on the 8th March, 1887, its liabilities were about \$1,826,000. The \$314,000 of notes in circulation were the first charge on its assets, and so far as presented, were paid in full, though only after more than two years were elapsed. On the 28th February, the Dominion had \$70,735 deposited with the bank, the Province of New Brunswick \$205,180; each Government succeeded in enforcing the Crown priority, and thus escaped practically all loss. The other creditors have been paid dividends of 6 and 3 per cent., and will receive, the liquidators say, 1 or 2 per cent. more. Should the total dividend amount to 11

<sup>1</sup> *Montreal Gazette*, 18th September, 1883, Letter of MR. SMITHERS.

<sup>2</sup> *Monetary Times*, Vol. XIV., p. 418; Vol. XV., p. 731.

per cent., the creditors of the bank will have lost about \$750,000 of the principal of their claims. Assuming that the collection of the double liability was fairly successful, the shareholders lost by the bank's failure and the previous reduction of stock, a sum nearer a million than \$950,000.

III. Through the failure of some of its largest debtors, the "Pictou Bank," of Pictou, N.S., suffered dangerous lock-ups between 1884 and 1886, amounting to over \$220,000.<sup>1</sup> No dividends were paid after January, 1884, and in 1886 twenty per cent. of its paid-up capital was written off by authority of Parliament. (49 Vic., cap. 62.) The next year it became necessary to suspend banking operations. The shareholders secured a permissive Act, and in September, 1887, the bank being still solvent, they voluntarily put it into liquidation, paid their debts in full, and saved from 30 to 40 per cent. of their reduced capital (\$200,000).

IV. The Bank of London in Canada was established in 1883. After a brief life of four years, it suspended payment on 19th August, 1887. The fortunes of the bank were blighted by the sinister influence of a speculative President. He had drawn largely on its resources, and had involved its funds with the affairs of an insolvent loan company, "The Ontario Investment Association," then under his control. On the eve of completing arrangements for selling the business of the Bank of London to the Bank of Toronto, he had decamped to the United States. The paid-up capital of the bank was \$241,101. Some \$90,000 of this was saved, after payment of all debts in full.

V. The liquidation of the Central Bank of Canada was not quite so creditable. This bank was another young concern chartered in 1883. It suspended payment on the 16th November, 1887, and ceased a business which, for a year at least, had been distinctly discreditable. It placed stock in towns outside of Toronto by promising to establish branches if certain amounts were subscribed for. It had pushed business tending to increase the note circulation. It had even paid brokers for help in keeping out its issues, and in order to get money, it sold them certificates of deposit at a discount. Its comparatively

<sup>1</sup> *Monetary Times*, Vol. xx., p. 125.

large deposits were acquired by paying one or two per cent. more than the current rate. A few large customers, a clique of directors, and certain brokers, got advances utterly out of proportion to their credit. Through their schemes, and in methods still more scandalous and dishonest, the capital of \$500,000 and the proceeds of the double liability to nearly an equal sum, were wholly sunk. Note holders were paid in full; other creditors 99½ per cent., the loss thus inflicted on the public being about \$14,260.

VI. The last event of this series was a voluntary liquidation rather than a bank failure, but as a bank "misfortune" it is most conveniently treated with the others.

The Federal Bank of Canada (originally called the Superior Bank) was incorporated in 1872, but did not open its head office in Toronto until 1874. Under enterprising and ingenious management the capital of the bank was doubled in 1882-3 to \$3,000,000. In July, 1883, its stock sold at 158½; on the 26th June, 1884, when the General Manager resigned, it brought 80½. From the investigation then made, it appeared that the bank held no less than 6,000 shares of its own stock. Most of these had been seized as additional security for advances, originally on overdrawn and unsecured account, or mere promissory note, to the Commercial Loan and Stock Co., an inside corporation, which was used to borrow the bank's funds, either to loan upon stock in the Federal, or purchase it in order to keep up the price.<sup>1</sup> The scheme, at its best, was a highly disreputable evasion of the prohibition in the Bank Act, against loaning on bank stocks. A run was started on the bank in the last days of June and the first week in July, but was successfully met by help of the other banks, who offered temporary advances for \$2,000,000, and made arrangements for transfers of discount accounts.<sup>2</sup> Under the new Manager appointed, the "little machine" through which \$600,000 of capital had been given fictitious existence, was promptly wound up. In 1885 authority was secured to cancel 5,000 of the shares held by the bank, and to reduce the remaining capital to \$1,250,000, on account of losses from Michigan lumber transactions and

<sup>1</sup> *Monetary Times*, Vol. xviii., pp. 571, 576.

<sup>2</sup> *Ibid*, p. 576.

loans in Manitoba. (48 & 49 Vic., cap. 8.) In spite of such drastic treatment, the Federal Bank did not recover its prosperity, or the full confidence ordinarily placed by the public in its banking institutions. Bank stocks fell generally in the autumn of 1887, and the Federal dropped below par. The bank was thus discredited, and between the 31st October and the 25th January its situation again became critical. It had been called on to pay \$210,693 of notes, and \$1,421,393 of deposits, a total drain of \$1,632,085.

Representatives of the banks having offices in Toronto met upon the Federal's case, and examined the condition of its assets. As the result of this examination they offered to advance enough money to pay off the entire liabilities of the bank, and to wait for repayment from the liquidation of its assets, on condition that the bank should be wound up with open doors. The step was decided on because the condition of the bank's affairs was found to be such that its continuance in business was not possible, and because the plan proposed and finally adopted would avoid the panic which the Federal's suspension, after the uneasiness due to the Central and London failures, was likely to cause. The amount of the contribution agreed upon was \$2,700,000. By this undertaking they ran the risk of being forced to reduce their reserves to a point beyond that ordinarily thought safe. But Canadian bankers believe that a reserve is for use rather than display. Their prompt and courageous use of their ready cash at this juncture, undoubtedly prevented conditions in which thrice or four times the amount of their reserves would have been needed to still the popular clamor for payment. It saved the shareholders of the Federal bank from the sacrifices of a compulsory liquidation, and allowed them to realize their assets at the most advantageous times, and lastly, it protected the business of Ontario from the costly derangement incident to a banking panic, and a sudden contraction of discounts.

Here ends, for the present, the account of bank failures in Canada. If any conclusion may be drawn from the study, it is that the disasters have been due to faults of practice, rather than defects in the system. It is clear that legislation, scientifically framed, has not prevented poor management, bad man-

agement, or fraud. No one, probably, ever expected it would. It is clear also that it has not saved shareholders from loss. A careful estimate shows that, by reductions of capital, liquidations, failures, and contributions on the double liability, shareholders have sunk at least \$23,000,000 in Canadian banking since the first of July, 1867. This sum, more than 37 per cent. of the present paid-up banking capital, is independent of the losses provided for out of profits, or met by reduction of rests. The security of a group of banks, however, must be judged, not by the losses of their proprietors, but by those of their creditors. We may see now how well the Canadian system has minimized the creditor's risks. Out of the 56 chartered banks, some time in operation in Canada since the 1st July, 1867, just 38 survive. Ten of those gone before have failed. But the total loss of principal inflicted during twenty-seven years on note holder, depositor, Government, or creditor whomsoever, has not exceeded \$2,000,000, or less than one per cent. of the total liabilities of Canadian banks on the 30th day of last June.

CHAPTER IX  
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THE REVISION OF 1890  
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§ 50.—DEMANDS FOR REFORM AND THEIR CAUSES

BEFORE the time for renewing the charters for another ten years was arrived, criticism of the Canadian banking system as amended in 1880 and 1883, had pointed out several unqualified defects.

I. One of those which most affected the general public, and prompted the demands for reform coming from that quarter, was the discount on the notes of a failed bank, in the *interim* between its suspension and the beginning of its liquidation. Though by the prior lien given to note holders, final payment in full was certain, it was not always definite. If he wished to realize immediately after the failure, the last holder of the note during its currency was forced to submit to a discount. Although the liquidators were ready to redeem within a month, the discount on the notes of the Exchange Bank after its failure rose as high as five or ten per cent. Redemption of the notes of the Maritime Bank, though finally in full, was delayed for nearly three years after the failure, and in the meanwhile its issues sold for as low as forty cents on the dollar.<sup>1</sup> In notes of the Central Bank of Canada, Americans near Sault Ste. Marie found a profitable speculation by buying them up after the failure, at 10 per cent. discount.

II. Another cause of complaint was the operation of the statute of limitations, or the law of prescription, upon the out-

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<sup>1</sup> *Montreal Gazette*, 27th February, 1890.

standing notes of a liquidated bank. The winding-up Acts passed by Parliament ordinarily required the liquidators of a bank which had failed, or decided to retire from business, to make all reasonable efforts to call in and redeem the outstanding liabilities. Reserved dividends sufficient to cover any undischarged and unclaimed debts, were required to be deposited at interest with some trustee, ordinarily a bank. After two, or three, or five, or ten years, and a month's notice in the Canada and provincial Gazettes, as well as in a newspaper of each place where the bank had an agency, it was allowable to distribute the surplus of this fund, together with the accrued interest, among the shareholders. Thenceforward, both notes and other claims against the bank were barred and extinguished. Such a time limit was quite too brief. It worked injustice to those holders of notes who were unmindful, or ignorant for the time being, of the character and life of the currency in their possession. The notes of a bank were never entirely called in before the limitation came into effect. In 1882, sixteen years after the failure of the Bank of Upper Canada, \$43,301 of its notes were still outstanding. \$39,000 had been redeemed by the Government in the twelve years after 1870.<sup>1</sup>

III. Of a third defect in the currency, some notice was taken in 1869, when Sir John Rose proposed regulations to make it circulate at par in every part of the country. Down to 1889, Canadian bank notes lacked that quality. Although the bank was required to receive its own notes at any\* of its offices, it was obliged to pay them only at offices where they were made payable, one of such offices being always the bank's principal seat of business. Some banks dated part of their issue at branches, others did not. That was a mere question of book-keeping, some managers desiring such a test for the profits of branches by circulation and others not esteeming it. In any case, the notes of a bank without a branch in the neighborhood did not circulate at their par value in localities remote from the offices where they were payable, or in localities whose trade centre was different from that of the bank whence they were issued. As communi-

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<sup>1</sup> Sessional Papers, Canada, 1882, 108a.

cation between them became easier, as a larger trade grew up, and closer relations in all ways were established between the eastern, central and western provinces, a larger number of bank notes appeared in the circulation of places distant from their domicile. Occasion for the discount for geographical reasons arose more frequently, and the annoyances from it were rather aggravated.

The public sense of the first two defects in the circulating medium was undoubtedly quickened by the bank troubles of 1883, 1887, and 1888, and since the stock example of an issue secured by bonds is open to none of the three criticisms, the desire of the people for reform was strengthened by their comparisons of Canadian bank notes with those circulating in the United States. In each case, as the Minister of Finance remarked of the last, there was "a well founded desire that such an anomaly should cease."<sup>1</sup>

IV. A second lesson, emphasized for all observers by the suspension of two banks chartered in 1883, was the failure of the Bank Act to exact what Sir Francis Hincks had termed "the security of a large paid-up capital." It was too easy to get a charter for a proposed bank, and the requirement of \$100,000 of paid-up capital before the beginning of business was too slight a barrier round the field of joint-stock banking to prevent the entrance of speculators and untrustworthy adventurers.

V. The beginning of a movement on still different lines was what an American politician, speaking of the revision of 1890, would call the first gun of the campaign. In the annual meeting of its shareholders on the 1st June, 1885, Mr. Smithers, President of the Bank of Montreal, gave new expression to the favor with which the officers of that institution had long regarded the plan to secure bank notes by the deposit of Government bonds. Premising that his Directors were in accord with him, he said: "I am prepared to advocate the policy of putting the banks on the American system, and requiring them to secure their issues by a deposit of Government bonds. It was not pressed at the last revision, not because the Bank of Montreal

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<sup>1</sup> Debates, *ut supra*, 1890, p. 2235.

was not quite ready for the change, but out of consideration for the views of other bankers. It would do away with the necessity for the voluminous statements, for, if the safety of the currency was fully assured, all the statement required could be furnished in half a dozen lines, as I hold that, when the Government has provided the country with a thoroughly sound currency, its duty is discharged. I maintain that it is the duty and privilege of every man to look around and satisfy himself as to the bank he will deposit his money in. \* \* \* \* The same is true of the shareholder in selecting his investments.

\* \* It may be said that the people of the United States are looking round for a substitute for the National Banking Law, but if they are, it is not because it has not been a success, but because the supply of bonds is likely to run out, a contingency which is not likely to arise in this country for some time to come."<sup>1</sup> Ten days later the project was effectively disposed of, so far as reason and expediency were concerned, by an editorial in the *Toronto Week*, presumably from the pen of Professor Goldwin Smith. The General Manager of the Merchants' Bank of Canada, Mr. George Hague, also answered it at the annual meeting of his bank on the 18th June.<sup>2</sup>

#### § 51.—DISCUSSION PRECEDING PARLIAMENTARY ACTION

I. For a long time, no amount of argument appeared to shake the faith of the advocates of bond secured circulation. In 1890, for instance, the President of the Bank of Montreal, Sir Donald Smith, pronounced the opinion that the "true system of

<sup>1</sup> *Monetary Times*, Vol. XVIII., p. 1,365.

<sup>2</sup> *Monetary Times*, Vol. XVIII., p. 1,427.

In his reply, however, Mr. Hague provisionally suggested as a cure for unsound banking, regulations similar to Sir Robert Peel's treatment of the Scotch and Irish banks in 1845. Now the principles underlying Peel's restrictions of 1845 were those on which he framed the Bank Act of 1844. The Bank of Montreal wanted currency regulation similar to that in force in the United States. But the National Bank Act of that country was modelled after the "free banking" laws of the State of New York, the identical statutes that were copied in drafting the Canadian "Act to Establish Freedom of Banking, etc.," of 1850. That measure was supported in the *Montreal Pilot*, then the organ of Mr. Francis Hincks, as a step in the direction of Sir Robert Peel's policy. The system, it was urged, is "as near in principle a Bank of Issue as the circumstances and position of the country will permit." So far as it related to the currency, therefore, Mr. Hague's proposal was hardly different in theory from the plan which he opposed.

banking for this country would be very much that which has worked so well on the other side of the line, that is, that each bank should guarantee its own circulation." <sup>1</sup> The proposal of Mr. Smithers seems to have been advanced in the belief that its adoption would prevent the formation of small weak banks; the attitude of two of the banks in 1890 is best explained by their unwillingness to assist in securing, through the Bank Circulation Redemption Fund, not their own notes, but those of other banks, especially of the smaller or weaker institutions. The fund, as we shall see, was calculated to invest the notes of the latter with practically the same credit as the public attached to the paper of the strongest or largest banks.

II. The newspapers took up the question early in 1889, discussing and emphasizing all the points detailed in the preceding section. In order to the absolute security of the currency, and its circulation at par all over the country, some of them favored the introduction of the American plan. The policy was supported with particular insistence by the *Montreal Gazette*, in a series of leading articles appearing from time to time in 1889. Besides the ordinary arguments for covering bank notes by bonds to their full amount, the *Gazette* presented possible modifications of the scheme, described the device for giving elasticity by means of maximum deposits, advocated the requirement of a minimum reserve, dwelt on the financial advantages had by the Government under the American system, and argued that "it was favored by many of the larger banks."<sup>2</sup> The position taken by this journal was strongly opposed, and most of its arguments successfully demolished, by a number of excellent journals in which another view of the banking question was taken.

III. On the 15th December, 1888, a circular letter was addressed by the head of one of the Ontario banks to a number of the other banks of the Dominion. After referring to the causes of the criticism generally passed on the bank note currency, the

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<sup>1</sup> GARLAND, *Banks, Bankers, and Banking in Canada*, p. 307.

<sup>2</sup> *Vide Montreal Gazette*, 27th November, 1889.

author of the circular suggested that if they desired to retain their powers of issue, it would be expedient for the banks not only to organize, but also, toward disarming their critics, to prepare against the time for renewal of charters any proposals for reforming the banking system upon which they could agree. Then followed the outlines of plans to keep bank notes at par, however far they might be from the place of issue, and to establish a safety fund, contributed from all the banks, whereby to ensure prompt and full redemption to the holders of notes of a suspended bank. At various times in 1889, most of the banks in different provinces completed arrangements to carry out the first suggestion. The banks usually worked towards the purpose in twos, each engaging to perform the service of redeeming the other's notes in its own neighborhood, on consideration of a like service by the other in its district. On the notes of banks who became parties to redemption agreements, this simple device quite prevented the discount for geographical reasons.

Upon the 11th January, 1890, the representatives of the chartered banks met in Montreal and resolved to request an interview with the Hon. George E. Foster, D.C.L., who, as Minister of Finance and Receiver-General, had charge of the banking measures of the Government. Their request was granted. On the 25th the representatives of twenty-four banks met the Minister in Ottawa. The minutes of this meeting, and of the subsequent meetings on the 11th and 12th February, if any were kept, have never been published, and neither from newspapers of the day, nor from public documents, is it possible to learn just what occurred at them. It is understood, however, that at the first meeting, the bankers inquired the intentions of the Government with respect to the Bank Act Revision, and that the Minister, while refusing to make such an announcement at that time, expressed his willingness to learn their views on certain points. Among these appear to have been the questions,

(a) of making the Bank Act a permanent statute, and thus avoiding a revision every decade ;

(b) of preventing the discount on the current notes of a solvent but distant bank ;

(c) of preventing any discount whatsoever on the notes of a bank, whether it be solvent, awaiting liquidation, or liquidated, or in other words, of improving the security of bank notes ;

(d) of further limiting its powers of circulation to 60 or 70 per cent. of each bank's paid-up capital, or to the average amount of notes outstanding during the three years preceding ;

(e) of fixing the minimum proportion which the cash reserve of a bank shall bear to its liabilities, and

(f) of requiring a larger paid-up capital for new banks.

In regard to the second point (b), the bankers remarked the arrangements already made for that purpose, and expressed a wish that the Bank Act should require every bank, on pain of forfeiting its charter, to make arrangements for the redemption of its notes at par, in the commercial centre of each province. To oblige each bank, after the American plan, to receive at par the notes of other banks of the system, would be unjust, for the duty of redemption ought to fall, not upon its competitors, but upon the bank which gains from the circulation. As to the last (f), in common with the rest of the country, they thought that more substantial guarantee should be required from bank promoters. To the fourth (d), that of further limiting the powers of circulation, they probably objected. Among those represented were many banks with an active business of the sort which requires large, though fluctuating amounts of currency, and for them the restriction would work hardship. Then, too, were they to be restricted to the average of the past three years, many banks would be disabled for meeting the periodical expansion, and obliged to close some of their agencies. The first point was a matter of detail, and judging from the Bill he brought down was soon rejected by the Minister himself.

The question of requiring a fixed reserve was discussed in connection with increased security. So far, the Government had given no indications of a purpose at this revision to require deposits of bonds against the note issue. But as everyone afterwards learned, Mr. Foster was strongly in favor of obliging each bank to hold a sum of specie and Dominion notes which should never be less than 10 per cent. of the amount of its debts. Newspaper writers had favored the proposal as likely to keep such a stock of specie in the bank, that, in case

it should fail, there would be still enough for the redemption of notes as fast as they might come in. The rule of a fixed reserve had been adopted by the United States, and a number of the great European banks were subject to restrictions with respect to the proportion of specie held against outstanding notes. For a long time, moreover, four or five of the Canadian banks had incurred just criticism for allowing their reserves, not merely of money, but also of the more liquid assets, to remain below the point which, from the practice of other banks, seemed safe or prudent.

We know that the same arguments against the measure as convinced Sir Francis Hincks twenty years before, were presented to Mr. Foster.<sup>1</sup> The bankers' case was strengthened by reference to the experience of the American banks with such a requirement since 1870. They could point to the repeated violation of the law to which the National banks had been forced, and at which the authorities could only connive. They could show how it induced extreme fluctuations in the interest rate at the financial centres, how it hampered that annual westward movement of currency on which Americans chiefly relied for elasticity in their money system, how it crippled the powers of the banks at critical moments, and caused greater instability in the organization of credit. That the reserve requirement had forced some American bankers to keep a provision for their liabilities approximately adequate, would nowise have damaged the Canadian arguments. The American banks were local, numerous and comparatively small; in not a few cases, either the desire or ability to carry on sound banking was correspondingly slight. In framing the National Bank Act, the elasticity of the currency had been sacrificed for its security, the establishment of a scientific banking system for the success of a financial expedient. That the fixed reserve was of qualified benefit under one system, was no reason for transferring it to another, different in traditions, principle and practice.

In subsequent contention against the proposal of the Minister of Finance, the bankers urged that it was peculiarly

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<sup>1</sup> GEORGE HAGUE, "Bank Reserves," *Journal of the Canadian Bankers' Association*, Vol. I., p. 107.

unsuited to Canadian conditions. In Canada the customer is expected to keep his account with but one bank. At the beginning of his year he makes a confidential exhibit of his financial condition, and obtains a "line of credit," *i.e.*, the bank's assurance that up to the amount fixed, his position remaining satisfactory, it will find him in funds *as they are needed*. It frequently happens that at no time in the year does the borrower avail himself of the whole of his credit. But the duty "to take care of its customers," places the bank under large obligations to advance money at times which it cannot exactly forecast. Exceptional conditions of trade, unusually late opening of navigation, stringency in the money market, or a variety of other complications, often cause large groups of customers to need the entire amount of their credits, and sometimes a little more, to carry them through. Or again, produce buyers, grain shippers, farmers and dairymen require of the bank enjoying their custom, larger advances at one season than at another, and in different years amounts which vary according to the success of the season's work. Or once more, as happened at the time of the Federal Bank's difficulties, it sometimes becomes desirable, nay necessary, to make sudden and heavy outlays of hard cash in order to avert a serious panic.

Under the law of 1880, all these contingencies could be met by the banks without other disturbance or evil than a temporary reduction of their reserves to a point comparatively low. But with the requirement of a minimum reserve, a bank might be obliged to look out for its cash and let the customer go to the wall. It would be forced to hold a useless amount of money during nine months of the year, or forego accommodating during three months the agricultural industries relying on its support. And in times of impending trouble, the banks would have to choose from the double dilemma, to take the wise and courageous course of forestalling difficulty, and deliberately break the law; or, on the other hand, to maintain their reserves and endure with Mahometan indifference, the harm needlessly suffered by themselves and by the country.

Such were the arguments used by the bankers against an arbitrary fixed reserve. As a better scheme, they proposed the

formation of a safety fund, under regulations very like those ultimately adopted by the Government.

But Mr. Foster was not convinced by their arguments. The representatives of the chartered banks then appealed to the Privy Council for a hearing. This was accorded, and on the 22nd February, the eighteen members of the Government assembled to be addressed by the representatives of the chartered banks, for whom Messrs. George Hague, B. E. Walker and Thomas Fyshe acted as spokesmen, the burden of the argument being sustained by Mr. Walker.<sup>1</sup> Once again, their case against an arbitrary reserve was argued, and at this trial the bankers won. The resistance they had offered to the measure was earnest, strenuous, united. It may have been selfish, but it was a case where the interest of the banks was that of the people. Defeated in the Council Chamber, they would, no doubt, have raised the issue in Parliament, fought it through the press, and carried it before the country. Fortunately, however, the banks had no need to use their excellent organization and wide influence in a general election. Sir John Macdonald, and his colleagues, adopted the views presented by the bankers, and the Bill which Mr. Foster proposed to the House of Commons on the 20th March, 1890, contained no mention of a fixed reserve.

§ 52.—REFORMS ADOPTED BY PARLIAMENT

The debate upon this banking measure forms one of the most admirable chapters in the history of Canadian legislation. The description noway implies that former discussions in the House of Commons were marred by extreme ignorance or excessive partizanship; since the Dominion Parliament first met, its action upon matters relating to banking has been open to no such criticism. But now a Bill, to which long study and the attention of the ablest experts in Canada had already been given, was presented to a House comprising many of the first men of the country in law, commerce, and public life. Using

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<sup>1</sup> *The Week*, Toronto, 29th September, 1893, "A Bit of Canadian History." An account of the argument before the Privy Council by J. T. P. K., a Halifax Bank Manager.

all the resources of their rich experience and excellent theoretical equipment, they took up the question without a trace of party feeling, and earnestly, ably, thoroughly worked to bring the Bank Act as near as might be to the perfection of a scientific ideal.

As he presented the Bill, the Minister of Finance reviewed the banking legislation in force at different times since 1867, and outlined the objections held by the Government to the several plans suggested for the revision. The first, for the Dominion to assume the whole of the circulation, involved with the duty of redemption, responsibilities too difficult, delicate and dangerous. The second, for the Government to guarantee the circulation to the country, require the banks to deposit debentures with them for a certain percentage of their issues, and to retain the first lien against their assets, would place the Government under a heavy contingent liability, which they might not at all times be able to meet. The third plan, to require bond security for the whole circulation, was inexpedient; it would reduce the capital used for the progress and development of the country. The fourth plan, the plan which the Government had adopted, was to keep the existing system, but to improve it, obviate the objections and difficulties, and establish new safeguards.<sup>1</sup>

The fate of the proposal for a fixed reserve was shared to some extent by two other improvements suggested by the Minister of Finance. They were severely criticized in Parliament, and either withdrawn or modified. The one withdrawn was a project for an audit system, not of the Government—but yet compulsory—an audit of the shareholders. The machinery was described by Mr. Foster thus: "The shareholders shall, at their annual meeting, elect two or more auditors; those auditors shall, during the year, have the opportunities which are necessary for an auditing of all the accounts, and all statements; that they shall present this report, and their audit of the Director's report, at the yearly meeting, and that a copy of this shall be lodged with Minister of Finance and Receiver-General." Against this, it was successfully objected that it is impracticable

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<sup>1</sup> Debates of the House of Commons, Canada, 1890, p. 2,235, *et seq.*

for an auditor to ascertain the value and character of a bank's discounts, that his inspection provides no efficient check, that the public may be lulled into security by unjustified faith in the reliability of the auditor's statement, that inspection is a question for a bank's administration, and not for the Government, and that the audit was an answer to no general demand.

I. The modified clause originally required from each bank an annual return of dividends unpaid for five years, or balances due to whomsoever in respect to which no transaction had occurred, or on which no interest had been paid during the five years preceding. The statement was to set forth the name and last known address of the shareholder or creditor, the amount due, and the date and agency at which the last transaction took place. Dividends unpaid, and balances unclaimed for three years after the first report on them, were to be paid to the Minister of Finance for the public uses of Canada, subject, however, to the right of a person establishing his claim to the satisfaction of the Treasury Board, to be repaid the principal of the sum due him, and, in case it were payable by the bank, the interest thereon at three per cent. for not more than six years after the transfer of the amount from the bank to the Government.<sup>1</sup>

The argument for the introduction of the provision had been skilfully and strongly prepared by a member of the permanent staff of the Finance Department. It was shown that in India, the Barbadoes, and some of the Australian Colonies, unclaimed balances in certain cases go to the State. Dividends of the Bank of England unclaimed for ten years are applied to the payment of the national debt. In the Cape of Good Hope Colony the law was almost identical with that proposed. The Montreal Board of Trade had adopted resolutions in April, 1889, calling for a return to the Government of unclaimed debts owed by trustees and other depositors. It may have been a popular notion that the banks held vast sums which they never expected to pay, because the existence of the debts being forgotten or unknown, no one would come to collect them. The Government certainly believed that the heirs of persons who were moved away from the place where they made the deposits or

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<sup>1</sup> Bill No. 127, 1890, An Act respecting Banks and Banking, 89, (1-3).

subscribed to stock, were often prevented from enforcing their rights by ignorance of their existence. As a matter of fact, page after page of accounts in the bank ledgers show balances ranging from one cent to ten dollars, with the majority of sums less than two dollars. Every effort to close them up having been unsuccessful, the banks were obliged to carry forward the accounts from folio to folio, in order to balance the books. As debts due to customers or proprietors, no bank would have dared to plead the statute of limitations against just calls for payment of these balances. The entire indebtedness of the chartered banks, either on account of unpaid dividends or unclaimed balances, was only \$300,523 in 1891.<sup>1</sup>

The plan of the Government was rather roughly welcomed. It was opposed as a scheme to alter the devolution of personal property and an invasion of the rights of the provinces.<sup>2</sup> But Sir John Thompson defended its constitutionality by the same principles as were later approved by the Judicial Committee of the Privy Council in *Tennant vs. the Union Bank*.<sup>3</sup> Others insisted that the banks were good enough trustees of the money, and that there was no reason for their transfer to the Government. Save the observance of foreign precedents, all but the fiscal purposes of the clause could be gained by simply requiring each bank to report to the Government by the 20th January in each year, the amount of unpaid dividends and unclaimed balances with respect to which no transaction has occurred, or on which no interest has been paid during the five years preceding. This view was accepted, and the clause, while still requiring complete details, was amended to conform to it. (53 Vic., cap. 31, § 88, 1-3.)

With the exception of four or five admirers of the American banking and currency legislation,<sup>4</sup> the members of the House

<sup>1</sup> This excludes \$146,705, owed by two chartered savings banks in the Province of Quebec, and it includes the \$75,200 owed by the Bank of Montreal.

<sup>2</sup> Debates of the House of Commons, Canada, p. 3,816, Remarks of Mr. Edward Blake.

<sup>3</sup> Cf. *Journal of the Canadian Bankers' Association*, Vol. I., p. 201.

<sup>4</sup> Mr. White, Cardwell, hoped that banks securing circulation by deposits of Dominion bonds would be exempted from the requirements of the Bank Circulation Redemption Fund. *Ibid.*, 3,817.

Mr. Casey, West Elgin, moved "that the Government should issue or guarantee the absolute soundness of all paper currency issued or circulated as money," p. 189.

Sir Donald Smith, Montreal, wished a "thoroughly secured currency," p. 3828. This remark should be read in connection with his speech, as President, to the shareholders of the Bank of Montreal, in June, *supra*, 144.

Mr. Hesson, North Perth, believing that no security is as satisfactory to the people as that of the Government, wanted a national currency, p. 3,838.

of Commons did not object so strenuously to the other banking proposals of the Government.

The principal reform, chief by reason of its novelty, efficacy, and consequences, was the formation of the Bank Circulation Redemption Fund, by which to guarantee the payment of the notes of any failed bank within sixty days of its suspension, and with interest at 6 per cent. per annum, from the day of failure to the day of redemption. This fund, which first reached its normal amount in July, 1893, was contributed by all the banks, each depositing with the Minister of Finance before the 15th July, 1892, a sum of money equal to  $2\frac{1}{2}$  per cent. of the average amount of its notes in circulation during the preceding twelve months, and such further sum before the 15th July, 1893, as was necessary to make the total contribution of each bank equal to 5 per cent. of the average amount of its notes in circulation during the twelve months preceding the last date named. The purpose of the fund, in brief, is wholly to prevent discount upon bank notes, whatever the condition of the bank which issued them; that is, to make the security of the Canadian currency indisputable, permanent, complete. The means are best described in the careful language of the Act itself.

§ 53. The payment of the notes issued or re-issued by the bank and intended for circulation, and then in circulation, together with any interest paid or payable thereon as hereinafter provided, shall be the first charge upon the assets of the bank in case of its insolvency; \* \* \* \*

§ 54. (4) 'The Bank Circulation Redemption Fund,'— \* \* \* shall be held for the following purpose, and for no other, namely: In the event of the suspension by the bank of payment in specie or Dominion notes of any of its liabilities as they accrue, for the payment of the notes then issued or re-issued by such bank, and intended for circulation, and then in circulation, and interest thereon; and the Minister of Finance and Receiver-General shall, with respect to all notes paid out of the said fund, have the same rights as any other holder of the notes of the bank:

(5) The fund shall bear interest at the rate of three per cent. per annum, and it shall be adjusted, as soon as possible after the thirtieth day of June in each year, in such a way as to make the amount at the credit of each bank contributing thereto, unless herein otherwise specially provided, equal to five per cent. of the average note circulation of such bank during the then next preceding twelve months:

(6) The average note circulation of a bank during any period shall be determined from the average of the amount of its notes in circulation, as shown by the monthly returns for such period made by the bank to the Min-

ister of Finance and Receiver-General; and where, in any return, the greatest amount of notes in circulation at any time during the month is given, such amount shall, for the purposes of this section, be taken to be the amount of the notes of the bank in circulation during the month to which such return relates:

(7) In the event of the suspension by the bank of payment in specie or Dominion notes of any of its liabilities as they accrue, the notes of such bank, issued or re-issued and intended for circulation, and then in circulation, shall bear interest at the rate of six per cent. per annum, from the day of such suspension to such day as is named by the directors, or by the liquidator, receiver, assignee or other proper official, for the payment thereof,—of which day notice shall be given by advertisement for at least three days in a newspaper published in the place in which the head office of the bank is situate; but in case any notes presented for payment on or after any day named for payment thereof are not paid, all notes then unpaid and in circulation shall continue to bear interest to such further day as is named for payment thereof,—of which day notice shall be given in manner above provided: Provided always, that in case of failure on the part of the directors of the bank, or of the liquidator, receiver, assignee or other proper official, to make arrangements within two months from the day of suspension of payment by the bank as aforesaid for the payment of all of its notes and interest thereon, the Minister of Finance and Receiver-General may thereupon make arrangements for the payment of the notes remaining unpaid, and all interest thereon, out of the said fund, and shall give such notice of such payment as he thinks expedient, and on the day named by him for such payment all interest on such notes shall cease, anything herein contained to the contrary notwithstanding; but nothing herein contained shall be construed to impose any liability on the Government of Canada or on the Minister of Finance and Receiver-General beyond the amount available from time to time out of the said fund:

(8) All payments made from the said fund shall be without regard to the amount contributed thereto by the bank in respect of whose notes the payments are made; and in case the payments from the fund exceed the amount contributed by such bank to the fund and all interest due or accruing due to such bank thereon, the other banks shall, on demand, make good to the fund the amount of such excess, *pro ratâ* to the amount which each bank has at that time contributed to the fund; and all amounts recovered and received by the Minister of Finance and Receiver-General from the bank on whose account such payments were made shall, after the amount of such excess has been made good as aforesaid, be distributed among the banks contributing to make good such excess *pro ratâ* to the amount contributed by each: Provided always, that each of such other banks shall only be called upon to make good to the said fund its share of such excess, in payments not exceeding in any one year one per cent. of the average amount of its notes in circulation,—such circulation to be ascertained in such manner as the Minister of Finance and Receiver-General decides; and his decision shall be final:

(9) In the event of the winding up of the business of a bank by reason of insolvency or otherwise, the Treasury Board may, on the application of the directors, or of the liquidator, receiver, assignee or other proper official, and on being satisfied that proper arrangements have been made for the payment of the notes of the bank and any interest thereon, pay over to such directors, liquidator, receiver, assignee or other proper official, the amount at the credit of the bank, or such portion thereof as it thinks expedient :

(10) The Treasury Board may make all such rules and regulations as it thinks expedient with reference to the payment of any moneys out of the said fund, and the manner, place and time of such payments, the collection of all amounts due to the said fund, all accounts to be kept in connection therewith, and generally the management of the said fund and all matters relating thereto :

(11) The Minister of Finance and Receiver-General may, in his official name, by action in the Exchequer Court of Canada, enforce payment (with costs of action) of any sum due and payable by any bank under the provisions of this section. (53 Vic., cap. 31.)

As complements to the safety fund thus established, action was taken in response to the second and third general demands for reform.

III. It was required that each bank shall make arrangements to ensure the circulation of its notes at par, in all parts of Canada, and towards the purpose it shall establish agencies for the redemption and payment of notes at the commercial centre of each Province, viz., Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg and Victoria. (51 Vic., cap. 31, § 55.) Under the Suffolk system, a redemption office in Boston was found sufficient to prevent the discount on "foreign bank notes" from any part of New England,<sup>1</sup> and the redemption agencies of the Dominion Government at the provincial capitals had kept the notes of the Dominion at par. There was no reason why a similar arrangement should not have like effect on the notes of the chartered banks. The requirement of redemption also removed an element of danger which the establishment of a fund might otherwise have introduced. Having received increased credit from it, the notes were likely to remain in circulation longer, and it was necessary to counteract the qualified tendency toward inflation by improving the facilities for redemption.

IV. Banks going into liquidation under a general wind-

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<sup>1</sup> D. R. WHITNEY, "The Suffolk Bank," Cambridge, 1878, pp. 46, 60.

ing-up Act, or becoming insolvent, were not only deprived of the benefits originally enjoyed under the statute of limitations, but were obliged to yield to the Government whatever advantages may still be had by solvent banks from the loss or destruction of notes.<sup>1</sup> Moneys which are payable by the liquidator to shareholders and depositors, and which have remained unclaimed for three years after the suspension or beginning of the winding-up, or until the winding-up is complete, if that occurs before the expiry of three years from the time it is begun, are required to be paid to the Minister of Finance. He holds them subject to the claims on behalf of any person other than the bank. Such claims being established to the satisfaction of the Treasury Board, the moneys are repaid to the person entitled to them. If interest was payable by the bank, the Minister of Finance also pays interest at three per cent. for not more than six years from the date he received the unclaimed balances. (§ 88, (4).)

By a similar provision, it was enacted that the liquidator shall, before the final distribution of assets, or within three years of the date of suspension or winding-up Act, pay to the Minister of Finance a sum equal to the amount of the notes of the bank intended for circulation, and then outstanding. The bank and its assets are then relieved from further liability upon its

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<sup>1</sup> The profit from notes lost or destroyed, has no such importance as the public commonly impute to it. The practice of hoarding savings in bank notes is practically obsolete in Canada. A person may as well trust a bank in another way and get interest on his credit, *i.e.*, by making a deposit. So the possibility that notes thus held may be destroyed by fire or what not, has no bearing on the question. The loss by accident, theft, robbery, etc., also has no effect on the bank. Its debt simply falls into other hands; the evidence of it still exists. The only possibility of profit lies in the complete destruction of notes, or such loss as makes recovery by whomsoever, utterly impossible. There are, it is true, quantities of notes which for some time disappear from active circulation, for so long, in fact, that an inexperienced observer would think they must have been lost. It was this tardiness in coming back for redemption of which winding up Acts enabled banks in liquidation to take advantage, and it was the extinction of the holder's claim on such paper that prompted the second general demand for reform above noted. In former years the board of many a bank still in existence, have decided, after profound and solemn deliberation, to write off a certain amount from the issue account for destroyed notes which they never expected to see again, and to add the same to the credit of profit and loss. Subsequently, they have been obliged, somewhat more solemnly, we may safely say, to write the amount back again. The notes supposed to be lost persistently returned for redemption. Banks which have taken over the business of other banks, have been called on to redeem more notes of the amalgamated banks than were outstanding when the union occurred. Figures furnished me by bankers, show that of the one and two dollar notes in circulation on the 3rd June, 1871, less than one per cent. are still outstanding. Of the four dollar notes in circulation on the 30th June, 1881, which the banks were instructed thereafter to call in, less than two per cent. are outstanding, the proportion unredeemed being as low as 1.3 per cent. in some cases, and in others less than .2 per cent. For some banks, we may say that the interest on the amount of destroyed notes might, possibly, pay the mere cost of printing involved in the maintenance of a circulation. The experience of many others would not warrant the statement that there is any appreciable gain through the destruction of notes not presented for redemption.

notes, as the Minister of Finance is required to apply the sums so received to the redemption of the bank's notes as they are presented, without interest. (§ 88, (5).) The first provision was explained as *solatium* for the Minister's previous concessions in the matter of unclaimed balances. By this, together with the exception of a solvent bank's debts from the statute of limitations, and the requirement that the amounts and owners of unclaimed balances shall be published, the purposes of his original proposal were pretty well attained. The justice of the second requirement is manifest. Without it, the stray notes that were slow to come in would be a charge upon the funds contributed by the other banks. The bank whence they issued was obliged to take care of its outcast children—foundlings the other banks refused to rear.

Four effects of the Bank Circulation Redemption Fund and the complementary requirements deserve immediate mention. First, the united credit of all the banks of the system was placed back of the currency issued by any one of them. Second, the interest of six per cent. on the notes of a failed bank provided an incentive for the liquidator promptly to redeem them; it was an inducement to solvent banks to receive them from their customers, and it was a protection to all holders from loss. Third, it made it impossible that the notes of a failed bank should fall below par, for besides the liability of the shareholders and of the assets of the issuing bank, there was pledged to their redemption within sixty days at 101, an accumulated and available fund of over \$1,800,000. Fourth, the bank note currency of Canada acquired a thoroughly national character; since 1890 it has circulated from one end of the country to the other, never causing loss to the holder, yet keeping unimpaired the qualities for which, in its less perfect state, Canadians had again and again refused to give it up.

The origin of the measure is more difficult. The plan had been quietly worked out by an Ottawa banker in the summer of 1888; it had occurred about the same time to a banker in Toronto as an excellent modification of the New York Safety Fund, the device of which Millard Fillmore said, "It is therefore apparent that the Safety Fund would have proved an ample security to the bill holder, had it not been

applied to the payment of other debts of insolvent banks than those due for circulation."<sup>1</sup> On the other hand, the Minister of Finance has kindly assured me that it was no adaptation, but quite an independent Canadian development, designed to meet Canadian needs. And I am informed that after the bankers laid before him their plan for a "Security Fund," as it was first termed, Mr. Foster told them that the scheme was about what he had thought of.

Upon such high and diverse evidence, one cannot be expected to determine the original invention of this excellent feature of the present Bank Act. A safe theory, doubtless, is that of a contemporaneous invention by several persons more or less influenced, though not always consciously, by the reminiscences of the New York Safety Fund system still frequent in discussions of banking, and by the knowledge of the fund for the redemption of National bank notes kept in the United States' Treasury under somewhat analogous regulations.<sup>2</sup> Mr. Foster did not adopt the plan exactly as the bankers suggested it. There was no maximum established in his bill for the amount which a bank might be obliged to contribute to the fund within the course of a year. The representatives of the Bank of Montreal very properly objected to the proposal in this form, for under certain circumstances, as they conceived, their bank might be involved in a liability limited only by the circulation of the other banks in the Dominion and its own ability to pay.<sup>3</sup> The Government consented to remove the dangerous feature, and in Committee of the Whole the amount payable by a bank

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<sup>1</sup> Report of the Comptroller of the State of New York, 1849, p. 29.

<sup>2</sup> To trace the origin of the plan in the State of New York, it will be necessary to revert to the legislation of 1829 by which the "Safety Fund" was first established. The first proposal of the scheme must be ascribed, not to the Governor at that time, Martin Van Buren, but to one Joshua Forman, whose suggestions the Governor merely recommended to the Assembly. The real author describes the origin of the plan thus, "The propriety of making the banks liable for each other was suggested by the regulation of the Hong merchants in Canton, where a number of men, each acting separately, have by the grant of the Government the exclusive right of trading with foreigners and are all made liable for the debts of each in case of failure. The case of our banks is very similar; they enjoy in common the exclusive right of making a paper currency for the people of the State, and by the same rule, should be in common answerable for that paper. This abstractly just principle which has stood the test of experience for over seventy years, and under which the bond of a Hong merchant has acquired a credit over the whole world not exceeded by that of any security, modified and adapted to the milder features of our republican institutions, constitutes the basis of this system." *Vide* VAN BUREN, "Message, made to the Assembly, January 26th, 1829," Albany, 1829.

<sup>3</sup> GARLAND, *op. cit.*, p. 308.

within a year was fixed at one per cent. of its circulation. This provision for maintenance was believed to be quite ample. The experience of twenty-three years showed the improbability of one of the overwhelming banking catastrophes, without which a long impairment of the fund would be impossible.

V. The fourth criticism remarked in § 50 was met by requiring from each new bank subscriptions to \$500,000 of its stock and payment of \$250,000. No new bank is permitted to begin its business or issue notes until \$250,000 of the capital shall have been deposited in specie with the Minister of Finance for a period of at least four weeks, or until a certificate permitting it to do so shall have been issued by the Treasury Board. The certificate may not be granted until they are satisfied that the requirements as to capital payment, election of directors, etc., have been complied with, nor after twelve months from the day on which the Act of incorporation came into effect. (53 Vic., cap. 31, §§ 10, 13-16.)

VI. The payment of any amount due to the Government of Canada, in trust or otherwise, was made the second charge on the assets of an insolvent bank, and any amount due to the Government of any of the provinces a third charge, the note holder being still assured the first right of preference. (The Bank Act, § 53.) This was merely the embodiment in the Bank Act of the Crown priority at English common law. The Minister of Justice, Sir John Thompson, explained the action thus: "We seek to put it on the face of the Bill, first, because we are endeavoring to adopt an Act with respect to banks and banking, which will embody as much of the common law, as well as of the statute law, as we can conveniently embody in a Bill of this kind; second, in order that the public shall know what the law is with respect to the rights of the Government, what the rule is that prevails with respect to the prerogative of the Crown in relation to its debts."<sup>1</sup> The law was not the same in the different provinces, and although the attempt to enforce it in order to the recovery of deposits with the Maritime Bank was successful, the Quebec courts had

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<sup>1</sup> Debates, 1890, p. 3,966.

declined to sustain the prerogative in a suit at the civil law of that province. Some objected that the priority would diminish the security afforded to the depositor. The Minister, in justifying the prerogative, inquired, "Is it not vain to talk about the necessity of private individuals trusting the banks of the country? They trust them for their own accommodation, for their own business and profit." "We are collecting revenue in Canada under the authority of this Parliament, over a wide extent of country, by a large army of officers of the Customs and Inland Revenue, from penalty collecting officers, from magistrates who collect penalties due to us, from agents collecting moneys to be applied to the Crown, and the only hands we have for the receipt of this revenue, or of any moneys payable to the Crown, are the banks wherever they are established. It is impossible that officers \* \* \* \* can have vaults of their own in which to store money. We must resort to the banks, not only for the convenience of making deposits, but for transmission, and to that extent, necessarily, the Government is an involuntary creditor of all those institutions—those banks which are the creatures of this Parliament and of this Government. \* \* \* Perforce we are obliged to avail ourselves of these monetary institutions; and the same privilege should be given to the Crown in regard to its moneys, as is given to the Crown in regard to the discharge of the duties of its officers, for the very analogous reason that the Crown, being obliged to discharge its functions of government by a great army of officers throughout the country, is relieved of responsibility for the negligence of its officers."<sup>1</sup> Others denied the application of the remarks to the provinces, which had no such difficult task in collecting their revenue. Mr. Weldon acutely noted the distinction between the Crown priority for moneys collected as public revenue, and for money which the Government chooses to loan to a bank in order to obtain interest. Sir John Thompson refused to accept the distinction, in replying, "The Government stands in precisely the same relation with regard to large classes and sums of money (not revenue), as it does in relation to

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<sup>1</sup> *Ibid* pp. 3,966, 3,967, 3,975.

revenue, such as security from contractors, and deposits from insurance companies." The result of such a distinction would be that the Government could not distribute the funds in its keeping and spread the risk, while at the same time preserving a lien. Sir John Macdonald remarked that "the banks, no doubt, would infinitely rather run the liability than lose the Government deposits. A bank is at liberty to post a notice saying it will not receive Government deposits on the second lien footing. But the shareholders would say, at the next meeting, that the Directors had thus injured the bank's standing and prestige." It is apparent that the criticism of Mr. Weldon was evaded rather than refuted. His remark applied to the case of Government assistance to a bank, whether for the public good, or the advantage of the Government's friends.

In a debate upon bank inspection, occurring in 1885, Sir John Macdonald had stated the Government's policy thus: "It is sometimes in the interests of the Government (and the Government have no interest except that of the public) to strengthen banks by making deposits. It has been, in my experience, looking back, found requisite or expedient by several Governments, in times of great depression, to prevent universal ruin, universal panic, to come to the help of some of the bank institutions. Governments have on occasion prevented universal panic by acting in concert with strong banking institutions, in helping to sustain banks which were not quite so strong."<sup>1</sup> The certain establishment of the right of the Crown to preference, tends, it would seem, to induce a Government to assist a weak bank, particularly when they are unduly pressed, and there are good chances of bringing it safely out by that means. But since one or two painful experiences, the Governments of Canada and of the provinces have been chary of being caught in a failed bank. In stormy times the funds of the State appear to desert the frailer craft, to seek safety in the staunchest and strongest of the banks. The attitude of the people was clearly indicated after the Exchange Bank failure. Politicians will not willingly provoke a like explosion of criticism. Public opinion is a mighty correct-

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<sup>1</sup> Debates, House of Commons, 1885, p. 85.

ive for any such abuses as granting loans or unduly heavy deposits to a favored bank, but in the later years of Canadian banking its effect has been potential. The need for its active exertion has not arisen.

VII. By a seventh series of new clauses, the loaning powers of the bank were extended, the law as to warehouse receipts, etc., recast, and the proceedings under it simplified. The principles already recognized that a bank may advance money in certain cases to aid in the manufacture of goods, and may keep its claim on the material security during and after transformation from the raw material to the finished product, were made general in the following clauses :

" § 74. The bank may lend money to any person engaged in business as a wholesale manufacturer of any goods, wares and merchandise, upon the security of the goods, wares and merchandise manufactured by him or procured for such manufacture :

" 2. The bank may also lend money to any wholesale purchaser or shipper of products of agriculture, the forest and mine, or the sea, lakes and rivers, or to any wholesale purchaser or shipper of live stock or dead stock, and the products thereof, upon the security of such products or of such live stock or dead stock and the product thereof :

" 3. Such security may be given by the owner and may be taken in the form set forth in Schedule C to this Act, or to the like effect ; and by virtue of such security, the bank shall acquire the same rights and powers in respect to the goods, wares and merchandise, stock or products covered thereby, as if it had acquired the same by virtue of a warehouse receipt.<sup>1</sup>

" § 76. If goods, wares and merchandise are manufactured or produced from the goods, wares and merchandise, or any of them, included in or covered by any warehouse receipt, or security given under section seventy-four of this Act, while so covered, the bank holding such warehouse receipt or security shall hold or continue to hold such goods, wares and merchandise,

<sup>1</sup> Following is the form given in Schedule C. :

In consideration of an advance of \_\_\_\_\_ dollars, made by the (name of bank) to A. B., for which the said bank holds the following bills or notes (describe fully the bills or notes held, if any), the goods, wares and merchandise mentioned below are hereby assigned to the said bank as security for the payment, on or before the \_\_\_\_\_ day of \_\_\_\_\_ of the said advance, together with interest thereon at the rate of \_\_\_\_\_ per cent. per annum from the \_\_\_\_\_ day of \_\_\_\_\_ (or of the said bills and notes, or renewals thereof, or substitutions therefor, and interest thereon, or as the case may be.)

This security is given under the provisions of section seventy-four of "The Bank Act," and is subject to all the provisions of the said Act.

The said goods, wares and merchandise are now owned by \_\_\_\_\_ and are now in possession, and are free from any mortgage, lien or charge thereon (or as the case may be) and are in \_\_\_\_\_ place or places where goods are), and are the following : (particular description of goods assigned).

Dated at \_\_\_\_\_ 18 .

during the process and after the completion of such manufacture or production, with the same right and title and for the same purposes and upon the same conditions as it held or could have held the original goods, wares and merchandise."

The word "manufacturer" was extended to include "maltsters, distillers, brewers, refiners and producers of petroleum, tanners, curers, packers, canners of meat, pork, fish, fruit, or vegetables, and any person who produces by hand, art, process or mechanical means any goods, wares or merchandise." (§ 2. (f).)

The new clause made it possible to dispense with the legal fiction by which the bank was allowed to lend directly on the security of goods by taking a warehouse receipt or bill of lading therefor from any person engaged in the ostensible business of keeper of a yard, cove, wharf, or harbor, or of warehouseman, miller, sawmiller, maltster, manufacturer of timber, wharfinger, master of a vessel or other carrier by land or by water, or by both, curer or packer of meat, tanner, dealer in wool, or purchaser of agricultural produce, even though the grantor of the document was the owner of the goods. Provision for making such advances directly was now supplied by § 74, without the rather clumsy device of dividing the borrower into two persons in order to his concluding a transaction with himself. Henceforth, persons owning the goods could not grant a warehouse receipt or bill of lading for them. The acquisition and holding of the warehouse receipt, bill of lading, or the security above described, are forbidden the bank, unless the debt which these secured is negotiated at the same time as they are taken, or upon the written promise that such security will be given the bank. Renewals of loans thus made can be granted without affecting the security. The bank may surrender a warehouse receipt for a bill of lading, and *vice versa*; it retains the prior lien over the unpaid vendor; it may sell the goods on non-payment of the debt without the consent of the pledgor, but must dispose of them at public auction, after due advertisement, and in the case of timber or lumber, must give thirty days' notice of the sale, by registered letter to the pledgor, and in case of other goods, etc., ten days' notice. The penalties for misdemeanor and not more than two years' imprisonment, are established for giving false receipts, etc.;

for alienation of the goods described in the instrument, by the bailee, before the debt is paid and without the consent of the bank given in writing ; or for withholding from the bank possession of the goods after default has occurred in payment.

We have here the last stage of a development outlined in Parliament, thus :

(a) only the bailee gives a warehouse receipt ;

(b) warehouseman gives a receipt for his own goods ;

(c) abatement of the requirement that the grantor of the receipt should be a warehouseman.<sup>1</sup> The new principle was defended by Sir John Thompson as a measure for the convenience of manufacturers and producers, and the security of the banks. It was calculated to enable those carrying large stocks in course of manufacture to get the support of the banks on the same terms as are made to other applicants for unexceptionable advances.

As first brought down, the bill authorized the bank to loan on the security given by any person engaged in business as a wholesale manufacturer or producer of goods, wares and merchandise. The expression "producer" was criticized as including the farmers, whose general credit with merchants and others rests largely on the visible possession of certain personal property,—such chattels as grain, cattle, and implements. An assignment of these according to the form prescribed by the Act, would not, like a chattel mortgage, become notorious, and the basis of the farmer's credit would be badly impaired, no creditor being able to know whether the ownership of property is in the person whom he is asked to trust, or in some bank. Many farmers, moreover, wish not to borrow on the personal security, but to retain and use it as a basis for credit in ordinary transactions. The security afforded to the bank would be partly fictitious, for between a bank and a farmer there are almost no such opportunities to watch the proceedings of a debtor, to enjoy his confidence, and to meet him in daily transactions, as there are between a bank and a manufacturer, miller or produce

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<sup>1</sup> Debates, 1850, pp. 4,279 *et seq.*, Remarks of MR. BLAKE.

shipper. As the Government had no intention of including farmers, the objectionable phrase was expunged.<sup>1</sup>

The debate aroused some of the champions of the farming interests against private money-lenders, and the expense of borrowing on mortgage, but they were well answered by Mr. Blake :

" You have had the proposition for a land bank, the proposition for a farmers' bank, the proposition for a National currency based upon land or irredeemable currency, you have had numerous proposals to help the farming community to cheap and easy money, but the conditions upon which cheap and easy money are to be obtained are absolutely opposed to the principles which, in regard to the production and manufacture of goods, are found to be sustained by this House and by this country, at the present day. \* \* \* \* The moment the farmer can show that he can give the same prospect of a return, with the same advantage, with the same security that other competitors for the stock of available money can give, he will get all the money he wants ; and to the extent he cannot show that, he never will get it."\*

VIII. In the work of revising and consolidating the Bank Act, and in putting into statute form as much as possible of the common law on the question, a number of slighter changes were made. Among the new features of the Act, one finds that each director of the bank shall hold *paid-up* stock to the amount of

\$3,000 when the paid-up capital of bank is \$1,000,000 or less.

4,000	"	"	"	"	between \$1,000,000 and \$3,000,000
5,000	"	"	"	"	over \$3,000,000.

In deference to the convenience of banks near the north-eastern frontier of the United States, only a majority of the directors of a bank were required to be British subjects. Its shareholders were permitted to increase or decrease the stock of the bank by by-law passed in general meeting, provided that no such by-law should come into effect until approved by the Treasury Board. The amount at which the rest must stand before division of profits exceeding 8 per cent. per annum are allowable, was raised from 20 to 30 per cent. of the paid-in capital stock. The privileged lien enjoyed by the bank on shares of its stock held by debtors was retained ; in case of default, the bank was commanded to sell the shares, after notice, within twelve months after

<sup>1</sup> *Ibid* 4,279, 4,308, Sir J. Thompson, Sir D. A. Smith, Sir R. J. Cartwright, and Messrs. Blake, Kirkpatrick, Sproule, Landerkin, Daly, Watson, Waldie and Mitchell.

<sup>2</sup> *Ibid*, p. 4,295.

the debt is accrued and become payable. The entire exemption from all penalties upon usury was retained, and the banks allowed to take in advance any rate of interest up to seven per cent. A higher rate is not forbidden, though it is not recoverable. The liability of banks to repay moneys deposited with them, and to pay dividends declared and payable on its capital stock, was declared to continue, notwithstanding the statute of limitations. The liability of the transferor was made to continue, saving his recourse against the transferee, on all shares in the bank, the transfer of which is registered within sixty days of the bank's suspension. The former period was thirty days. Besides the monthly return, banks are obliged to make special returns whenever called on so to do, and to furnish an annual list, duly certified, of their shareholders, places of their residence and amount of stock held by each. The making of false returns or wilful concurrence therein is an offence against the Bank Act. The use of the titles "Bank," "Banking House," etc., without authority under the Bank Act, was made an offence against it, whether or no the expression "Not Incorporated" is added. Persons committing an offence against the Bank Act are liable to a fine, not exceeding \$1,000, or imprisonment not exceeding five years, or both. Finally, the penalties against circulation in excess of paid-up capital were increased in severity. To the absolute consideration of making them more effective was added the necessity of protecting the contributors to the fund guaranteeing the bank note currency. For issue exceeding the amount of the paid-up capital by not more than \$1,000, the fine imposed is equal to the amount of the excess. Where issues exceed the amount of paid-up capital by

	\$ 1,000	to	\$ 20,000	the fine is \$	1,000 ;
for excess between	20,000	and	100,000	"	10,000 ;
"	"	"	200,000	"	50,000 ;
"	over	200,000		"	100,000.

The reforms adopted by the Canadian Parliament in the session of 1890, and embodied in the "Act respecting Banks and Banking" (53 Vic., cap. 31), are the last Canadian legislation with which our historical study is concerned. This forms the present banking law of the Dominion, common and uniform for

every province from Prince Edward Island to British Columbia. The corporate lives of the thirty-six banks working under Canadian charters, were continued by the Act of 1890 to the 1st July, 1901; means were provided for bringing the Merchants' Bank of Prince Edward Island under its operation, the special features of La Banque du Peuple were again confirmed, and the two banks working under Royal Charter, the Bank of British North America and the Bank of British Columbia, were given the same privileges, and subjected, with but few exceptions, to the same restrictions and duties as their competitors of cis-atlantic origin. From the last and in some respects the most significant of a long series of statutes dealing with banking, we may properly turn to a brief review of the leading facts to tracing which these pages have been devoted.

#### § 53.—SUMMARY AND REVIEW

I. Three facts have usually appeared as precedent to the incorporations granted by the Legislatures of the British North American Colonies to joint-stock banking companies; the lack of a satisfactory circulating medium, the enterprise of private capitalists, and the desire of the Legislature to facilitate assistance to the commerce and agriculture carried on by their constituents. The banks thus chartered secured the right to perform, within the Legislature's jurisdiction, all the functions pertaining to banking in its full and free development, and to carry on their business with very few restrictions. As in the legislation which first governed them, British precedents were followed, so their practical banking was a copy in many respects of British banking—Scotch examples being specially affected in Lower Canada. And as in Scotch banking, the simple principle of paying debts in specie on demand, enforced by mutual competition of the banks, and sanctioned as it was by the capital punishment of charter forfeiture, proved a conserving factor of great power, little noticed by the public, no doubt, but constant and relentless in its operation. Down to 1850, if we except the season of banking agitation in Upper Canada preceding the crisis of 1837, there seems to have been very little originality

among the colonists in regard to their banks. A new charter was granted from time to time, and the old ones renewed, but the new restrictions embodied in the legislation were of British origin, opposed in most cases by Legislatures as well as the banks; and adopted only after peremptory instructions from the Colonial Office in Downing street. It was through these authorities also that the antidote was provided for the leading example of perverted activity in currency regulation and the establishment of banks—the Upper Canada banking mania of 1833 to 1837.

In 1850, however, hard times, one or two persevering agitators, and about the same number of self-confident theorists, induced the law makers of Canada to try a system of banking quite alien in principles to those by which the eight existing banks were governed, and performed their functions. The effort was proven hopeless in four years, the plan having lost on its faults. The Legislature gave up the new and returned to the old lines in the provision then made for increasing the number of banks. At the same time the Provincial Government enlarged on the policy of exploiting the banks, begun by the circulation tax of 1841, by requiring new banks, and those whose capitals were increased, to invest a part of their capital in debentures of the province. The earliest real reforms of unquestionably Canadian invention are met in 1859, when the first measures respecting warehouse receipts were passed at the suggestion of the banks. On three occasions the character of the currency was menaced by change; in 1841, when Lord Sydenham's proposals for a bank of issue were overcome largely through the influence of the vested interests; in 1860, when the maiden effort of Sir A. T. Galt at currency regulation was presented, but was rejected for its preposterous nature; in 1866, when their friends and the friends of sound policy successfully resisted that part of the same Minister's project by which the banks were to be deprived of the right to issue their own notes. The local Legislatures passed the laws, that is understood, but we may say—without, however, that minute inquiry into causes which may prompt criticism for *a priori* speculation—that for the body of legislative restrictions under which Canadian

banks were working in 1867, British precedent (by that is meant Scotch as well as English) and Imperial regulation were chiefly responsible. The same remark applies with almost equal force to Nova Scotia and New Brunswick bank charters.

For whatever of soundness or of weakness there was in their practice, the banks, of course, had to praise or blame themselves and the conditions where they worked. Those conditions were such that men thought the development of the country, the opening of its resources, the first, practically, of all economic considerations. Toward these, the Canadian banks rendered yeoman service, increasing their capital, and extending their field of operation as fast, probably, as the growth of the country warranted. The great Bank of British North America, which had entered all the provinces in 1837, rendered incalculable benefit to colonial development by liberal administration of the one million pounds sterling which formed its capital; to colonial banking by the conservative character of its management, and by the sound banking traditions brought by its officers from the schools of their training, the Scotch and English banks. In 1869 the chief offices of eleven Canadian banks were filled by sometime employes of the Bank of British North America. The practice of commercial banking, to which the Bank of Montreal had steadily adhered, was not without its influence. It was a simple principle, but usually trustworthy, viz., to require that the paper on which loans are granted shall represent an exchange of commodities, or an increase of commodities. At the last, because, perhaps, it is chief, must be named the fruits of over forty years of local experience. The British North American banks displayed extraordinary stability through the commercial crises and financial panics, which left such serious traces in the United States, but they met their losses, and the warnings of 1837-39, 1848-50, 1857-59 were all for the safe and prudent conduct of business.

The one bank in Canada, which, relying in the prestige of its name and its connection with the Government, followed in the midst of the competition of 1856, the same policy as in the days when alone, autocratic, and all powerful, it dispensed accommodation to Upper Canadian gentry, land speculators,

and British factors, soon met its just fate, And subsequent years brought retribution or misfortune to others, so that of the eight banks in Canada in 1851, only four remain; of the five in New Brunswick, three are left. But we should add that it was the shareholders who suffered. In examining the question of the security offered by Canadian banks, it has appeared that, since Confederation, the total loss of principal ultimately suffered by creditors of banks working under Dominion legislation, has been less than \$2,000,000. The record for the years preceding 1867 is hardly less admirable, there being no failures in Nova Scotia or Lower Canada, while in New Brunswick the double liability of shareholders saved the banks' creditors, and in Upper Canada the failure of the Bank of Upper Canada was the only one which inflicted considerable loss.

The efficiency of the banks during this period, their services to the country, have received about all the positive description that the subject permits. An opinion might be reached by considering the friction with which their operations were carried on, much as the security afforded is estimated by the loss inflicted, but for this opinion there can be no exact expression. Spread over so long a period, the study might become a justification of banks. With the ethics of the question, we are not concerned; for us it is sufficient that banks are established in almost every community where there is accumulation, commerce and credit. The fact that they get business and pay profits, indicates the need for their services, and their value. In the next chapter, moreover, the important aspects of the question of efficiency ought to appear in an examination of the characteristics, practical working and possibilities of the Canadian banking system as it is now established.

II. In reviewing the history of banking legislation since Confederation, an American is at once impressed by the freedom from partisan purposes or sectional feeling displayed in the treatment of banking questions. Without that freedom, it would have been difficult fairly to weigh the evidence collected by the committees of 1867-69, and the discussion carried on in all parts of the country. Without it, it would have been difficult also to defeat the dangerous and reactionary proposals of the Gov-

ernment in which Sir John Rose was Minister of Finance. Theirs was a strong party, and had the party discipline been perfect, it would have carried the Minister's measures through to the statute book. Three other forces appear to have had a beneficial influence.

(a) Competition has quickly exposed weak, careless or untrustworthy management; it has hastened the withdrawal or loss of imprudently invested capital; it has made the conditions of success more severe, and so has immensely increased the necessity for vigilance, caution and care. Especially through the requirement of daily settlements has the stake depending on the constantly liquid character of a bank's assets been indefinitely raised. (b) The salutary effect of competition has been aided by the trenchant criticism which the increasing clearness and fulness of the monthly return has facilitated, criticism by each banker upon the others, and by the public upon them all. Public opinion, moreover, has been extremely sensitive to the defects that bank failures have exposed in the established system of safeguards. And after such events as those in which the Mechanics' Bank or the Central and London Banks figured, public demands for reform have been prompt, general and emphatic. (c) The third force is in the action of the bankers, particularly at the time of the Bank Act revisions. They, apparently, have been influenced by appreciation of their own privileges, remembrance of certain painful but beneficial experiences in times of depression and trouble, and a desire to remove from the banking system the causes of popular dissatisfaction. Their own suggestions in the direction of improvement, and the reasons they gave for keeping the important features of the bank charters and banking system in force when the Confederation began, have been described at some length. The united efforts of the bankers as individuals, and as representatives of their customers and shareholders, have certainly been productive of some results. Their services will be esteemed according as one approves the banking system which they have helped to preserve.

We cannot rightly conclude as to the attitude of Parliament towards Canadian banking in its national period from the

debates alone, or from the numerous projects that have been supported at different times in the House of Commons. As the statesman is judged, not by what he says, but by what he does, so, to a great extent, must we conclude as to Parliament. Its *action* was satisfactorily described by Mr. Foster in 1890: "It seems to have been the purpose of Parliament not to interfere violently with what we may call the natural growth of the banking system in this country." "It also appeared to be the desire of Parliament to hedge around the banking system which then prevailed by severer conditions of charter, by regulations which should be especially restrictive upon the dealings of banks, especially with their own stock, and with the stock of other banks, to foster the laying by of reserve capital, and by a judicious requirement of returns, to perfect the system and render it as safe as possible without interfering voluntarily with the general principles upon which banks had been operated from the earlier time."<sup>1</sup>

One of the strongest contrasts which this whole record presents to such a history of banking as that of the United States, is in the continuity of the progress. There has been no recurring struggle to establish a great Government bank, no epidemic of wild-cat banking, no rejection of one system for experiment with another. A certain continuity, without doubt, can be discovered in the history of any banking system. Men do not wholly break with the past, or build on foundations entirely new. But down to the present day, Canadians have always held to the plan on which were framed the statutes governing their first banks. Additions have been made, new safeguards against public loss introduced, limits restraining corporate activity have been narrowed in some parts and widened in others, a few arrangements for the advantage of the Government have been attached, but never has there been a successful attempt to tear down the fair work of the first builders and out of the ruins construct anew. When defects have appeared in its structure, Canadians have not forthwith condemned the heritage of the past, and petulantly, illogically swept it away to make room for

<sup>1</sup> Debates, *ut supra* 1890, pp. 2,235 *et seq.*

some new, untried affair, arranged on different lines; after study of the trouble they have endeavored by some slight strengthening, some little alteration, to keep and enhance the certain benefits of what they already possessed. . . The present Bank Act is unquestionably better, more careful, more strongly and scientifically drawn than any previous legislation, the banking practice is more sound—the steady improvement, save with respect to investors' profits, is hardly less remarkable than the continuity discernible in its development—yet the economic character of the functions permitted the banks, and the methods of their fulfilment, are the same under the Dominion system of 1890, as under the Provincial charters of 1821.

## MISCELLANEA

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### REMINISCENCES OF ONTARIO BANKING

As banking in Canada has become such a different business since 1852, when the writer's first Canadian experience commenced, there must be many belonging to our Association who have but limited knowledge as to the manner in which it was then conducted.

Bank branches and agencies, bank managers and bank clerks were few in number, and trade generally, apart from the large cities, was accomplished very differently to what is done at the present time. Books and accounts were kept in Canadian currency, the value of the Canadian one pound (£1) being four dollars.

At the busy little town of Dundas—to which I wish especially to refer—it was the common practice of farmers in the winter season, and when sleighing was in good condition, to bring their wheat, also lumber, long distances, sometimes as far as 60, 80 or 100 miles. They would frequently take three or four days to accomplish the return journey, stopping both coming and going at country inns, the cost of which was trifling, as the farmers carried provisions for themselves and their horses with them; and by coming the distance they did they invariably got far better prices than if they had sold nearer home. Arriving at Dundas they would take their wheat to the mill, or to the miller's warehouse, and get in exchange orders on tradesmen for such groceries or other goods as they and their families needed, perhaps a little money—and “Due-bills” for the balance, payable later on.

The practice of the miller was to grind the wheat into flour, and such as was not needed for home consumption he could store in the warehouses at the head of the Desjardins Canal (then styled the Head of Navigation) until the spring, when it would be shipped to Montreal, and from thence to England or elsewhere.

Such money as the miller required to borrow during the winter months he would get from the bank on paper at various dates, in November at six months' date, December at five months, January at four months, February at three months, and in March at two months, or it might be at slightly different terms; and he would pay off these obligations in the spring by sterling bills of exchange drawn against shipments of the flour, pay the balances due such farmers and others who had given him credit, the surplus being the miller's profit.

At the period to which I have called attention (1852) the railroad west of Hamilton was in course of construction, and large gangs of men were employed thereat. These men were on certain days of the month paid cash, with which they would pay off their indebtedness to the shopkeepers in the town. The payments on account of building the railroad were heavy, and were made in Bank of Upper Canada notes to the contractors; but these notes, to a very great extent, were deposited with my agency, and those of my bank got the benefit of the best of the circulation. The agency of the institution I represented had a circulation of its own, and in the course of a year or so it was immensely increased, and rose from £18,000 to £52,000 (\$72,000 to \$208,000).

Banking business years ago was done with much less risk than of late; at all events bank managers and agents were not so beset by unprincipled dealers or customers. Fraud and forgery were (comparatively) seldom attempted, and discounted paper as a rule was better met. Renewals were not so frequently asked, and men seemed to feel and understand that they *had* to meet their notes on the actual days of maturity. Should by any means a note not be paid on the day it fell due, the agent was qualified to send a printed notification to the parties, which then answered the purpose of the more recent notice of protest by a notary public.

Not the loss of a penny occurred at the agency in Dundas during my incumbency, nor for some time afterwards, and then it was in consequence of improper competition which took place, the agency of another bank opening where it was not needed, and offerings made by an incompetent agent to

manufacturers, tradesmen and others, to borrow more than they required for their legitimate business—their factories, etc., etc.

W. C.

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A CURIOSITY IN BANK CORRESPONDENCE.—A bank manager in northern Ontario forwards the following selection from his mail:—

“Dear Sir,—I am enclosed in this letter an order containing sixty dollars for to get changes. If he is goods the Backer is a propters worths \$2,000, Two thousand dollars. Please answer as soon as possible.

Yours respectfully,

\_\_\_\_\_”

## NOTES

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### RETIREMENT OF MR. GRINDLEY

At the meeting of the Executive Council on 28th March, the following resolution was passed respecting the retirement from active service of Mr. R. R. Grindley, for many years the General Manager of the Bank of British North America :

“ That the members of the Executive Council desire to express their sincere regret that the resignation of his position, as General Manager of the Bank of British North America, has caused Mr. R. R. Grindley to sever his connection with this Association, of which he had been a member since its organization in 1891, and on whose Executive Council he had served continuously since that date.

“ As a banker his methods were always open, honorable and sincere ; he was ever prompt in the fulfilment of his business engagements, rigid in his adherence to sound principles, and as an adviser and friend he will be greatly missed by those of the banking profession who had heretofore enjoyed his counsel and friendship.

“ The Council desire that a copy of this resolution be transmitted to Mr. Grindley.”

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### THE NEW BRITISH SILVER DOLLAR

VERY interesting information respecting the reasons for the issue of the new British silver dollar has been furnished us by Mr. Thomas Forrest, manager of the Chartered Bank of India, Australia and China, in the following copy of a letter, which was addressed by him on 23rd of January last to Sir William Hunter, a retired Indian civil servant :

“ When the Indian mints were closed in June, 1893, the price of silver fell heavily, but while the supply of bar silver, which comes to us chiefly from the United States, continued to be sufficient to meet all requirements, that of Mexican dollars (the only form in which silver is allowed to be exported from Mexico) was checked by the fall, and for any small amounts which did arrive from time to time we were obliged to pay a premium of as much as 5 per cent. above their intrinsic value.

On making enquiries as to the cause of this falling off, we were informed that the lower exchange had encouraged the export of coffee and other produce, these taking to a considerable extent the place of dollars, which had hitherto formed about 60 per cent. of the total value of the exports of the country.

This state of matters would have led to a currency famine in the far East, but for the fact that the Japanese yen, a coin very nearly of the same value as the Mexican dollar, had been made legal tender alongside the latter in the Straits settlements. We were able to supply that part of the world, therefore, with currency by buying bar silver and sending it to the Osaka mint to be coined into yen. Some months ago, however, we got notice from the Japanese mint authorities that, because of the requirements of their own Government, and the great accumulation of bullion waiting to be dealt with, they could not receive further silver for coinage for some considerable time. Then the situation became acute, and we, in conjunction with other banks, represented the matter to the Secretary of State, while our managers in Hong Kong and the Straits called meetings of the Chambers of Commerce, which passed resolutions urging upon the Colonial Governors the necessity for immediate action being taken. These measures were successful; the Treasury gave its consent, and the Government of India agreed to coin the new dollar at their mints at a charge or seigniorage of one per cent.—just sufficient to pay their expenses—provided the banks would guarantee a minimum coinage of five millions of dollars. This guarantee was readily given.

As regards weight and fineness, I cannot do better than send you a copy of a letter which the banks addressed to the Deputy Master of the Mint, and which had the desired effect. The dollar will be made legal tender in the Colonies of the Straits Settlements, Hong Kong (from which it will spread into Southern China), Labuan, and in the State of North Borneo. Japan is beyond its influence, the yen only being legal tender there; and in the North of China, where the people are more conservative than in the south, they will probably for some time hang by the Mexican, to which they have been accustomed. Again, in Bangkok and Saigon it is unlikely that they will adopt the new coinage. In the Philippines the importation of Mexicans has been forbidden since 1877, which prohibition will also be made to apply to the British dollar. I have mentioned all the chief commercial centres in the far East except Java, which has its own currency. The die is being prepared at H. M. Mint, and will probably be in India early in March, so that we expect to have the new dollars in circulation within three months. It is not intended to demonetize the Mexican dollar or the yen in the Colonies where they are now legal tender, the British dollar being merely a measure of precaution and a supplement to existing coinage, not a supplanter or pioneer in any way. In any case, apart from the possibilities of China after the war, which I cannot estimate, the British dollar of itself would not cause any fresh demand for the white metal."

The banks referred to as giving the guarantee are the Chartered Bank of India, Australia and China, and the Hong Kong and Shanghai Bank. The new coin is to be of the same weight and touch as the Japanese yen, namely, 416 grains, 900 fine. The Mexican dollar, which circulates widely in the East, weighs on the average 417½ grains of 902 fineness, and in fixing the weight of the new coin the British authorities were influenced by the fact that the lighter weight and slightly lower touch of the Japanese yen, as compared with the Mexican dollar, had not hindered its being as freely accepted in the Straits Settlements, while in the Colony of Hong Kong the weight is immaterial, payments there being made by weight and not by count.

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#### THE FINANCIAL SITUATION IN NEW ZEALAND

THE following letter, written from Auckland, under date of November last, affords some interesting information concerning the present position of financial affairs in New Zealand :

“ Mr. ——— informs me that I am indebted to you for a copy of the ‘Canadian Bank Act, 1890,’ which I received by a late mail, and for which allow me to express my hearty thanks. You may perhaps wonder that it should be required in this far away part of the empire. The answer is, that in common with a number of my friends (members of the National Association, an organization formed to advocate sound finance, and oppose the socialistic tendencies so rampant in this colony), I thought a study of the Canadian Banking System might be useful in pointing out a safer mode than that current in this country. Mr. ——— tells me that you would like me to give you some information about the banks here. There are six banks carrying on business in New Zealand, three of which, viz., the Bank of New Zealand, Colonial, and National, are local institutions, while the others are Australian, and termed foreign, viz., the Union Bank, Bank of Australasia, and Bank of New South Wales. The foreign banks are no doubt in a better position than the local, still the same influences which have prejudiced the latter have also strained the former.

The weak condition of the New Zealand banks is shown by the value of their shares. The shares of the Bank of New Zealand, which at one time brought £26, are now almost unsaleable, although the Government recently guaranteed a loan of £2,000,000. Colonials, which two years ago stood at £2 2s., are now slow at 16s., while the National Banks, upon

which £2 per share has been paid up, are quoted at 17s. The contraction of their gold reserves, and the withdrawal of fixed deposits, both of which are gravitating to the foreign banks, is rather significant. The cause of the trouble is to be attributed to financial inflation induced by the borrowing policy of the Government, and the use of British fixed deposits by the banks. Money was advanced upon all sorts of securities, values appreciated, and even sound men were drawn into the whirlpool. As a case in point, a friend of mine who came from Montreal and made over £50,000 in business here, was waited upon by the Manager of the Bank of New Zealand, who asked him if he could not extend his business, stating the bank was prepared to advance any amount he liked. My friend declined the invitation, when the manager suggested he should improve a block of land he held in the country, but was finally prevailed upon to enter upon the undertaking, with the result that some five years ago he paid  $\frac{5}{8}$  of a penny in the pound when his estate was wound up. This is but a typical case, the result being that the banks and other financial institutions are gorged with securities in the shape of estates, buildings and enterprises, which in the face of falling prices and socialistic legislation, are unrealizable, and are simply bleeding them to death. The advances to directors have been most scandalous, no statement being required, as under the Canadian Act.

The great difficulty in New Zealand (and the same remark applies to the whole of the Australasian Colonies) is, that owing to the assumption by the Government of commercial functions, such as railways, telephones and telegraphs, life assurance, trusts and others, politics and finance are blended in a most pernicious manner. The Government has the power to issue £1,475,000 of deficiency bills; £4,600,000 of the savings of the people are being manipulated by fifth-rate politicians who concoct bogus surpluses, while at the same time our debt is continually increasing, and officialism is more rampant than ever. Our Premier, the Hon. Mr. Seddon, a few years ago kept a small 'Pub.' in a mining town,—in fact upon one occasion he was refused a license by the magistrate, who considered him unfit to have it. His colleagues are a mixed lot, consistent, however, in their advocacy of Collectivist doctrines, financial juggling, and worship of Demos. Anyone who raises a note of warning, and endeavors to advocate sound principles, is looked upon with suspicion and called a pessimist. New Zealand is a grand country, otherwise it would have repudiated long ago."

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A BANKERS' ASSOCIATION IN GREAT BRITAIN

THE formation recently in Great Britain of the Central

Association of Bankers, including in its membership every clearing bank in London, is a significant testimony of the value to banks of organization for the purpose of guarding their common interests. The long recognized need for an association authorized to speak and act in the name of all the banks in the United Kingdom, is the announced reason for the movement.

STATISTICS RELATING TO GOLD AND SILVER

FROM a paper on "Gold and Silver; Monometallism—Bimetallism," by "Dargent," we cull the following tabular data, which have been condensed from the report of the director of the United States Mint. It has not hitherto been available in this compact and comparative form, and besides being of present interest, it will no doubt be a valuable record:—

(000 omitted)

PERIODS	THE WORLD'S ANNUAL PRODUCTION OF		Total Coining Value Dollars	Coining Value of Gold only	Ratio of Production Silver to Gold	Commer- cial Ratio Silver to Gold	Coining Ratio
	GOLD Ounc's	SILVER Ounces					
1681-1700	346	10,922	21,366	.....	32 to 1	15	14 @ 14 to 1 in Europe. 15 @ 16 to 1 in America.
1701-1720	412	11,433	23,301	.....	28 to 1	15.20	
1721-1740	613	13,863	30,605	.....	23 to 1	15	
1741-1760	791	17,141	38,518	.....	22 to 1	14.75	
1761-1780	666	20,986	40,894	.....	32 to 1	14.70	
1781-1800	572	28,262	48,363	.....	49 to 1	15.25	
1801-1810	572	28,747	48,983	.....	50 to 1	15.75	
1811-1820	368	17,386	30,085	.....	47 to 1	15.50	
1821-1830	457	14,807	28,592	.....	33 to 1	15.80	
1831-1840	652	19,176	38,277	.....	30 to 1	15.75	
1841-1850	1,760	25,090	68,833	.....	15 to 1	15.85	
1851-1855	6,410	28,489	169,337	.....	4.45 to 1	15.42	
1856-1860	6,486	29,095	171,701	.....	4.50 to 1	15.30	
1861-1865	5,950	35,402	158,761	.....	6 to 1	15.40	
1866-1870	6,270	43,052	185,177	.....	7 to 1	15.55	
1871-1875	5,591	63,317	197,441	.....	11.20 to 1	15.95	
1876-1880	5,543	78,776	†216,437	\$114,586	14.20 to 1	17.90	
1881-1885	4,795	92,004	†218,071	99,116	19 to 1	18.60	
1886	5,128	93,276	†226,600	106,000	18 to 1	20.78	
1887	5,117	96,124	†230,956	105,775	19 to 1	21.13	
1888	5,331	108,827	†250,903	110,197	20.50 to 1	21.99	
1889	5,974	120,214	†278,917	123,481	20 to 1	22.10	
1890	5,749	126,095	†281,881	118,849	22 to 1	19.76	
1891	6,320	137,171	†308,002	130,650	21.75 to 1	20.92	
1892	7,077	152,940	†344,939	146,298	21.50 to 1	23.72	
1893	7,606	161,766	†366,393	157,228	21.50 to 1	26.49	
1894	*8,250	*150,000	*364,500	*170,500	18.20 to 1	33	
Mar. 1, 1895	.....	.....	.....	.....	18 to 1	34.50	

\*Complete returns not to hand.  
†Coining value of silver nominal, mints being closed.

The subjoined outline of notable historical events connected with monetary standards is also taken from the above source :

- 1786. U. S. America adopts the double standard, 1 to 15.25.
- 1803. France adopts the double standard, 1 to 15.50.
- 1816. Demonetization of silver by England.
- 1834. Substitution of metallic currency for paper in United States.
- 1835. Bank of United States wound up.
- 1838. Resumption of specie payments in United States.
- 1847. Discovery of the gold mines in California.
- 1847. Holland adopts the silver standard only.
- 1851. Discovery of the gold mines in Australia.
- 1854. Introduction of gold standard in Portugal.
- 1861. Belgium coins gold.
- 1862. Italy adopts the monetary system of France.
- 1865. Formation of the Latin Union.
- 1868. Spain adopts monetary system of France.
- 1871-3. Germany demonetizes silver.
- 1873. U. S. America demonetizes silver.
- 1875. Holland adopts double standard at 15.62.
- 1873-9. Germany sells silver.
- 1878. U. S. America coins the Bland dollar.
- 1878. First monetary conference.
- 1881. Second monetary conference in Paris.
- 1890. Silver purchase law of U. S. America.
- 1890. Dissolution of the Latin Union.
- 1892. Austria adopts gold standard.
- 1893. U. S. repeals the "Sherman" law. India closes mint to silver.

## REVIEWS

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The Editing Committee desire it to be understood that the "Reviews" appearing from time to time, even where not over a signature, are contributed, and are not in the nature of Editorial opinion.

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*Trusts and Industrial Combinations and Coalitions in the United States.* BY ERNST VON HALLE. New York and London: Macmillan & Co.

IN this very interesting book the author has confined his remarks to one hundred and fifty pages, to which is added an appendix containing a number of trust agreements, charters, trust certificates, anti-trust statutes and other valuable information gathered from official investigation into the working of trusts.

The author's remarks are not exhaustive, and he is at times painfully impartial. The average reader, at least, prejudiced by the popular dislike of trusts, will often wish that many of the author's general statements had been supported at greater length, even at the expense of a larger book. The reader, however, who wishes to learn something of trusts before declaring them good or bad, will be grateful that the author has entered this field of inquiry with his vision unperverted by any utopian theories of society or morals. He does not condemn trusts because they may tend to interfere with individual human effort, to concentrate wealth in the hands of a few, or to constrain the mass of men to the hopeless treadmill of labor. He approves of them rather because they seem to be an irresistible outcome of the social and economic conditions of the time. Whatever their ultimate effect upon the distribution of wealth and the relations of men, they now make the beneficent promise to check the enormous waste of competition, to balance supply and demand, and thus to diminish, if not to destroy, the alternation of commercial inflation and depression so disastrous to capital and labor.

The book opens with an instructive survey of the earlier

public policy of the United States as to combinations. The constitution of the United States and the English common law adopted at the revolution recognize no customs of guilds or corporations. Monopolies were abhorrent to the English law of the 18th century. This was due in large measure to the prevalence of what are now called physiocratic doctrines of natural rights. Society was considered as a contract between the individuals composing it, and the object of this contract was merely the constraint of the liberty of each so far as was necessary to protect the rights of others. Government only existed by consent for the enforcement of this constraint. Each individual was free, so long as he did not interfere with others exercising the same freedom, free to labor and to hold the fruits of his labor for his own enjoyment. Accordingly free competition was universally accepted as a fundamental doctrine of economics, and in harmony therewith there grew up the doctrine of *laissez faire*, or in other words of a minimum of government interference.

Physiocratic doctrines prevailed without question during the first half of this century, and the doctrine of free competition is still pretty generally accepted by the mass of the people. This is seen by referring to the bitter hostility of the press throughout the discussions attending the rise of trusts. It is seen, too, by reference to the discussions in the legislatures and to the legislative enactments passed to suppress them. Trade combination has been given a place in the criminal law alongside larceny, with heavy penalties of fine and imprisonment.

The practice of trade combination has grown up since the war. Before that time, the only attempts at combination had been in the anthracite coal trade of Pennsylvania, in the telegraphic service and in the eastern railway business. The close of the war, however, brought the economic union of the country and the development of new conditions of trade. The most important of these was the great extension of railways and the consequent settlement of a great native and foreign population in the west. The market for native manufactures was thus enormously increased. The manufacturers of the east, first in the field, entertained the hope of reaping the advantage of the

new conditions. In this, however, they were disappointed. As settlement advanced, factories and workshops were quickly established in every hamlet rising to civic importance. Competition became extremely keen, and production was stimulated beyond the needs of the community. The cost of marketing goods became more and more burdensome. To this had to be added the cost of multiplied managements and of what may be called diffuse capital and labor. The results were ruinous cutting of prices, over production, cessation of labor, commercial depression and bankruptcy.

To check competition and so to balance supply and demand was, therefore, the problem which confronted those who first had recourse to trade combination. What is known as the "pool" was the first effort in this direction. The courts, however, declared these unions to be illegal. To Mr. Rockefeller belongs the credit or discredit of devising a new system of union, which may be said to have baffled the conservatism of the law, in defiance of public opinion, and to have profoundly modified the conditions of trade, if not of society. The history of this question is most closely associated with the history of the Standard Oil combination. The poor teamster of 1865, starting with one small refinery, has long since gained control of the oil trade of the United States. He first secured special railway rates by the bribery of freight agents, and then dictated terms to the railways by a combination known as the "Southern Improvement Company." This company having been declared illegal, he next combined the oil companies in each of several States under the name of State "Standard Oil Companies," and lastly combined these in one great trust. The Standard Oil Trust was finally established in 1882. The success of this combination promptly led to the formation of many others, such as those in sugar, lead, whiskey, cotton and its products. The idea, too, of trade combination was raised into great prominence, with the result that all sorts of associations, conventions and exchanges, more or less defined in form and obligation, have arisen.

The author makes a very interesting classification of the forms of such organizations.

1—More or less amorphous.

Associations such as the National Brewers' Convention, formed for the protection of special interests, and not altering the condition of competition. Similar associations exist among hotelmen, actors, teachers, etc. Associations which regulate trade customs, listings and prices. These include friendly agreements like that among the great meat packers of Chicago in the purchase of cattle and the sale of meat. Stock exchanges are also included, as well as bar and medical associations.

Associations which hold regular meetings to fix prices, limit the output, or appoint common agents, as the owners of the anthracite coal mines.

2. Agreements strengthened by a more formal tie, including agreements among wholesalers as to the minimum prices to be charged to retailers, and agreements rendered stronger by the infliction of penalties or the payment of premiums.

The greatest producer of envelopes in the United States is the Standard Envelope Company, with a capital of \$5,100. On each 1,000 envelopes manufactured, each manufacturer pays into the common treasury a certain sum which goes to buy out competition or otherwise guard the common interest.

3. Combinations which strive for and attain identity of all interests.

This includes the trust proper,

(a) Where a majority of stock in different companies is transferred to trustees in whom control is vested, and who issue trust certificates in exchange, or

(b) Where all stocks are transferred to trustees who issue trust certificates, whilst the former owners keep mortgages to the full value of their factories with perhaps a further bond, or

(c) Where the property is unconditionally transferred to trustees who deliver trust certificates in return and manage and control the business so consolidated. This is the form of the Standard Oil Trust, and it has proved most successful in withstanding the attacks of the courts and legislatures. The practice of railway consolidation by way of lease also comes under this head.

Popular jealousy, however, was quickly aroused. The securities of the combines, often of very doubtful value, were introduced in great quantities on the stock exchanges of the

country. Retailers and the producers of raw material became alarmed, and the sinister trafficking alleged between the combines and the railways and courts and legislatures added to the public distrust. As a result, the Interstate Commerce Act was passed by Congress in 1887, which sought to restrain the relations between the combines and railways by forbidding discriminating rates and the practice of railway pooling. A further result was the movement in many State legislatures to suppress trade combinations, and by the end of 1893, a great majority of the State legislatures had enacted rigorous anti-trust laws. Congress passed a general Act, and several of the States adopted constitutional amendments to the same effect. The nature of this legislation will be seen by the following extracts from the author's summary: "In sixteen States it is a criminal conspiracy for two or more persons to agree to regulate or fix or limit the quantity of any article mined, produced or sold." "In six States it is a crime for two or more persons to enter into an agreement whereby full and free competition in production and sale is prevented." "In two States and one Territory it is a crime for two or more persons to attempt to monopolize, etc." Person includes, of course, company, partnership or corporation.

Rigorous as has been this legislation, it has entirely failed to suppress the practices against which it was directed. The trusts have been generally turned into incorporated companies and the trust certificates have been exchanged for shares. The trustees have become presidents and directors, and things have gone on under the full sanction of the law precisely as before. In some States this course was not considered safe because the law forbade companies to hold the stock of other companies. The difficulty was readily surmounted, however, by taking out charters in other States, where the law is not so severe, and where alluring corporation laws are maintained, it would seem, for revenue purposes. Such States are Maine, New Jersey, Connecticut and Illinois. Nearly all the corporations doing business in New York have withdrawn their headquarters to New Jersey. One great advantage has resulted, notwithstanding. The enforced incorporation of trusts has largely destroyed the great evil of their power to refuse information

and of their irresponsibility in case of wrongful practices. The author is of opinion that the present legislation will be repealed, and agrees with the view that one object of subsequent legislation will be to oblige publicity. Another object of subsequent legislation should be the enactment of a uniform commercial code, and to this end opinion in the United States seems to be rapidly advancing. Much may be hoped, too, from the corrective agency of future judicial decisions, when, as may be expected from study and public discussion, judges will come to have more enlightened views of public policy. It is now manifest that the issue is not one of form. It is not, shall capital be permitted to engage in industrial pursuits under the form of trusts, but shall capital consolidate. This issue cannot be determined by an appeal to the old physiocratic doctrines, for capital may very justly appeal to the doctrine of *laissez faire*, as its own justification. It can be determined only after a consideration of the historic doctrines of progress and after a careful study of the existing social and economic conditions.

It is in treating of the nature and effect of trusts that the author's impartiality is most striking, and it is there that exhaustive treatment is needful. It is only fair to say, however, that the problem of the effect of trusts is so complex that it is perhaps beyond human power to form a correct opinion. Clearly, trusts have been resorted to for the sole benefit of capital and not for any purposes of morals or economics. There is no doubt, either, that great numbers of persons have been purposely ruined in the process. The practice of lowering prices to force out inferior establishments is a common one. The same end is also accomplished by the power of trusts to secure discriminating railway rates. The closing of factories, too, has thrown great numbers of men out of employment, and it is difficult to say how far these men will be compensated by the advantages of combination. It is clear, at any rate, that the revolution has been very painful for them. The Whiskey Trust began by closing sixty-eight of its eighty distilleries. Impartial observers believe that, without combinations, the inferior establishments would have seriously suffered in open competition with those larger and more fortunately situated. The natural advantages of Peoria, Ill., in the manufacture of

whiskey, would probably in any event have driven most distilleries in other places out of the field. So with the Carnegie steel works in Pittsburg. There can be no doubt, moreover, of the ability of the large undertakings to economize production, by reason of the unlimited capital employed and of the skill and ability of the men engaged in management. As in the case cited under the Whiskey Trust, twelve distilleries sufficed to meet the demand of a market which eighty had hitherto supplied. The newest labor-saving processes and inventions have been adopted and experiments are carried on on a very large scale. The Standard Oil Trust manufactures three hundred by-products, many of them from what would have been waste under the old conditions.

Complaints have been made that production has been restricted in order to produce a dearth and a consequent rise in prices. Corners, however, have not been generally encouraging. "It has been objected and sometimes proved," says the impartial author, "that the trusts keep prices immoderately high for the consumers and pay immoderately low prices to the producers of raw material." On the other hand, it is said that only a small increase of prices is possible without inviting independent competition, and experience goes to show that the most successful trusts are those which succeed in steadily cheapening and improving their product. This element of imminent independent competition is very important, bearing in mind that as yet no trust has succeeded in gaining absolute control of the market. A new combination known as the Columbia Oil Company has entered the field against the Standard Oil Trust with no mean show of valor. Lastly, trusts have been commonly over-capitalized from 100% to 500% beyond the actual value of the individual undertakings at the time of the establishment of the trust. Much of the capital has been based on future earning power, and this has often failed to realize. As a consequence, the public have learned to look with disfavor on industrial stocks. Nevertheless, an immense field has been opened to disastrous and pitiless stock speculation.

The author concludes that it would only be guess work to prophesy whither the movement will lead. Discoveries and inventions and the utilization of natural water power may have

a profound effect to decentralize industries. One is surprised that he has no pronounced opinion on the effect of free trade. In the manufacturing industries, the victory of production on a large scale is now complete; in the industries of the soil, however, the contrary is true. Experience will temper the violence of the popular opposition to trusts, and saner views will prevail. The present legislation will be repealed, since it has been found ineffective, and by inviting opposition and subterfuge and evasion, it tends to destroy the public respect for law. New legislation will probably oblige incorporation with public supervision and enforced publicity. Being an adherent of the new historical school of economists, "ought" and "should" and "must" are not words of his vocabulary.

GORDON WALDRON

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*Critical Position of British Trade with Oriental Countries.*

HON. T. H. WHITEHEAD, M.L.C., Hong Kong. (*Journal of Royal Colonial Institute*).

IN the March number of the *Journal of the Royal Colonial Institute* a paper appears bearing the above title, followed by an interesting discussion by some of those present at the reading of the paper. Mr. Whitehead, while a member of the Legislative Council of Hong Kong, is the Manager there of the Chartered Bank of India, Australia and China, and we welcome the appearance of a discussion of bimetallism, for that is what Mr. Whitehead's paper substantially is, by a trained banker who has had twenty years of practical experience in the East, and whose abilities as a business man and publicist have been recognized by his appointment to the position referred to, in connection with the Government.

Mr. Whitehead's arguments are not essentially different from those presented by prominent English bimetallists, but they are accompanied by carefully prepared statistics, and his views are worked out with great elaboration and are plainly the result of practical experience. In Canada we are so far removed from the events which make for and against the question of bimetallism, and most of us are so confirmed in our monometallist views, that unless it is true that the quiet on-

looker is quite as likely to possess the true perspective of events as those in the heat of the struggle, our arguments would be of little value. Anything we may say, however, has doubtless already been said by Mr. Whitehead's critics when the paper was read, or by other English monometallists. Mr. Probyn, one of the critics referred to, remarked that "the keynote of Mr. Whitehead's argument is that the altered relative values of gold and silver have given undue encouragement to producers in silver-using countries at the expense of producers in gold-using ones," and this will fairly serve as Mr. Whitehead's text.

He presents first a table of the exports and imports of the United Kingdom, exclusive of gold and silver, from 1801 to 1894, and shows in a foot note that as between 1872, a very critical time in the history of silver, and 1894, there was a decline in the exports of £40,428,000. But immediately before this table figures are presented showing that the really important change has been effected since 1890 and not 1872. In 1890 the exports of Great Britain were at their highest, £328,000,000, and while in 1894 they had fallen to £274,000,000, they were still higher than in any year down to 1871. With these tables alone before us we would naturally assign the decline in British trade to the events which have followed all over the world in the train of the Baring liquidation, and we would confidently look for a return of this lost trade, as the improvement which has now set in gains in force. Mr. Whitehead also affords a table showing the value of British produce exported from 1870 to 1893, giving twelve silver-using countries in separate columns, and the total of gold-using ones. The figures do not seem to us to enforce Mr. Whitehead's arguments. As between 1870-4 and 1890 there is a large increase in the totals of both silver and gold-using countries, and, while in 1893 the decrease compared with 1870-4 amounts to 7 per cent. for all countries, the division between silver and gold-using countries alters the figures to a *gain* of 18 per cent. for silver-using and a *loss* of 12 per cent. for gold-using.

But when Mr. Whitehead turns to the question of cotton goods alone the facts are more serious. He shows that "the exports of cotton yarn from India increased from less than

8,000,000 lbs. in 1876 to 189,174,726 lbs. in 1892, an increase of 2,364 per cent., whilst exports of English yarn have only grown from an average of 206,900,000 lbs. per annum in 1871-73 to 228,300,000 in 1891-93, or a beggarly 10 per cent.," and while he admits that the cotton-cloth exports of England have increased greatly in the last twenty-three years, this "was eclipsed by the growth of the twenty-three years before." Still the increase has been very great and the proportion of the whole sent to silver-using countries has steadily increased as against that sent to gold-using countries.

Very full statistics are given to show the condition of the English cotton-spinning companies as to profit, and certainly these are in a deplorable condition just now, but their misfortunes all seem to date from 1890, down to which time the trade had been producing good dividends. A calculation is made showing that the business was much less profitable in 1891-3 than in 1871-3, but we would like to have seen a calculation for 1890, because it is to be borne in mind that cotton exports from India began to decline at the same time as those from England.

The point, however, which Mr. Whitehead urges most strenuously, and regarding which he affords a vast amount of argument, is the advantage to Indian and Japanese producers of the fact that silver prices in the East have not risen to equalize the fall in the gold price of silver. The following is one of the many striking statements made by Mr. Whitehead:

"Let me explain that silver will still employ the same quantity of Oriental labor as it did twenty or thirty years ago. The inadequacy of our monetary standard, therefore, allows eastern countries to now employ at least 100 per cent. more of labor for a given amount of gold than they could do twenty-five years ago. To make this important statement quite clear allow me to give the following example: In 1870 ten rupees were the equivalent of one sovereign under the joint standard of gold and silver, and paid twenty men for one day. To-day twenty rupees are about the equivalent of one sovereign, so that for twenty rupees forty men can be engaged for one day, instead of twenty men as in 1870. Against such a disability British labor cannot possibly compete. On the other hand, the effect of this disability is that gold prices of commodities have fallen to nearly one-half of their former level, while in Oriental countries silver prices are still practically in most cases on their old level. Therefore, the more gold appreciates, the greater will be the tendency to still further lower gold prices."

We would not suppose that had there been no fall in silver there would have been no great industrial development in the

East, because as far as India and Japan are concerned this development seems to have been inevitable, considering their growing intelligence, proximity to both raw materials and market, and cheapness of labor even at the old basis. But that this fall in silver has given a great impetus to the growth of manufactures no one can doubt. Nor can we question the gravity, so far as Great Britain is concerned, of the situation created by the divergence between gold and silver. But the recognition of the evil is quite another thing than the acceptance of the remedy suggested.

We will not enter upon the question, which is dealt with very fully by Mr. Whitehead, of the effect on trade between India and other Eastern countries of the closing of the Indian mint to the free coinage of silver. The Indian Government knew that this interference with the Japan and China trade, the volume of which is about one-third of the whole trade of India, had to be faced, but many, of whom Lord Lansdowne is one, believe this interference to be temporary and credit the loss which has taken place since 1893, partly to over stocks of Indian goods in China and Japan.

We, in Canada, are mainly concerned in the arguments which might induce Great Britain to adopt a double standard. If, as trade revives, the pendulum swings back to the old volume, she is not likely to do so. She is more likely to argue that the advantages to Eastern manufacturers, arising from the fact that the price of commodities and labor in Eastern countries has not risen in silver proportionately to the decline in the gold price of silver, are temporary and must disappear eventually. At some point the divergence between gold and silver will cease to widen, and the development of gold mining will turn the movement the other way. Whatever the industrial growth of the East amounts to, it must surely settle down to the basis alone of geographical advantages and cheap labor. Against these conditions Great Britain can only struggle as she always has struggled. Unless it can be shown that British exports have declined permanently and that silver prices in the East are not subject to the usual economic laws, and will not right themselves, no sufficient argument has been made for Great Britain to depart from the single standard of gold. It

is well that we should all have an intelligent understanding of the views held by bimetallists, and for this purpose we cannot recommend too highly Mr. Whitehead's exhaustive study of the situation.

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### *Coin's Financial School*

THIS is a book of 155 pages, by W. H. HARVEY, Chicago, issued in the silver interest—in the interest of silver at a ratio of 16 to 1, preferably by agreement on the part of the chief nations of the world, but if that should not be immediately feasible, then by action of the United States single-handed. As a rational argument the book is not to be seriously considered, but as “campaign literature” it is calculated to be most effective. The latter consideration has induced the silver party to practically endorse the views it contains, and with their assistance the circulation of the book has reached enormous figures; at 10th April 300,000 copies had been sold, and since then it is claimed that the sale has reached an average of 5,000 copies a day. It is the fame of the book alone that warrants a notice in this column of the character of its contents.

At the outset of his task in writing the book the conviction seems to have come to Mr. Harvey that the hope of silver depended largely upon the possibility of creating, among the great mass of voters who are not in the way of investigating monetary science, and especially among the western farmers, of an opinion—or rather a prejudice—in favor of silver for monetary uses; and the resulting question of how to achieve this appears to have had his thoughtful consideration, and, except in one particular, to have been cleverly disposed of. To make a most complex question take the appearance of one of purely elemental premisses, which a child might grasp, and from which only one conclusion could possibly be deduced—is the author's plan of campaign. Not a novel conception perhaps, but the execution of the plan is distinctly clever, though the tactics resorted to are altogether discreditable.

The book covers a series of lectures which are stated to have been delivered by “Coin,” a smoothly caparisoned youth

possessing a perfect knowledge of monetary science, who is represented as opening a "school" in Chicago for the purpose of enlightening the public on the question of a monetary standard. For the purpose of creating the impression that the lectures actually took place, the Art Institute of Chicago is quoted as the home of the school; a particular date for the first of the lectures, which spread over six consecutive days, is given, 7th May, 1894; imaginary applause is interjected throughout the book; paragraphs purporting to have been culled from the different Chicago newspapers, commenting on the lecture of the previous day, are quoted at the commencement of each chapter; and from among many thousands who are supposed to have attended the lectures, the names of a large number of prominent business men, bankers, economists, journalists, etc., are mentioned with perfect freedom, while a few such men as Lyman J. Gage, President of the First National Bank, John R. Walsh, President of the Chicago National Bank, and Prof. J. Laurence Laughlin, head of the Political Science Department of the University of Chicago, are quoted as taking part in discussions. The extent to which Mr. Harvey succeeded in creating the impression of the lectures being real is shown by the fact that the gentlemen named above have been besieged by letters from their astounded friends throughout the country, begging to be informed as to whether their utterances at these lectures had been correctly reported! But it is in this particular that Mr. Harvey miscalculated. He doubtless reckoned that the men whose names he used would ignore the matter, but the prodigality of astonishing utterances which he put in their mouths brought about the enquiries referred to, which awakened them to the mischief that was being done, and in consequence they have set afloat on the heels of Mr. Harvey's book such a vigorous denial and denunciation of the latter's methods as will no doubt go far to correct the mischief it was the purpose of the book to create.

The fact that on a question of such plain and elemental parts as the author apparently establishes it to be, the nations of the world should have failed to reach the truth throughout so prolonged and active a controversy, was a circumstance which seemed to Mr. Harvey apt to throw a doubt upon the truth of

his statement of the premisses of the case, and this difficulty has been met by establishing the existence of a vast conspiracy on the part of the "money power" to becloud the question, to corrupt legislators, and to fill the chairs of political economy in the world's universities with men bribed to teach falsely on monetary questions. In further support of this amazing theory, it is emphasized that the young lecturer, "Coin," repeatedly challenged contradiction, but that though among his large audience were many prominent advocates of the gold standard, no one was able to refute his statements. Mr. Gage and others are represented as endeavoring to embarrass him with questions on important points, but the youthful lecturer, thoroughly comprehending his subject in all its aspects, has no difficulty in meeting objections with unquestionable facts and unanswerable logic, to the confusion of his questioners. The latter are depicted as either humbly admitting their inability to deny the accuracy of "Coin's" facts and deductions, or as retiring discomfited to their seats, Prof. Laurence Laughlin, the eminent head of the Political Science Department of the Chicago University, being represented as routed by a particularly senseless reply to a vital question he is credited with submitting, and as "hanging his head" with chagrin for some time after the failure of an attempt to confuse "Coin." Thus is the existence of conspiracy on the part of the money power demonstrated; numbers of prominent gold monometallists are confronted before an audience of several thousands with a clearly enunciated statement of the plain, simple truths (?) of the monetary question, and they disclose the indefensibility of their course by their inability to confute the statements made.

As already indicated, no such lectures ever took place; the utterances credited to Mr. Gage, Prof. Laughlin and others, were never made by them at any time, and the whole book is made up of an elaboration of falsehood. The author's scheme sounds absurd, but its execution is clever, and the constituency sought to be reached is credulous when certain prejudices are appealed to, and is one not likely to detect such a fraud—indeed, bearing on this, it is reported to be a common remark among those who have been taken in by the book that the writer "makes everything so plain"!

An examination of a few of the author's statements of fact and theories will reveal his methods more clearly, and will, perhaps, serve a useful purpose otherwise.

On the first page of the preface is the following quotation :

"At the Christian era the metallic money of the Roman empire amounted to \$1,800,000,000. By the end of the fifteenth century it had shrunk to \$200,000,000. Population dwindled, and commerce, arts, wealth and freedom all disappeared. The people were reduced by poverty and misery to the most degraded conditions of serfdom and slavery. The disintegration of society was almost complete. History records no such disastrous transition as that from the Roman empire to the dark ages. *The discovery of the New World by Columbus restored the volume of precious metals, brought with it rising prices, enabled society to reunite its shattered links, shake off the shackles of feudalism, and to relight and uplift the almost extinguished torch of civilization.*—REPORT U. S. MONETARY COMMISSION OF 1878."

The editor of the Indianapolis *Journal* undertook to investigate the accuracy of this quotation, and discovered that the sentence which we have italicised—and without which there would have been no appropriateness whatever in the quotation—was a pure fabrication of Mr. Harvey's! The closing sentence of the report reads instead in this non-committal way :

"Various reasons have been given for this entire breaking down of society, but it was certainly coincident with a shrinkage in the volume of money, which was also without historical parallel."

A plainer instance of garbling and forgery there could not be.

Chapter I closes with an object lesson. Over the title "Bimetallism, 1872," is sketched a prosperous factory scene—noon hour—an intelligent looking workman receiving his dinner at the hands of his well clad, picturesque little daughter; while entitled "Monometallism, 1894," is a sketch, in the foreground of which appear the workman, his wife and daughter, shoeless, in rags, gaunt and despairing, the factory in the distance marked "closed for want of funds," and a second structure, labelled "home sold." The notable thing about this pathetic illustration is that the year *before* the crisis of 1873 is contrasted with the year *after* the crisis of 1893. It would have been equally fair to have contrasted the year after the crisis of 1873 with the year before that of 1893, only then the argument would have been just the reverse of that for which the illustration is given.

We have not to examine the general argument except as indicating the methods employed and which have met with the approval of the silver party, but the proposition embodied in the following clause may be noted in passing as of special interest

because it contains an extension of the bimetallic theory, which, although perfectly consistent with, and indeed involved in, the latter, the leaders of the bimetallic school have been too cautious to commit themselves to.

"It was considered that silver and gold were sufficient in quantity for use as primary money, but if at any time their combined quantity should become too small, then some other metals would have to be adopted and added to these two. The law of unlimited demand by free coinage would tie a third metal to these two and thus increase the quantity if at any time it became necessary. Thus the founders of a monetary system on the principle of free coinage of the commodity selected, had a practical method for supplying any deficiency that might arise by reason of the exhaustion of the silver and gold mines."

When the bimetallicist consents to the extension of his principle thus far its unsoundness becomes manifest to all. If it is possible for governments to fix the price of three metals, then it must be possible for them to fix the price of six or a dozen; and let us add iron, tin, platinum, etc., to the three above named and consider the proposition for "plura-metallism"!

Mr. John R. Walsh is made to ask the crucial question:

"How can the Government by law add a cent to the commercial value of any commodity?"

And to this "Coin's" reply is:

"Suppose that Congress should pass a law to-morrow authorizing the purchase by the Government of one hundred thousand cavalry horses of certain sizes and qualities. And the Government entered the market to get these horses. Horses would advance in value. Not only the kind of horses desired but also other horses upon which there would be a demand to take the place of the horses sold to the Government."

We read that hand-clapping and smiles greet this reply, indicating that it was satisfactory, and that Mr. Walsh was floored by its logic.

Before a real audience containing one individual with any knowledge of the science of money, Mr. Harvey would scarcely have ventured to meet this question with such airy nonsense. He, of course, well knew that in the case he chose for illustration the position of the Government was that of an actual purchaser of a commodity, while under free coinage the Government would not in any sense whatever be a *purchaser*, but would merely perform the function of coining on behalf of the owner the gold and silver brought to the mint, the transactions consisting of receiving the metals in the shape of bullion, and re-delivering

them to the owners in the shape of discs, each bearing an imprint by the Government of what is but a certificate of the weight and fineness of metal it contains. He knew that the argument was false, but used it nevertheless because he was shrewd enough to realize that it would appeal to the mass of the community it was planned to reach, as conclusive argument, especially when coupled with the fiction concerning Mr. Walsh's part in the discussion.

Chapter V of the book is devoted to a demonstration of the space which all the gold and silver in the world would occupy if gathered together. It is calculated by "Coin" that all the gold could be put into a space of 22 cubic feet (the argument embraced in the statement, whatever it may be, being emphasised by a sketch showing such a block of gold comfortably fitted into the Chicago wheat pit), while all the silver could be contained in a space of only 66 cubic feet. These statements create a profound sensation among the audience, and the book tells us that a prominent citizen of Fort Smith, Arkansas, made the announcement afterwards that he had been in favor of the single gold standard, but that "hard times and the fact that all the gold in the world available for money can be put into a space 22 feet each way, had knocked it out of him."<sup>1</sup>

Another object lesson consists in a picture of four balls, a very large one standing for the property of the world, one about half the size for the debts of the world, a very minute one for the gold and silver, and a speck for the gold alone. This meaningless illustration is used to demonstrate the impossibility of liquidating the world's debts with the available gold!

The illustrated argument with which chapter five opens consists of a map of the world, on which England is given the form of an octopus, with its long tentacles reaching and fastening on every corner of the earth, "feeding on nothing but

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<sup>1</sup> This may seem superlatively nonsensical, but it is precisely the effect the statement was calculated to have on many minds, and that the author's judgment was not altogether at fault there appears to be evidence in more than one direction. Since these notes were written a banker just returned from a trip through the South Western States and Mexico, reports that the book sold in large numbers on board the trains, and was being discussed on every hand. A gentleman who travelled a part of the journey with him spoke of the book in terms of appreciation, stating that it had "settled the question for him"; he had swallowed it whole, had accepted the lectures as of real occurrence, and had been greatly impressed by the fact of the inability of Mr. Gage and the other prominent financiers attending the lectures, to defend gold monometallism against the assaults of the youthful prodigy bearing the pseudonym of "Coin."

gold," while the chapter itself is largely devoted to an impassioned appeal to the anti-British prejudice, of which the following is a representative specimen :

" If it is claimed we must adopt for our money the metal England selects and can have no independent choice in the matter, let us make the test and find out if it is true. It is not American to give up without trying. If it is true, let us attach England to the United States and blot her name out from among the nations of the earth. [Applause.]

" A war with England would be the most popular ever waged on the face of the earth. [Applause.] If it is true that she can dictate the money of the world and thereby create world-wide misery, it would be the most just war ever waged by man. [Applause.]"

The United States is declared to be big enough to take and use all the silver of the world, and bimetallism independent of the rest of the world is advocated, with an accompanying law making it forfeiture of a debt to discriminate in favor of one currency as against another ! Mr. Gage is made to ask the question, " If after a fair trial gold continued at a premium, what remedy would you suggest ?" to which the astounding reply is made, " put less gold in the gold dollar ; bring the weight of the gold dollar down till they are on a parity." To this the supposed audience is set down as offering applause. Further on he says :

" With silver remonetised, and a just and equitable standard of values, we can, if necessary, by Act of Congress, reduce the number of grains in a gold dollar till it is of the same value as the silver dollar. [Applause.] We can legislate the premium out of gold. [Applause.] Who will say that this is not an effective remedy ?"

He paused for a reply, but the logic of this was unanswerable, and with another screed against the British nation and their allied conspirators against humanity, this extraordinary production is wound up.

In the reply to " Coin's " book, written by Horace White, of the New York *Evening Post*, and entitled " Coin's Financial Fool," the author concludes :

" The question may be asked how the book came to have so much popularity and such a large circulation. The answer is easy—it is due to the pictures. These it must be admitted are very clever, although of unequal merit. Without them not five hundred copies of such a senseless book could have been sold or given away. But what a gloomy fate would be ours if the destiny of the republic lay in the hands of any skilful designer of comic almanacs !"

*Credit Instruments in Retail Trade*

A PAPER by David Kinley in the March number of the *Journal of Political Economy* adds an interesting chapter to the investigations into the question of the volume of credit instruments used in retail trade. The data of the paper consist of the replies of 2,465 National banks to questions sent out by the Comptroller of Currency at Mr. Kinley's suggestion. The enquiry embraced five classes of retail dealers, whose business has to do with commodities the purchase of which represents the principal portion of the living expenses of the people at large, and the returns are supposed to represent about one-half the retail trade of the country. The result of the enquiry is thus stated: Payments made in specie 10.8 per cent., in currency 31.5 per cent., and by cheques 57.7 per cent.

The writer premises that it would not be safe to make any definite generalization from the results of this one investigation, but he thinks the data secured are such as to furnish important information on three matters, viz., as to the necessity or otherwise of an additional supply of money, as to the relation between the increase in the use of credit instruments and the growth of population, and as to the relation between the increase of business and that of credit.

Many advocates of "more money" have contended that while the larger part of the wholesale business is done on credit, this is the case with only a small portion of retail trade. The results of the present investigation, however, seem to show conclusively that the importance of the part played by credit instruments in payments and exchanges generally has not been over-estimated. It is to be noted that the writer does not view the paper currency as credit instruments, but the fact is that to redeem some fifteen hundred odd millions of paper currency there is a fund available in the hands of the Government of some one hundred to two hundred millions of gold; so that practically speaking 90 per cent. of retail payments are made by means of credit instruments. The remaining 10 per cent. is probably made up of payments for purchases under one dollar, for which subsidiary silver is available, and the need for gold is demonstrated by this further method as being for a very moderate gold fund

bearing infinitesimal proportions to the volume of payments to be made.

The common assumption that the use of cheques and other credit instruments other than paper currency increases with population, and that in general such instruments are used to a greater extent in large cities than in smaller ones or in country districts, is not borne out by the statistics presented. They indicate rather that after a certain point of development in the use of credit instruments is reached, there is no further relative increase, but possibly a slight decrease. For this the writer partly accounts by the fact that the increase of population in a large centre usually consists of those whose incomes are small and who least use cheques. Under such circumstances the number of small purchases becomes relatively greater, and the proportion of cash therefore larger, because of the greater ease in passing money than in negotiating cheques.

The writer concludes that *if* from the data with which he is dealing, he might venture to formulate a law of the growth of credit, it might be put somewhat as follows :

(1) The percentage of business done on credit does not increase steadily as population and amount of business increase, but rather progresses by leaps.

(2) After a certain density of population, or a certain complexity of business is attained, the *rate* of increase in the amount of credit used in business will *decrease*.

(3) When a community has reached the credit stage of economic evolution, the relation between the growth of credit and that of population as thus formulated will be the same, whatever its general industrial character.

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[NOTE BY THE EDITING COMMITTEE.—A misapprehension having been created as to the responsibility of the Editing Committee for the review in our last issue of Mr. Kappeler's article on "Warehouse Receipts and Assignments of Goods in connection with Banking," the Committee direct attention specially to the note which now accompanies the heading of the "Reviews" column. The review in question was a contribution only, but through an inadvertence in not heretofore indicating the source of the reviews generally, it was

made to appear as editorial opinion. It is of course understood that the opinions of contributors are not necessarily endorsed by the Editing Committee, and the policy of the Committee with regard to the admission or rejection of contributions is set out on the sheet preceding the first page of each issue.]

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## CORRESPONDENCE

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### SECURITIES ON GOODS, WARES AND MERCHANDISE IN CONNECTION WITH BANKING

*To the Editing Committee :*

SIRS,—I notice in your March number a review of my article on "Securities on Goods, Wares and Merchandise, in Connection with Banking," which appeared in the January issue of the *Barrister*.

I will sub-divide the notes therein made into two classes, viz., "substantial" and "unsubstantial," and will briefly point out the "unsubstantial" ones.

(a) Your reviewer says

"We pass with a mere mention the statement, evidently made through an oversight, that the Privy Council has determined that the Dominion Government has exclusive jurisdiction respecting warehouse receipts and bills of lading."

I stated in my article that

"It has been contended that the machinery by which contracts which a bank was empowered to enter into, could be put in legal form, affected property and civil rights in the provinces, and was therefore under section 92, sub-section 15, of the B. N. A. Act, and within the exclusive jurisdiction of the provinces.

"These questions, however, are set at rest by the decision of the Privy Council in *Tennant v. The Union Bank of Canada* (1894), A. C., p. 31.

"It can now be taken as definitely settled that the exclusive power to confer upon banks contractual and loaning rights, and to provide the forms that all securities shall take in connection therewith, is in the Dominion Parliament as incidental to banking, and its enactments are *intra vires* of that Parliament, even if inconsistent with the laws relating to property and civil rights of the provinces. It is well from a national and business standpoint that it is so. \* \*

"The life of commerce is the confidence of banks in it, and this confidence depends upon the banks having absolute and undoubted security for the money advanced to carry on commercial transactions. The simplest security that can be so furnished is a bill of lading or warehouse receipt. The importance of certainty as to the law respecting these two great commercial agencies, and the necessity of its being uniform and national, must be at once conceded. It is, therefore, a matter of congratulation that the Privy Council has finally determined that the Dominion Parliament has exclusive and absolute power to regulate and define them, and the rights they confer."

I was only speaking of warehouse receipts and bills of lading as securities connected with banking, and can scarcely imagine anyone taking my statements as covering warehouse receipts or bills of lading not connected therewith.

Of course, the jurisdiction which the Courts have held is given to the Dominion Government under the head of "Banking," over warehouse receipts and bills of lading, does not include any jurisdiction over these securities in the hands of any persons or corporations other than banks.

(b) Your reviewer next says

"We need also mention only the statement that these securities are transferable by endorsement, or delivery. If the latter means delivery after endorsement, or delivery of a document made in favor of the bank, the statement is, of course, true; delivery otherwise would make a very unsatisfactory title."

I did not advise "transferring" these receipts by simple delivery. They may, of course, be transferred either by delivery, after endorsement in blank, or by express endorsement to the bank; but if a bank acquired a warehouse receipt in favor of A.B., omitting at the time to obtain A.B.'s endorsement, I think there is no doubt the bank could act upon it just in the same way as if it was endorsed to it.

It will be noticed that section 73 of the Bank Act only speaks of a bank acquiring a warehouse receipt or bill of lading as collateral security for the payment of any debt incurred in its favor in the course of its banking business, but does not say what form the acquiring shall take. Sub-section 3 of the same section speaks of such a document being transferred either by endorsement or by delivery.

(c) Reference is made to my definition of a warehouse receipt. I take my definition from the Bank Act, sub-section "d" of section 2, which defines a warehouse receipt as "any receipt given by any person for any goods, wares or merchandise in his actual, visible and continued possession as bailee thereof in good faith, and not as of his own property, and includes receipts given by any person who is the owner or keeper of a harbor, cove, pond, wharf, yard, warehouse, shed, storehouse or other place for the storage of goods, wares or merchandise, for goods, wares and merchandise delivered to him

as bailee and actually in the place or any other one or more places owned or kept by him, whether such person is engaged in other business or not."

I think, from a banking standpoint, it is scarcely necessary to discuss a warehouse receipt granted to a person on furniture stored by him in his neighbor's house. However, the point that I wished to impress was, that from a banking standpoint, a warehouse receipt must be issued by a bailee in good faith in actual, visible and continued possession of the goods; that the possession must not be fictitious and that the premises in which the goods are stored by the bailee must be kept by him *bona fide*. In other words, the possession must not be feigned, but must really be the possession of the person by whom the receipt is issued.

(d) Your reviewer's next criticism is in connection with my reference to the person to whom the warehouse receipt may be issued.

This is dealt with in section 73 of the Act. This same section, then sub-sections 1, 2 and 3 of section 53, chapter 120, R. S.C., was considered by the Privy Council, in *Tennant v. The Union Bank of Canada* already referred to, and is there pronounced by Lord Watson to be somewhat obscure. I think a perusal of the section will convince anyone of this. It can, however, be easily amended so as to make good a warehouse receipt acquired by a bank, no matter from whom. The intention of the Act, no doubt, is that a bank may acquire a receipt from any person as security for a debt negotiated or contracted at the time it acquires the receipt.

I pass in the meantime your reviewer's comments on the new form of security provided by section 74 of the Act, and on the written agreement to give security by the Act.

This then brings me to what I consider the last "unsubstantial" criticism.

(e) Your reviewer states

"There is one slip in the more theoretical part of the article to which we may refer; the assertion that the policy of the law is to confine banks to the safest lines of business, and that, therefore, they are not allowed to lend on real estate, is not sound, nor is it quite true that the Australian banks made such a mess of their business merely because of their powers

to lend on real estate. The boards of directors of our banks could probably conduct a business of lending money on real estate as safely as the best of our loan companies who make that their speciality; the objection to such loans is not on the point of safety, but of availability."

My remarks on this subject were

"The banks being the custodians of the peoples' savings, and furnishing as they do the circulation of the country by their note issue, it has always been the policy of the law to confine them to what is considered the safest lines of business. They have never been allowed to tie up their assets by loaning on real estate or by venturing in trade or business of any kind. The idea of the banking system has been to supply money for the purpose of bringing our goods to market. To enable this to be done, the money of the banks must be easily available, and its assets must be of the kind that are the most readily liquidated. The whole capital and assets of a bank, including its deposits and its note issue, are constantly in circulation and are being collected in and again immediately loaned or circulated. If it were not for this system and the enterprise of our banks, it would not be possible for the lumber, wheat and other products of our Dominion to reach the markets of the world.

"The difficulty with the Australian banks arose entirely from the fact that they were permitted to loan their money on real estate. All their capital and available assets became locked up, and they were, therefore, unable to meet the demands of the people and supply them with the money necessary for the proper conduct of commercial transactions. The result was that many of the banks had to go into liquidation. This could scarcely have happened if the Australian banks had been confined to the lines of business to which our Canadian banking institutions are confined by the Bank Act."

I did not in any way question the ability of bank directors to conduct the business of loaning money on real estate, and cannot see why any reference should be made to such a point. It is not a question of capacity to carry on a certain business, but as stated by me, it is purely a question having regard to the objects of banking, of carrying it on in such a way as will best meet those objects.

It has ever been present to everyone who has had anything to do with the formation of our banking institutions, that banks should not be allowed to lend money on real estate or be engaged in any trade or business whatsoever, and the only point I wished to make was, that having regard to what is required and expected of our banking institutions, it is well that they are confined to investments which are the most easily available and the most readily liquidated.

Referring now to your reviewer's comments on the written agreement, it seems to me there can be no doubt that it must be given specifically and not generally.

By section 73, a bank "may acquire and hold any warehouse receipt

or bill of lading as collateral security for the payment of any debt incurred in its favor in the course of its banking business"; and by section 74, "it may lend money to any person engaged in the businesses therein described, upon the security of the goods, wares and merchandise of such person."

These two sections must be read with section 75. This latter section provides :

"That a bank shall not acquire or hold any warehouse receipt or bill of lading or security under the next preceding section, to secure the payment of any bill, note or debt, unless such bill, note or debt is negotiated or contracted at the time of the acquisition thereof by the bank, or upon the written promise or agreement that such warehouse receipt or bill of lading or security will be given to the bank."

The result is that the bill, note or debt so secured must be secured at the time it is negotiated or contracted, or by virtue of a written agreement made at such time that such security would be given.

I must correct your reviewer's statement in reference to the sufficiency of the description under the Act. He states :

"However, following the line of reasoning which Mr. Kappeler adopts, based on the practice and law in kindred questions about chattel mortgages, it would seem that a promise to give security on all the grain which the borrower might at any time have in his warehouse would be a proper promise on which afterwards to base an assignment of all such grain described in the identical terms of the promise."

My reasoning will not permit of any such conclusion. I did not say that a promise to give security "on all the grain which the borrower might at any time have" would be a sufficient description. My statement is :

"A particular description of the goods covered by the security must also be given. Care should be taken to avoid a description which would cause difficulty in identifying the property; that is, in describing grain or lumber, they should not be described as so many bushels of wheat or so many feet of lumber, but as all the grain and all the lumber in a certain defined and specified place. The cases under the Chattel Mortgage Act as to description, which would be applicable to the form of security under section 74, show that the safest description of chattels which are not capable of specific identification is a general description of all the goods of the kind covered by the security in a certain place." . . . "The section of the Act requires that the written promise or agreement must be, to give such warehouse receipt, bill of lading or security; that is, it must be to give the specific warehouse receipt, bill of lading or security afterwards given, and it would be wise in all cases to give the same particulars of the place where the goods are to be located and the description of the goods as the security will afterwards contain. The goods no doubt need not be in existence at the time of the giving of the promise or agreement, but their existence must be in contemplation, and therefore the particulars above referred to can be given in a written promise or agreement, and it is submitted they should be."

I do not argue that the security under section 74, or the agreement to give the security, could, under the provisions of the

Bank Act, cover after-acquired property, unless the property afterwards acquired was in contemplation at the time of the advance, and the agreement was to give the security on such property. I do not think that a security or an agreement to give a security on all the grain which the borrower may at any time have in his warehouse, would be good, I think, however, that it is a defect in the Act that such power is not given.

There is no doubt that a lumber or grain account cannot be satisfactorily worked out under section 74 of the Act, unless that section covers added or substituted goods. I think a sub-section should be added to section 74, providing that the security given may cover all goods, wares and merchandise brought upon the premises described in the security, either in substitution for or in addition to the goods, wares and merchandise therein pledged. This is really necessary for a proper working out of the powers it was contemplated banks were given under section 74.

I also think that section 75 is defective in requiring a bank to take a written promise or agreement to give *such* warehouse receipt, bill of lading or security. It should be sufficient for the written promise or agreement to provide that *a* warehouse receipt, bill of lading or security will be given.

Another very important question, which is kindred to this, is the question of the renewal, not of the goods, wares and merchandise, but of the warehouse receipt, bill of lading, or security itself. The authorities have placed this branch of the law in a very unsatisfactory position.

It is quite clear from a banking standpoint, that if warehouse receipts or securities under section 74 cannot be renewed, the carrying of grain and lumber accounts becomes almost impracticable. The matter is of such importance to commercial interests, and especially to producers and manufacturers, that they should insist upon the Act being amended and made plain in this respect. The manufacturer or producer is the most concerned, as he is the person who requires to borrow from the banks to enable him to market his produce and his manufactured article. As the Bank Act now stands, it is contended that a warehouse receipt, bill of lading or security under section 74 cannot be renewed by any warehouse receipt, bill of lading or security, and that where an advance is made on a lumber or grain

account, such advance must be paid specifically out of the goods so described, and that if in the ordinary course of trade other goods are substituted or new security is taken, the substituted goods or the new security could not be held as against creditors. This is clearly not in the interests of commerce nor in the interests of the manufacturer or producer, neither does it give effect to what was clearly the intent at the time the section was introduced.

The object of introducing section 74 into the Act was in the interest of commerce to enable persons of the class therein named to obtain a bank credit, and for that purpose to give proper security, but the section is not drawn in such a way as to enable this object to be effectually carried out.

The section should be drawn so that the security could be exchanged from time to time for other security, and also that the goods, wares and merchandise covered could be substituted in part or in whole. To enable this to be carried out, I would suggest that the following clause should be added to section 75, sub-section 1:

"And provided always that any such warehouse receipt, bill of lading or security may be from time to time delivered up and exchanged for any other warehouse receipt, bill of lading or security covering the same goods, wares and merchandise, or any part or parts thereof, with or without other or additional goods, wares and merchandise, or covering other goods, wares and merchandise, and any and every such warehouse receipt, bill of lading or security so taken in exchange, shall be a valid and effectual security, and shall for all the purposes of this Act have the same effect, and be treated as if the debt secured by the original warehouse receipt, bill of lading or security had been contracted at the date of making such exchange."

GEO. KAPPELE

Toronto, June 15th, 1895

[EDITORIAL NOTE.—The Editing Committee are of course pleased that Mr. Kappeler should defend his views from the criticisms of the writer of the review in our last number, which, as has been explained elsewhere, was not an editorial utterance.

In inserting his communication, however, the Committee deem it right to point out that the opinions of other leading counsel, upon which some of the banks are acting, are exactly to the contrary of Mr. Kappeler's interpretation of sections 74

and 75, and unless their opinions are unsound Mr. Kappelle's deduction from section 75, as we understand him, that the written agreement to give security must be made *at the time* the indebtedness is contracted, is clearly a misunderstanding of the clause. The counsel referred to have also advised that such a promise as our reviewer discussed, if in connection with advances made to a grain dealer under an established line of credit for the purpose of buying grain, namely, a promise to give security on all the grain he might at any time during the existence of the credit have in his warehouse, would, if properly framed, be a valid promise, and that security acquired thereunder in a regular way would be good.

It would no doubt be a great convenience if section 74 permitted the substitution of new goods for those previously assigned, but Mr. Kappelle is probably not aware that strenuous efforts were made to obtain such powers at the time of the revision of the Act, but the Government were not willing to depart from the principle which had governed for the previous twenty or twenty-five years, and refused to make the amendment which Mr. Kappelle now suggests. We are not overlooking *Bank of Hamilton v. Noye*, now overruled, but are only referring to direct legislative enactment.

The Committee think that it would be wrong to pass over the statement that a lumber or grain account cannot be worked out under section 74 as it now stands, without pointing out that the opinions of counsel above referred to are against this view, and in favor of the view that it is quite practicable to take additional security from time to time during the currency of a line of credit, if the written promise has been properly framed.

The attention of our readers should perhaps be directed to the undoubted fact that in re-framing the law respecting advances made upon the security of goods in the owner's possession, it was assumed that the form and not the essence was to be changed, the most serious alteration being the extension of the class to whom advances could be made to others than the millers, tanners, etc., to whom it was previously limited. With this exception, and with the exception as to the form, there is little difference between the law governing assignments under section 74 and that which formerly governed warehouse receipts given by parties for their own goods.

The case of *Royal Canadian Bank v. Ross* (40 U. C., Q. B. Reports, p. 466) discusses the principles involved in the giving of security on future acquired goods pursuant to a previous promise, and upholds the principles set out above.

In the foregoing comment one member of the Committee does not join.]

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### QUESTIONS ON POINTS OF PRACTICAL INTEREST

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QUESTION 8.—A cheque drawn on one of their country branches is received by one Toronto bank from another, through the clearing-house. There are funds for the cheque when it reaches its destination, but on account of the endorsement being irregular, it is returned, and while it is in transit the drawer assigns (or withdraws the funds as the case may be).

Is the endorsing bank released from liability because the cheque was not marked good?

ANSWER.—We think it was the duty of the country branch to have marked the cheque when presented before returning it to be endorsed, but we do not think that it was legally bound to do so, or that it can be made responsible for the withdrawal of the funds afterwards. It would follow, therefore, that the endorsing bank is not released.

QUESTION 9.—By Section 90 of the Bank Act it is provided that the liability of a bank to repay moneys deposited and interest, shall continue notwithstanding any statute of limitations or any enactment or law relating to prescription. Since in an ordinary business account, not prescribed, it is requisite that proofs of the claim shall be produced in case of contestation, does it not follow in view of the above mentioned section that a bank should preserve indefinitely all vouchers for transactions in a customer's account, or the verifications of the account given by the depositor?

ANSWER.—The point to which our correspondent draws attention is very important. Even before the last revision of the Bank Act it was doubtful if the Statute of Limitations would run in favor of a bank from the date of the last transaction

NOTE

The meaning intended to be conveyed by the use of the words "one member of the Committee does not join," on lines 5 and 6 of page 540, was that one member of the Committee does not concur.

in an account—indeed it was probably the law then that prescription of a claim would only count from the time at which a demand had been made.

The present position of the law does in our opinion make it more essential still that the bank shall keep the vouchers connected with its deposit accounts, practically forever.

QUESTION 10.—Jones and Brown trade and carry on business together, though no registered partnership exists, Jones attending to all the banking. Brown receives a cheque in payment of goods sold by him, the cheque being made payable to him personally. In the ordinary course of business, he hands the cheque over to Jones, but neglects to endorse it himself, which fact Jones fails to notice at the time. When bringing the cheque to the bank for deposit, the omission is discovered, and being short of funds, Jones endorses it "Brown, per Jones, Attorney," and then endorses the bill personally as usual. No written power of attorney from Brown to Jones, exists, however.

I should like to know: (a) Whether a bill so endorsed should be received on deposit? (b) Whether such an endorsement can be defended? (c) Whether, if the manager of the bank, knowing all the facts of the case, decides to take the bill on deposit from the customer, endorsed as described, and authorizes the teller to take it, the teller is thereby released from all responsibility as to the accuracy of the bill passing through his hands? (d) Whether, in such a case, the teller should request the manager to initial the said bill, and if so, where the manager's initials should be placed: or whether the manager's verbal authorization would be sufficient? (e) Whether an endorsement of this kind, made in good faith, and without fraud, could be called a forgery or be contrary to the law?

ANSWER.—(a) We think the cheque which you describe should not be received. (b) This would depend on all the circumstances. (c) The acceptance of the cheque would be entirely a matter for the manager's discretion. (d) We should suppose it to be unnecessary for the teller to request the manager to initial the cheque, for if there were any dispute afterwards as to which officer of the bank was responsible for accepting the cheque, the true facts could not fail to be brought out. If initialed at all we think the proper place would be on the back under the endorsement. (e) An endorsement of this kind is not forgery; it is merely invalid for want of authority.

QUESTION 11. Would it not be possible for the officers of a bank on the eve of failure, without breaking the law, to pay a friendly depositor the amount of his balance in notes of the bank

on the understanding that he was not to use them until the danger had either passed or else the bank suspended, and that until the notes were presented for payment interest would be allowed as though the amount were still on deposit?

ANSWER.—The clauses of the Act respecting the note issue seem to cover quite fully the case you mention, although it is always possible for a fraud to be committed under them which might not be discovered. Section 51 authorises the issue and re-issue of notes "for circulation." This would invalidate an issue made under such circumstances as those you quote, as the notes would clearly not be issued for circulation, and they would probably be held, under section 53, not to give a preferential claim. We think, however, that the case would be held to come directly under clause 52, as such a transaction would be really a hypothecation of the notes of the bank by one of its officers to secure a debt, notwithstanding the form in which it was placed, and the fact that the party receiving them held them and brought them back for redemption after the failure of the bank, would be apt to lead the Court to take that view. We should think also, that it would be most unlikely that a bank manager would lend himself to such a transaction, as he would thereby render himself liable to the penalties set out in section 97.

QUESTION 12.—Has a bank a legal right to refuse to accept the endorsements mentioned below:

Cheque payable to "John Smith, Trustee," and endorsed "John Smith"; or payable to "John Smith, Treasurer," and endorsed "John Smith."

ANSWER.—We think not. There can be no question but that the endorsement "John Smith" in either case would be sufficient; nevertheless in practice it is well to have the quality in which he signs added, and the payee might reasonably be asked to conform to the common practice.

## Legal Decisions Affecting Bankers

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### NOTES

*Principal and Surety.*—In our December issue we noted the judgment of Robertson, J. (Chancery Division), in the case of *Molsons Bank v. Heilig*, expressing the opinion that the decision was likely to be reversed on appeal. The judgment was to the effect that the endorser was entitled to share *pro rata* in the proceeds of securities taken from the maker of a note, as security for his general indebtedness, and not as a condition of the endorsement, and that by the release of a portion of the security the bank had discharged the endorser. The appeal was heard in the Divisional Court before Boyd, C., and Ferguson, J., and the previous decision was reversed. The Molsons Bank was given judgment against the endorser for the amount of the note sued upon, with costs “without prejudice to the defendant’s right to make the bank account for their dealings with the mortgage property held for the benefit of all the endorsers, when that security has answered its purpose, or the debt has been paid by the sureties, or when, in any other event, the application of the moneys from the securities can be properly ascertained.” In rendering judgment the Chancellor remarked:

“The only right the defendant has is to have it ascertained in how far he is entitled to the benefit of any part of the property so released. It does not matter whether the security was discharged without consideration or for consideration, the surety can only ask for an account when the proper time comes. The rule is clear that when the creditor wastes or deals improperly with a security the surety is discharged, but only *pro tanto*.”

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In the reports that follow there are two new cases that bear on the law of principal and surety. In *Midland Railway v. Silvester*, the contract of guarantee was to be terminable on notice from the surety or from his “representatives.” It was held that under this wording the guarantee did not terminate at

the death of the surety, and that mere knowledge of death on the part of the creditor did not affect the liability. In order to bring the guarantee to an end it was necessary that a formal notice to that effect should be given by the executors.

Another danger which holders of bonds of guarantee incur is shewn in *Port Elgin School Board v. Eby*. The point involved is a very peculiar one. The contract of guarantee was that a treasurer of a School Board should, "on demand," turn over to the Board all moneys belonging to it. The treasurer died while indebted to the Board, and of course before any demand had been made on him for delivery of the moneys he had received belonging to the Board. The Court held that demand could not be made on his legal representatives, and that as the conditions under which the liability of the guarantor was to be exigible could not be fulfilled, the bond was void.

*Transfer of Stock Held Subject to a Trust.*—We make no apology for printing in full the judgment of the Privy Council in *Simpson et al. v. Molsons Bank*. It clears up the law respecting a question which was very difficult and troublesome, particularly in the Province of Quebec, and it has besides an important bearing on the effect of Sec. 43 of the Bank Act, which relieves banks from any obligation to see to the execution of any trust to which their shares may be subject.

#### PRIVY COUNCIL

##### *Simpson et al. v. Molsons Bank*

Where a testator bequeaths his residuary estate to trustees upon trust to administer it for a period of ten years from his decease, and thereafter "to account for and give the said residue" to the residuary legatees named in the will, the legatees acquire their legal title from the trustees, and do not take directly under the will.

Where a statute incorporating a bank provides that "the bank shall not be bound to see to the execution of any trust, whether express, implied or constructive, to which any of the shares of the bank may be subject," such provision must relate to, and free the bank from, liability for trusts of which the bank had knowledge or notice, as the bank could not, apart from the statute, incur liability by not seeing to the execution of a trust of which they had no knowledge.

But assuming that the bank would be liable if it were shown that they were possessed of actual notice of the trust, the facts (1) that a copy of the testator's will was in the possession of the bank; (2) that in the case of three of the testator's children notice of the substitution of grandchildren was contained in the transfers registered by the executors in the bank's books on a previous occasion; (3) that one of the executors was president of the bank, and that the law agent of the executors was also law agent of the bank, are not sufficient to prove that the bank have received notice of the trust.

*(The Reports)*

The facts of this case were set out at page 214, Vol. 1, of the JOURNAL. Briefly stated they are as follows:

The Hon. John Molson died on 12th July, 1860, leaving a will under which his entire estate was bequeathed to trustees named therein, to be held by them on certain trusts for a period of ten years, the residue, after providing for a certain annuity for his widow, then to become, for their respective lives only, the property of his five sons in equal shares; and at the death of the sons, or if any of them should die before the expiration of the term of ten years, to become the property in certain stated shares of their lawful issue, the trustees being directed in making the apportionment and distribution, to exercise care amongst other things against the risk of the capital of any of the shares being lost in the hands of any holder thereof under substitution or as usufructuary thereof. The widow of the testator died in 1862. The period of ten years for which the trustees were directed to hold and administer the estate came to an end in 1870, and early in 1871 the executors submitted to the parties interested a detailed statement of the accounts of the trusteeship and of the assets of the residuary estate, which included 3,200 shares of stock in the Molsons Bank. Some time thereafter, on 5th April, 1871, this stock was distributed among the usufructuary legatees and five transfers were executed and registered in the bank's register of transfers. The transfer which was the subject of the present action was to Alexander Molson. A second transfer was in favor of John Molson, while in the case of the other three the transfers were given in the name of a person or persons designated as "tutor" or "trustee" or "tutor and curator," with an acceptance signed by the transferee or transferees in that character, with a view of marking the stock as being subject to a trust or substitution.

The complaint of the appellants herein was that the bank, the respondents, wrongfully registered the transfer granted to Alexander Molson, to the loss and injury of the appellants, as having right to have the shares secured to them under the substitution in favor of Alexander Molson's children, contained in the will of their grandfather, the Hon. John Molson above quoted. Their claim of damages arose in consequence of the insolvency of Alexander Molson, who had transferred the shares in question to third parties.

The action was originally tried before the Superior Court of Quebec and dismissed. The judgment was subsequently confirmed by the Court of Queen's Bench. The case was then further appealed to the Privy Council, and their lordships' judgment, sustaining the decision of the lower courts, was delivered by Lord Shand, who, after reciting the facts, proceeded :—

The first ground on which it was maintained in the argument for the appellants, that the bank had no right to register the transfer now in question in favor of Alexander Molson, was that the executors of John Molson had no power to grant any transfer of the shares in question after the lapse of ten years prescribed for administration. It was argued that the title of the trustees and executors was limited to administration, and was of a temporary nature only, expiring at the end of the ten years after the testator's death, during which they were directed to hold and administer and convert parts of the estate, and that the testator's sons, and their children respectively substituted to them, took their shares of the residue, including the bank shares, by direct gift and bequest from the testator under his will, which superseded and extinguished all title in the trustees and executors to grant any transfers. Their Lordships are clearly of opinion that there is no ground for this argument. It is true that the will provides, under the head "thirteenthly," that after the lapse of ten years from the testator's death the residue of his estate shall fall to and become the property of his respective sons and their families substituted to them. But the legal interest in the whole estate real and personal was vested by words of direct devise and bequest in the trustees and executors, who had to make up their title, as they did, to the bank shares for an administration directed to be continued for ten years; and at the end of that time these gentlemen were directed to divest themselves by "giving," that is, by conveying or transferring the respective shares to the sons and their families, after settling the particular allocation and distribution which was to be made of the different parts of the residue of the estate. The sons and

their families, whilst having right to their respective shares under the will, were thus to acquire the legal title from the trustees in whom it had been vested for ten years. This appears clearly from the whole scheme of the will, and from nothing, perhaps, more clearly than the provision which was so strongly pressed upon their Lordships' notice, directing that the trustees and executors should take care to provide against the risk of the capital being lost in the hands of the testator's sons to the prejudice of their children, which they would do by a transfer of the legal interest in the different parts of the estate vested in them.

Assuming, then, that the title was to be granted by transfer from the trustees (and it is not easy to see how any title could otherwise be obtained after these gentlemen had been themselves registered as shareholders), it was maintained, not only that the trustees and executors were bound to execute transfers in such terms as would either give effect to the substitutions directed in the will in favor of John Molson's grandchildren, or would at least give notice to any purchaser from Alexander Molson that the shares were affected by substitution, but further that the bank were bound to refuse to register the transfer in question because of the absolute terms in which it was expressed. Their Lordships have not thought it necessary to call for any answer to the appellant's argument on this point, as they entertain no doubt that the decision of the Court of Queen's Bench on this question should be affirmed.

It must be here observed that a question was raised in the Courts below as to whether the substitutions provided for by the testator in his will, in so far as regards movable estate, including the shares in question, could be made effectual under the law of Canada. Mr. Justice Taschereau, before whom the case came in the first instance, held that the substitution could not be made effectual. This judgment was reversed on appeal, the learned Judges holding that the substitution could be made and was directed in such terms as might have been carried into effect. The point is fully argued in the respondent's case, but the question has not been the subject of argument before this Board. For the purpose of the present appeal their Lordships will assume that it was the duty and in the power of the trustees and executors to see that either by transfers qualified as in the case of certain of the other children, or in some other way, the substitution was provided for or declared.

The argument of the appellants involves the consideration of two questions; first, whether the bank had any notice, and if so, what notice, of the trust created by the testator's will, in so far as the testator directed substitutions to be made to affect the divided parts of the residue of his estate; and, secondly,

whether, if the bank had notice, it was such as to make it the duty of the bank to refuse to register the transfer in question because of the absolute terms in which it was expressed.

The statute incorporating the Molsons Bank (18 Vict. c. 202) contains this provision in section 36, viz.:—"The bank shall not be bound to see to the execution of any trust, whether express, implied or constructive, to which any of the shares of the bank may be subject." This language is general and comprehensive. It cannot be construed as referring to trusts of which the bank had not notice, for it would require no legislative provision to save the bank from responsibility for not seeing to the execution of a trust the existence of which had not in some way been brought to their knowledge. The provision seems to be directly applicable to trusts of which the bank had knowledge or notice; and in regard to these the bank, it is declared, are not to be bound to see to their execution.

Apart from the provision of the statute, it may be that notice to the bank of the existence of a trust affecting the shares would have cast upon them the duty of ascertaining what were the terms of the trust; and that in any question with the beneficiaries, whose rights had been defeated by the absolute transfer in favor of Alexander Molson, the bank, whether they had inquired or not, might have been held to have constructive knowledge of all the trust provisions. Assuming this point in favor of the appellants, their Lordships, however, see no reason to doubt that by the clause in question the bank are relieved of the duty of making inquiry, and that they cannot be held responsible for registering the transfer, unless it were shown that they were at the time possessed of actual knowledge which made it improper for them to do so until at least they had taken care to give the beneficiaries an opportunity of protecting their rights. In the present case their Lordships are satisfied that at the date of the transfer the bank had not any notice which could warrant the inference that they were aware that a breach of trust was intended or was being committed. What amount of knowledge would be sufficient to imply that the bank must know that a transfer is in breach of a trust is a question which must depend on the circumstances of each case. In the present case their Lordships do not find it necessary to consider what might be the legal effect of their having such knowledge, because they are satisfied that at the date of the transfer in favor of Alexander Molson the bank had not any notice which was sufficient to bring to their knowledge, or to lead them to believe, that any breach of trust was being committed or intended by the trustees or executors under the will.

The bank had notice that the shares in question were acquired and held by William Molson and Alexander Molson in

the character of trustees and executors for the execution of trust purposes. The entry of the transfer of the shares by transmission was made in their names as executors in the bank books, and the will of the testator, in virtue of which the transfer entry was made, directly gave, devised, and bequeathed the shares to them as trustees and executors for the execution of trust purposes. But it was maintained by the appellants that the bank had further notice, not only of the general trust created by the will, but of the terms of the particular trust in favor of Alexander Molson's children directed by the testator to be provided for by the trustees by way of substitution of them to their father, Alexander Molson.

Their Lordships are, however, of opinion that it has not been proved that the bank had any notice of this particular trust purpose, or at least any notice which could affect them with knowledge of the way in which it ought to have been executed by the trustees. The facts alleged and relied on by the appellants as proof of such notice were (1) that a copy of John Molson's will was in the possession of the bank; (2) that in the case of the families of three of the testator's children notice of the substitution of grandchildren was contained in the transfers by the executors registered in the bank's books in April, 1871; and (3) that William Molson, the testator's brother and one of the executors, was president of the bank, while Mr. Abbott, the law agent of the executors, was also the bank's law agent, and as both of these gentlemen must be taken to have been fully aware of the detailed provisions of the testator's will, the bank through them as its officers had full knowledge of the trust. It is clear, however, that these facts are quite insufficient to prove the alleged notice.

The evidence does not clearly show how the bank came into possession of the copy of the testator's will, which was produced by Mr. Elliott, the local manager. It may have been left with the bank as evidence of the title of the executors to receive the dividends on the shares which were paid to them from the first after the testator's death, or it may have been given to the bank six years afterwards, when the executors desired to have their title as owners by transmission registered in the bank's books. It appears that on this last occasion a notarial declaration of the executors' title, which has not been produced, was presented to the bank, in compliance with the provisions of their charter, and the probability is that the copy of the will was then given to the bank as evidence of the executors' right to have the shares transferred to them. The production of the will or probate at that time would be in accordance with the usual practice, which entitles the bank to require evidence by production of the title in virtue of which the entry of

any transfer of shares in the bank's books is asked. But the only question with which the bank were concerned was that of legal title. They had to satisfy themselves only that the will gave a right to the shares which entitled the executors to be registered as owners. They were not called upon, on an application to enter a transfer by transmission of the bank's shares, to examine the will with reference to an entirely different matter which did not concern them, viz., the testator's directions as to the ultimate destination and disposal of his estate; and there is no reason to suppose that anything more was done on this occasion than is usual in such cases. Again, the entries of transfers in favor of other members of the testator's family, in terms differing from that in favor of Alexander Molson, was not a circumstance calling in any way for the notice or attention of the bank, and even if observed these gave no notice to the bank that the shares transferred to Alexander Molson and to his brother John were held under similar trusts, to which effect should be given. It might well be that in the allocation and distribution of the residue entirely different arrangements would be in compliance with the testator's directions. Nor can the knowledge of Mr. William Molson as a trustee and executor, and of Mr. Abbott as law agent in the execution of the testamentary directions of the deceased, and the execution of the transfer in question, be imputed to the bank so as to affect them with liability. It is not proved that these gentlemen or either of them intervened in any way in reference to the registration of the transfer in favor of Alexander Molson. But, apart from this, their knowledge was not that of the directors or manager of the bank. They were clearly not agents of the bank so that notice to them could be regarded as notice to the bank.

Their Lordships will on these grounds humbly advise Her Majesty that the appeal ought to be dismissed, and the appellants must pay the costs.

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#### Forget v. Ostigny

Where shares are purchased through a broker in a form of transaction generally known as "buying on margin," the debt created to the broker cannot be disputed because of the terms of article 1927 of the Civil Code of Lower Canada, which provides that there is no right of action for the recovery of money claimed under a gaming contract or debt.

*(Times Law Reports)*

This was an appeal from a decree of the Court of Queen's Bench for Lower Canada (appeal side) of September 27, 1893, affirming—Mr. Justice Hall dissenting—a decision of Mr. Justice Pagnuelo.

The Lord Chancellor delivered the following considered judgment:—

The appellant is a member of the Montreal Stock Exchange. The action which has given rise to this appeal was brought to recover a sum of \$1,926, the balance alleged to be due from the respondent in respect of certain contracts entered into by the appellant on his behalf and by his directions for the purchase and sale of shares in various joint-stock companies. The respondent pleaded, first, that the claim was prescribed by lapse of time, and, secondly, that the transactions which gave rise to it were gambling transactions on the rise and fall of shares, and that therefore the action could not be maintained. . . . The transactions between the parties commenced with the purchase by the appellant in December, 1882, of 25 shares of the Montreal Street Railway Company. Additional shares were subsequently purchased in the same undertaking. Purchases were also made of the shares of other companies. The price paid for the shares purchased was debited to the respondent by the appellant with  $\frac{1}{4}$  per cent. commission added. The shares so purchased were sold from time to time and the proceeds were credited to the respondent, less a commission of  $\frac{1}{4}$  per cent. It is not in dispute that all these transactions were entered into at the instance and on behalf of the respondent. . . . The money necessary for this purpose, beyond that supplied by the respondent was raised by the appellant by means of loans from a bank, the shares serving as security. . . . It is conceded that the only law prevailing in Canada upon which the respondent can rely for the purpose of establishing that the appellant is not entitled to recover the sum claimed, is article 1,927 of the Civil Code of Lower Canada. It is in these terms:—"There is no right of action for the recovery of money or any other thing claimed under a gaming contract or bet." In order, therefore, to sustain his defence, it was incumbent upon the respondent to show that the money sought to be recovered was claimed under a gaming contract or a bet. The learned Judge who tried the case and on appeal the Court of Queen's Bench for Lower Canada (Mr. Justice Hall dissenting) thought he had made this out. Hence the present appeal. The defence turning upon the question whether the claim is founded upon a gaming contract, it is essential to ascertain the exact nature of the obligation relied on by the appellant. Unless there was a gaming contract between the parties to this action, so that the appellant, to make good his claim, must rely on such a contract, the defence obviously fails. What, then, was the nature of the contract between these parties? The

appellant was employed by the respondent as his mandatary or agent to make certain contracts of purchase and sale on his behalf. The contracts made, which were unquestionably within the authority given by the respondent, were certainly not gaming contracts as between the parties to them. They were real transactions, the shares purchased and sold were in every case delivered and the price of them paid or received, as the case might be. All this is not in dispute. The appellant having entered into these contracts as agent for the respondent, the latter was *prima facie* bound to indemnify the former against any liability incurred in respect of them. . . .

The Lord Chancellor held that the Dominion Act for the suppression of bucket shops did not apply, inasmuch as the broker of the purchaser received delivery on his behalf, of the articles purchased, thus bringing the transaction within the proviso in that Act. The Court added :

Their Lordships think this proviso was enacted by way of precaution only, inasmuch as they cannot doubt that where a real contract of purchase has been made and carried out by a broker on behalf of a principal delivery to the broker is delivery to the principal, just as much as if it had been actually made to himself.

The judgment continues :

The decisions in the English Courts are, of course, not authorities upon the construction of the article of the Canadian Code. But the words of the English statute relating to gambling contracts (8 and 9 Vict., c. 109) do not differ substantially from those found in the Code. That statute renders null and void all contracts by way of gaming and wagering. The English authorities may therefore well be referred to as throwing light on the question of what constitutes a gaming contract. The case of "Thacker v. Hardy" (4 Q.B.D., 685) in the Court of Appeal in England, was very similar to that under consideration. The plaintiff was a broker who purchased and sold stocks and shares on the Stock Exchange for the defendant by his authority. He sued the defendant for commission and for an indemnity in respect of certain contracts into which he had entered pursuant to the defendant's instructions. . . . Mr. Justice Lindley held, and his judgment was affirmed by the Court of Appeal, that the plaintiff was entitled to recover. Lord Justice Bramwell said:—"The bargains made by the plaintiff upon behalf of the defendant were what they purported to be; they gave the jobber a right to call upon the broker or the principal to take the stock, and they gave the broker the right to call upon the jobber to deliver it." He

further said:—" I will assume that that was the nature of the bargain between the parties, and that by its terms the principal would be entitled to call on the broker to resell the stock, so that, instead of taking and paying for it, the principal would have to pay only the differences. In my opinion that bargain does not infringe the provisions of 8 and 9 Vict., c. 109, which was directed against gaming and wagering, for the principal might take the stock which has been bought for him, and hold it as an investment." He points out, too, that there is no gaming and wagering in a transaction of the kind now in question. The passage is as follows:—" The broker has no interest in the stock, and it does not matter to him whether the market rises or falls; but when a transaction comes within the statute against gaming and wagering, the result of it does affect both parties. In the case before us the broker does not wager at all." Lord Justice Cotton laid down what in his view was of the essence of a gaming contract in these terms:—" The essence of gaming and wagering is that one party is to win and the other to lose upon a future event, which at the time of the contract is of an uncertain nature—that is to say, if the event turns out one way A will lose, but if it turns out the other way he will win. But that is not the state of facts here. The plaintiff was to derive no gain from the transaction; his gain consisted in the commission which he was to receive, whatever might be the result of the transaction to the defendant. Therefore the whole element of gaming and wagering was absent from the contract entered into between the parties."

. . . . For the reasons which have been given, their Lordships think that the judgment of the Courts below ought to be reversed, and that judgment should be entered for the appellant in both these Courts. As regards the costs of this appeal, inasmuch as the appellant was allowed to prosecute it, notwithstanding the small amount at stake, upon the ground that it involved a question of wide general interest, especially to those following the appellant's calling, their Lordships think that the appellant should, in the peculiar circumstances, bear the costs of the appeal on both sides. They will humbly advise Her Majesty in accordance with the opinion they have expressed.

Brocklesby v. The Temperance Permanent Building  
Society and others

The owner of deeds placed them under the control of another, authorizing him to pledge them for a certain sum. The latter pledged them for more than that sum with a person dealing with him *bona fide*, and without notice of the limit of his authority.

*Held*, that the owner could not redeem the deeds without paying the full amount advanced.

(*Times Law Reports*)

The facts in this case are sufficiently indicated for our purpose in the head note. The judgment of the Court was unanimous; that delivered by Lord Watson was to the following effect :

The facts in this case were not in dispute, and the principle in law to be applied was plain. The principal employs an agent to raise money upon certain securities, and at the same time, by direction, not to borrow more than a specified sum; his agent went into the market and obtained a loan in excess from a *bona fide* lender, who had neither notice nor knowledge of the limitation; the agent, instead of accounting to his principal, applies the excess to his own purpose and then absconds. Did the loss in these cases fall on the principal or the lender? He entertained no doubt as to the answer that must be made to that question; he thought the principal, who gave the agent the means of committing the fraud, must bear the consequences of his agent's acts. It appeared to him just and reasonable that, the agent having control of the securities with the consent of the principal, the lender, with no notice to the contrary, should be entitled to deal with the agent on the footing that he had authority to pledge the securities to the full amount of their value. It was true in this case the agent forged documents which he delivered to the respondents to induce them to part with their money, but that did not deprive the respondents of any right they had upon the securities. He agreed in the view taken by the Lord Chancellor, and also the judgment he had delivered.

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QUEEN'S BENCH DIVISION, ENGLAND

The Chartered Bank of India, Australia and China v. P.  
Macfadyen & Co.

Where a Letter of Credit authorizes drafts by an agent "against produce bought and paid for," but not ready for shipment, a holder of drafts purporting to be drawn under such Letter of Credit cannot recover from the issuer of the credit where produce was not bought.

(*Times Law Reports*)

This was an action in the commercial cause list and was

brought by the plaintiffs, who are bankers in London, with a branch in Batavia, against the defendants, who are merchants carrying on business in London, to recover £2,350, the amount of six bills of exchange drawn upon the defendants, negotiated with the plaintiffs, and acceptance refused by the defendants.

On August 4th, 1893, the defendants issued to Messrs. Knowles & Co, merchants, carrying on business in Batavia, the following letter of credit:—

“ We hereby cancel our revolving credit opened in your favor on July 8th, 1892, and open in its stead the following extended credit for £5,000 (five thousand pounds), to be availed of by drafts on us at three, four, or six months' sight against produce bought and paid for by you, but not immediately ready for shipment, but to be shipped within two months of the passing of the drafts and documents in full cover of same, to be sent into the bank through whom you negotiate for despatch to us by first mail after receipt. On the shipping documents being handed to the bank the amount so covered shall again be available, provided that in no case shall the amount uncovered current at any one time exceed the sum of £5,000 sterling. The produce bought under this credit you must hold under lien to us until the documents have been handed to the bank for transmission to us. Marine insurance will frequently be held covered on this side under our open cover, and in that case the documents to be given in will only be a complete set of the bills of lading, with the usual letter advising us that the insurance is to be covered on this side. When the letter is not given then policies of insurance effected by you must be sent in with the bills of lading. This credit to continue in force for one year from this date. These are the terms on which we grant this credit, and we hereby undertake to accept on presentation and pay at maturity or take up under discount all drafts drawn by you in conformity with the said terms and conditions.”

The bills were in the usual form, and recited that they were drawn under the above letter of credit. In order to facilitate the trial of the issue it was admitted for the purpose of the decision of the question of law that goods had not been bought and paid for to be shipped against the bills of exchange; and that the plaintiffs knew of the terms of the letter of credit when they gave value for the bills of exchange. The questions of law were:—(1) Whether it was a condition precedent to the plaintiffs recovering in the action that produce should be bought against which the said bills of exchange could be drawn; and

(2) whether it was a condition precedent to the plaintiffs recovering in the action that produce should be bought and paid for against which the said bills of exchange could be drawn.

Mr. Justice Mathew, in giving judgment, said it was argued that the letter of credit represented a mercantile transaction the object of which was to enable the Batavia firm to draw and discount bills on defendants to enable them (the Batavia firm) to raise money to buy produce. It was said the Batavia firm had to find money in the first instance and then reimburse themselves afterwards; and it was further said that the words "bought and paid for" meant "to be bought and paid for." That was one line of argument on the part of the plaintiffs. The objection to that construction was that it was construing the letter as an open credit and would enable the Batavia firm to present the letter to the bank and draw for the whole amount without the London firm having any security. The defendants contended that the document must be construed strictly according to its terms, and that there was no such absurdity as suggested by the plaintiffs, and that there was no reason for introducing the words "to be bought and paid for." It appeared from the document itself, as well as from the statement of counsel, that the course of business contemplated in Batavia was this. Parcels of goods were from time to time to be purchased at a time when it was not convenient to ship them, and there would be an interval of time when some provision would have to be made for obtaining money in respect of shipments, which was contemplated between Knowles & Co. and the defendants. Knowles & Co. were to give a lien on the goods in favor of the defendants, which was to be completed by forwarding shipping documents to the defendants. When the shipments came fairly speedily there would be no difficulty about the money, as the merchant abroad had only to attach the shipping document to the drafts and hand them to the bank. What was contemplated in this case was an interval when no money could be raised in the ordinary course of business. It was said the contract was that the defendants should give credit to Knowles & Co., and that they were to have a lien on the goods, and subsequently Knowles & Co. were to draw upon them. As a contract between Knowles & Co. and the defendants there was no reason to reject any part of the letter of credit, and there was no reason for refusing to construe it according to its plain meaning, and Knowles & Co. had no right to draw upon the defendants until they had bought and paid for the goods. If the bank acted upon the statement of Knowles & Co. they were giving credit to Knowles & Co. The bank were trusting Knowles & Co. and must take the conse-

quences of the breach of faith on their part. In his judgment the defendants were entitled to refuse to accept the bills, and his judgment was fortified by the judgments in *The Union Bank of Canada v. Coles*.

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Beirnstein v. Usher & Co.

An acceptance payable at a specified place must be presented there for payment in order to charge an endorser.

(*Times Law Reports*)

This was an action tried before Kennedy, J., against the endorsers of a bill of exchange for £60, dated July 5th, 1894, drawn by William Griffiths upon and accepted by W. L. Griffiths, payable seven months after date and endorsed by the defendants to the plaintiff. The bill, which was payable at 14 Picton place, Swansea, the office of the defendants, became due on February 8th, 1895. Instead of being presented at 14 Picton place, Swansea, the bill was presented to the acceptor personally at Newport.

It was argued by the solicitor for the defendants that as this was an action between endorsee and endorser, section 45 discharged the defendants unless the plaintiff could prove presentment on the day the bill fell due at 14 Picton place, Swansea, specified.

The Court acquiesced in this view of the law, and accordingly gave judgment for the defendants, with costs.

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CHANCERY DIVISION, ENGLAND

*In re* Silvester, Midland Railway v. Silvester

When a guarantee is terminable by notice by the guarantor or "his representatives," but is otherwise silent as to its continuance after the death of the guarantor, his legal personal representatives are meant, and notice of the death of the guarantor is not sufficient to determine the guarantee.

(*The Reports*)

This was an action by the plaintiff company against the defendant, who was the sole surviving executor of William Silvester, deceased, and the devisee of his residuary real estate, for the payment of a guarantee entered into by the said William Silvester.

On 26th July, 1881, William Silvester, with other guarantors, entered into a bond in £1,000 with the plaintiff company to secure the payment by the Ystradgunlais and Swansea Colliery Co., Limited, of the carriage of coal and other goods by the plaintiff company for the colliery company.

The bond after reciting that the obligors were the directors of the colliery company, and that the colliery company were desired to open an account with the plaintiff company for the carriage of coal and other goods, and that the plaintiff company agreed to do so on the condition that if the colliery company should not from time to time pay the plaintiff company, their successors and assigns, all sums due from it to the plaintiff company, ended as follows: "then if the obligors, or any or either of them, their or either of their trustees, executors or administrators, shall well and truly pay or cause to be paid unto them, the said Midland Railway Co., their successors and assigns, such sum and sums of money so to become due and payable as aforesaid, then the above-written bond or obligation shall be void, and of no effect, but otherwise shall remain in full force and virtue, provided always that the obligors or any one or more of them or their respective representatives may at any time determine their or his liability under the above-written bond by one calendar month's notice in writing to be given to the said railway company, but such determination by any one or more of the obligors or their representatives shall not prevent the continuance of the liability of the others, or other of them."

William Silvester died on 20th May, 1886, without having given any such notice to determine the bond. The plaintiff company had notice of his death on 26th August, 1886.

On 8th June, 1893, the colliery company passed a resolution for voluntarily winding up.

At the date of the winding up the colliery company had made default in payment to the plaintiff company to the extent of £594 5s. 7d. The colliery company eventually paid the plaintiff company £250, and on 20th February, 1894, the plaintiff company claimed the balance from the defendant as executors of William Silvester. Up to that time the defendant had no knowledge that this bond had been given to the plaintiff company by his testator. The defendant resisted payment on the

ground that the guarantee had been terminated by the death of Silvester, and the plaintiff company thereupon brought this action.

Romer, J., in delivering judgment said :

I think the plaintiffs are right in this case. The bond which is sued upon contains a provision which is in the following terms. [His Lordship then referred to the provision as to notice and continued:] I have first to consider what is the meaning of the word "representatives." In my opinion, looking at the clause as a whole, I think it includes legal personal representatives of the obligors. I think that the meaning of the clause is that the liability of the representatives of the estate, of the obligor's executors and administrators, is to be determined like the liability of the obligor in his lifetime, only by one calendar month's notice in writing, that being the construction of the proviso. The case before me is exactly that referred to by Lord Justice (then Mr. Justice) Bowen in *Coulthart v. Clementson* (1), where he observes as follows: "If, indeed, the contracting parties desire that on the death of the guarantor, a special notice shall be necessary to determine the guarantee, they can so provide in the guarantee itself. And such a provision will, of course, bind the estate."

I agree with that observation, and I think, upon such a contract as I have here, the plaintiffs were entitled to rely upon the express provision of the contract with them, and were not bound to accept notice of the death of the obligor as a notice on the part of the obligor's personal representatives to determine the liability under the bond or guarantee. I think it freed the plaintiffs from the necessity of being held bound by any notice, or any breach of trust or possible breach of trust by the legal personal representatives in not giving notice to determine the guarantee. In the case before me it is admitted that no notice in writing to determine the guarantee was given by the executors according to the contract, and that being so, in my opinion, the estate remains liable, according to the construction of the bond, and I so decide. I am by no means prepared to assent to the general proposition that in an ordinary case the person entitled to a guarantee, merely by having notice of the death of the obligor, is *ipso facto* held affected with notice that it would be a breach of trust on the part of the executor without any further inquiry not to give a notice to determine the liability under the guarantee. I am not prepared to assent to that view of the case.

QUEEN'S BENCH DIVISION, ONTARIO

Port Elgin School Board *v.* Eby *et al.*

It is a condition precedent to the liability of the sureties in a bond conditioned for the delivery up by the principal *on demand* of all moneys received and not paid out by him, that a personal demand of payment should be made on him.

And where the principal in a bond so conditioned dies before any demand for payment is personally made on him, a demand on his personal representatives is insufficient to charge the sureties.

(*Ontario Reports*)

One William H. Ruby was the plaintiffs' treasurer for many years, and down to the time of his death in August, 1892.

On the 30th September, 1880, Ruby, the defendant Eby, and the defendant Carroll, executed a joint and several bond in favor of the plaintiffs in the penal sum of \$3,000, conditioned that Ruby should receive and safely keep and faithfully disburse, upon the order of the plaintiffs, all moneys collected by public school rate, rate bill, subscription, or otherwise by the authority of the plaintiffs, and should deliver up to the order in writing of a school auditor or the plaintiffs, when called for, all papers and vouchers in his custody, and should likewise deliver up to the plaintiffs, on demand, all such moneys not paid out as aforesaid. Upon performance the bond was to be void; otherwise to remain in full force and virtue. The bond contained no recital.

This action was brought upon the bond, against Eby and Carroll, the sureties, and the Trusts Corporation of Ontario, the administrators of the estate of Ruby.

The plaintiffs alleged that at the time of Ruby's death there was in his hands \$617.85, moneys received by him as treasurer, within the meaning of the description of the moneys mentioned in the bond, and not paid out by him; that they had demanded payment of that sum from the defendants, who had neglected and refused to pay it; and the plaintiffs now claimed it in this action.

The defendants, the Trusts Corporation of Ontario, alleged that the estate that had come to their hands was not sufficient to pay the debts; that they were administering the assets, and were prepared to pay the proper claim of the plaintiffs or a ratable proportion thereof equally with the other creditors, out of such assets, in due course of administration.

The defendants Eby and Carroll set up several defences; among others, that no demand was ever made by the plaintiffs on Ruby for the payment of the moneys now claimed.

The action was tried at Walkerton in the spring of 1894, before Ferguson, J., who gave judgment in favor of the plaintiffs.

An appeal from this judgment was argued before Armour, C.J., and Falconbridge, J., on the 21st November, 1894, and the judgment of the Court, reversing the previous decision, was delivered by Armour, C.J., as follows :

There can, in my opinion, be no recovery upon the bond in question in this action against the sureties, for there has been no breach of the condition of the said bond shown.

No demand was ever made upon Ruby for payment, and without such demand there could be no recovery : see . *Simpson v. Routh*, 2 B. & C. 682, where it is said by Littledale, J. : " But in other instances, such as a bond with a penalty to pay a certain sum on demand, there an express demand must be made before the action can be maintained."

And such demand must be made personally : Viner's Abridgt., Condition (P. b.) 2.

A demand was shown upon the administrators of Ruby, but this could not work any breach of the condition, for the condition was not that if Ruby and his administrators should deliver up the moneys, but that if Ruby should deliver them up, and the sureties were not bound for the default of Ruby's administrators, but only for the default of Ruby himself; and to extend their liability to the default of Ruby's administrators would be to make a new contract for them, and one into which they never entered.

Besides, " the conditions of obligations are always for the benefit of the obligor, and shall be expounded liberally for him."

In Addison on Contracts, 9th ed., at p. 1012, it is said that " where the liability of the surety does not arise until after default has been made by the principal, and the latter dies before making default, the surety is discharged."

The action must, therefore, in my opinion, be dismissed with costs.

# UNREVISED TRADE RETURNS, CANADA

(000 omitted)

## IMPORTS

	1893-4	1894-5		
<i>Half year ending Dec'r—</i>				
Free .....	\$25,143	\$22,960		
Dutiable.....	32,845	28,047		
	<u>\$57,988</u>	<u>\$51,007</u>		
Bullion and Coin.....	2,905	3,565	\$60,839	\$54,572
<i>Quarter ending March—</i>				
Free .....	\$ 8,586	\$ 8,054		
Dutiable.....	15,801	14,932		
	<u>\$24,387</u>	<u>\$22,986</u>		
Coin and Bullion.....	916	887	\$25,303	\$23,873
<i>Month of April—</i>				
Free .....	\$3,135	\$ 4,027		
Dutiable.....	4,920	4,848		
	<u>8,055</u>	<u>8,875</u>		
Coin and Bullion.....	96	35	\$8,151	\$8,910
<i>Month of May—</i>				
Free .....	\$4,285	\$ 4,338		
Dutiable.....	4,792	5,050		
	<u>9,077</u>	<u>9,388</u>		
Coin and Bullion.....	78	41	\$9,155	\$9,429
Total for eleven months .....	<u>\$103,502</u>	<u>\$96,784</u>		

## EXPORTS

	1893-4	1894-5		
<i>Half year ending Dec'r—</i>				
Products of the mine .....	\$ 2,930	\$ 3,132		
"    Fisheries.....	7,723	7,463		
"    Forest .....	17,411	15,870		
Animals and their produce.....	22,728	24,607		
Agricultural produce .....	12,499	12,196		
Manufactures .....	4,148	3,920		
Miscellaneous .....	100	80		
	<u>\$67,539</u>	<u>\$67,270</u>		
Coin and bullion.....	1,009	1,275	\$68,548	\$68,545

EXPORTS (Cont'd)

Quarter ending March—

Products of the mine .....	\$1,377		\$1,732	
"    Fisheries.....	1,555		1,204	
"    Forest .....	1,702		1,716	
Animals and their produce.....	2,477		3,693	
Agricultural produce .....	2,492		2,110	
Manufactures .....	1,519		1,535	
Miscellaneous .....	15		31	
	<u>\$11,140</u>		<u>\$12,023</u>	
Coin and bullion.....	376	\$11,516	1,122	\$13,145

Month of April—

Products of the mine .....	\$502		\$ 888	
"    Fisheries.....	299		330	
"    Forest .....	814		933	
Animals and their produce.....	653		1,212	
Agricultural produce .....	463		423	
Manufactures .....	610		552	
Miscellaneous .....	11		11	
	<u>\$3,353</u>		<u>\$4,350</u>	
Coin and bullion .....	301	\$3,654	559	\$4,909

Month of May—

Products of the mine .....	\$ 551		\$ 649	
"    Fisheries.....	533		674	
"    Forest .....	2,093		1,977	
Animals and their produce.....	2,120		2,238	
Agricultural produce .....	1,004		457	
Manufactures .....	628		827	
Miscellaneous .....	15		18	
	<u>\$5,944</u>		<u>\$6,841</u>	
Coin and bullion .....	126	\$7,070	1,282	\$8,126
Total for eleven months .....		<u>\$90,788</u>		<u>\$94,725</u>

SUMMARY (actual figures)

For eleven months—

	1893-4	1894-5
Total imports other than bullion and coin....	\$99,507,911	\$92,257,409
Total exports " " " ....	88,977,260	90,485,050
Excess of imports .....	10,530,651	1,772,359
Net imports of bullion and coin .....	2,183,079	289,144

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 31st Mar., 1895, with comparisons:

## LIABILITIES

	Mar., 1895	Feb., 1895	Mar., 1894
Capital authorized.....	\$ 73,458,685	\$ 73,458,685	\$ 75,458,685
Capital paid up .....	61,688,839	62,510,552	62,110,249
Reserve Fund.....	<u>27,350,674</u>	<u>27,545,341</u>	<u>26,655,036</u>
Notes in circulation .....	\$ 29,414,796	\$ 28,815,434	\$ 30,702,607
Dominion and Provincial Government deposits .....	9,543,430	8,754,475	7,717,359
Public deposits on demand....	63,452,044	64,555,403	60,988,817
Public deposits after notice....	114,417,688	115,083,710	108,754,069
Bank loans or deposits from other banks secured .....	80,153	67,781	.....
Bank loans or deposits from other banks unsecured .....	2,791,222	2,999,779	2,713,748
Due other banks in Canada in daily exchanges .....	180,815	234,293	149,259
Due other banks in foreign countries .....	167,965	156,427	161,859
Due other banks in Great Britain	4,137,789	3,691,063	5,369,168
Other liabilities .....	366,165	781,024	281,982
Total liabilities .....	<u>\$224,552,151</u>	<u>\$225,139,473</u>	<u>\$216,238,956</u>

## ASSETS

Specie .....	\$ 8,058,599	\$ 8,058,278	\$ 7,484,284
Dominion notes .....	15,071,091	15,863,550	13,644,002
Deposits to secure note circulation .....	1,810,736	1,812,301	1,818,584
Notes and cheques of other banks .....	6,056,477	5,865,781	6,129,432
Loans to other banks secured..	80,153	217,728	145
Deposits made with other banks	3,284,390	3,305,977	3,136,393
Due from other banks in foreign countries .....	21,214,061	23,508,848	16,532,527
Due from other banks in Great Britain.....	4,113,422	3,106,880	3,134,319
Dominion Government debentures or stock.....	2,685,139	3,096,917	3,188,463
Public municipal and railway securities .....	18,736,605	18,477,478	18,307,865
Call loans on bonds and stocks	17,279,287	18,054,628	15,196,361

*Bank Statement for March with Comparisons* 565

	Mar., 1895	Feb., 1895	Mar., 1894
Loans to Dominion and Provincial Governments.....	\$ 1,479,932	\$ 1,277,675	\$ 919,329
Current loans and discounts...	199,086,112	195,622,126	202,333,799
Due from other banks in Canada in daily exchanges.....	136,754	169,637	188,889
Overdue debts.....	3,042,985	3,216,112	3,081,521
Real estate .....	1,062,473	1,051,068	874,162
Mortgages on real estate sold..	560,788	564,182	628,438
Bank premises .....	5,510,838	5,482,995	5,272,672
Other assets .....	2,019,553	1,932,393	1,654,781
<b>Total assets.....</b>	<b><u>\$311,289,599</u></b>	<b><u>\$310,684,728</u></b>	<b><u>\$303,523,299</u></b>
Average amount of specie held during the month .....	\$8,050,859	\$8,189,027	\$7,464,894
Average Dominion notes held during the month.....	15,296,161	15,671,774	13,643,683
Loans to directors or their firms	7,653,882	7,618,378	8,151,769
Greatest amount of notes in circulation during month .....	30,312,847	29,875,664	31,662,554

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 30th April, 1895, with comparisons :

LIABILITIES

	April, 1895	Mar., 1895	April, 1894
Capital authorized.....	\$ 73,458,865	\$ 73,458,685	\$ 75,458,685
Capital paid up .....	61,699,493	61,688,839	62,111,449
Reserve Fund.....	<u>27,328,174</u>	<u>27,350,674</u>	<u>26,712,002</u>
Notes in circulation .....	\$ 29,152,152	\$ 29,414,796	\$ 29,996,472
Dominion and Provincial Government deposits .....	8,418,046	9,543,430	6,043,453
Public deposits on demand....	65,578,633	63,452,044	63,772,064
Public deposits after notice....	114,457,027	114,417,688	109,589,042
Bank loans or deposits from other banks secured .....	105,153	80,153	9,297
Bank loans or deposits from other banks unsecured .....	2,415,699	2,791,222	2,194,830
Due other banks in Canada in daily exchanges .....	137,409	180,815	139,641

	April, 1895	Mar., 1895	April, 1894
Due other banks in foreign countries .....	\$ 237,263	\$167,965	\$179,331
Due other banks in Great Britain	4,711,184	4,137,789	5,927,216
Other liabilities .....	360,341	366,165	152,091
<b>Total liabilities .....</b>	<b>\$225,570,990</b>	<b>\$224,552,151</b>	<b>\$218,003,543</b>
<b>ASSETS</b>			
Specie .....	\$ 7,914,449	\$ 8,058,599	\$ 7,435,334
Dominion notes .....	14,106,055	15,071,091	13,794,153
Deposits to secure note circulation .....	1,810,736	1,810,736	1,813,584
Notes and cheques of other banks .....	6,915,332	6,056,477	7,110,243
Loans to other banks secured..	106,153	80,153	.....
Deposits made with other banks	3,067,974	3,284,390	2,571,688
Due from other banks in foreign countries .....	19,949,220	21,214,061	14,829,532
Due from other banks in Great Britain .....	4,448,161	4,113,422	3,355,287
Dominion Government debentures or stock .....	2,690,779	2,685,139	3,188,463
Public municipal and railway securities .....	18,032,609	18,736,605	19,023,063
Call loans on bonds and stocks	16,566,271	17,279,287	15,444,830
Loans to Dominion and Provincial Governments .....	1,598,603	1,479,932	391,924
Current loans and discounts ..	203,273,500	199,086,112	205,051,675
Due from other banks in Canada in daily exchanges .....	131,137	136,754	149,808
Overdue debts.....	2,928,751	3,042,985	2,950,969
Real estate .....	1,088,091	1,062,473	866,536
Mortgages on real estate sold ..	559,349	560,788	636,293
Bank premises.....	5,501,983	5,510,838	5,296,824
Other assets.....	2,051,483	2,019,553	1,664,987
<b>Total assets .....</b>	<b>\$312,740,834</b>	<b>\$311,289,599</b>	<b>\$305,575,405</b>
Average amount of specie held during the month .....	\$ 7,870,885	\$ 8,050,859	\$ 7,419,164
Average Dominion notes held during the month .....	14,686,247	15,296,161	13,197,299
Loans to directors or their firms	8,443,637	7,653,882	7,929,550
Greatest amount of notes in circulation during month .....	30,755,003	30,312,847	31,453,090

STATEMENT OF BANKS acting under Dominion Government  
charter for the month ending 31st May, 1895, with com-  
parisons :

LIABILITIES

	May., 1895	April, 1895	May, 1894
Capital authorized.....	\$ 73,458,685	\$73,458,865	\$75,458,685
Capital paid up .....	61,700,835	61,699,493	62,112,169
Reserve Fund .....	<u>27,043,799</u>	<u>27,328,174</u>	<u>27,127,002</u>
Notes in circulation .....	\$ 28,429,134	\$ 29,152,152	\$ 28,467,718
Dominion and Provincial Gov- ernment deposits.....	7,826,795	8,418,046	6,410,724
Public deposits on demand....	65,643,834	65,578,633	62,926,305
Public deposits after notice ....	115,058,980	114,457,027	110,905,804
Bank loans or deposits from other banks secured.....	121,046	105,153	78,238
Bank loans or deposits from other banks unsecured.....	2,021,755	2,415,699	2,247,866
Due other banks in Canada in daily exchanges .....	91,808	137,409	127,524
Due other banks in foreign countries .....	247,043	237,263	193,246
Due other banks in Great Britain	4,696,056	4,711,184	6,487,109
Other liabilities .....	<u>902,657</u>	<u>360,341</u>	<u>818,694</u>
 Total liabilities .....	 \$225,039,194	 \$225,570,990	 \$218,663,313

ASSETS

Specie .....	\$ 7,669,575	\$ 7,914,449	7,539,763
Dominion notes .....	14,044,513	14,106,055	13,982,924
Deposits to secure note cir- culation.....	1,812,892	1,810,736	1,813,584
Notes and cheques of other banks .....	7,502,348	6,915,332	6,164,182
Loans to other banks secured ..	121,045	106,153	.....
Deposits made with other banks.	2,851,600	3,067,974	2,718,603
Due from other banks in foreign countries .....	19,320,837	19,949,220	15,024,744
Due from other banks in Great Britain .....	3,853,444	4,448,161	2,736,380
Dominion Government deben- tures or stock .....	2,706,189	2,690,779	3,187,438
Public municipal and railway securities .....	18,348,780	18,032,609	18,775,347
Call loans on bonds and stocks..	16,818,764	16,566,271	14,637,324

	May, 1895	April, 1895	May, 1894
Loans to Dominion and Provincial Governments.....	\$ 1,344,297	\$ 1,598,603	\$ 373,713
Current loans and discounts ..	203,572,324	203,273,500	207,122,494
Due from other banks in Canada in daily exchanges.....	146,130	131,137	160,237
Overdue debts .....	2,283,272	2,928,751	2,791,922
Real estate .....	1,052,521	1,088,091	921,186
Mortgages on real estate sold..	595,181	559,349	629,164
Bank premises .....	5,448,489	5,501,983	5,340,354
Other assets .....	1,795,553	2,051,483	1,336,887
<b>Total assets.....</b>	<b><u>\$311,287,952</u></b>	<b><u>\$312,740,834</u></b>	<b><u>\$305,256,446</u></b>
Average amount of specie held during the month .....	7,484,083	7,870,885	7,468,402
Average Dominion notes held during the month .....	14,016,340	14,686,247	13,699,257
Loans to directors or their firms	8,441,590	8,443,637	8,239,804
Greatest amount of notes in circulation during month .....	30,142,474	30,755,003	30,466,853

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Toronto, Halifax, Hamilton and Winnipeg

(000 omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG	
	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5
June .....	\$ 47,244	\$ 44,704	\$ 25,823	\$ 21,965	\$ 5,105	\$ 4,471	\$ 3,204	\$ 2,753	\$ 4,970	\$ 3,329
July .....	49,301	45,223	27,043	23,763	5,510	5,492	3,274	2,682	4,318	3,570
August ..	47,414	44,383	22,311	21,779	5,414	5,407	2,847	2,546	4,067	3,695
September	45,767	46,855	24,505	20,078	4,993	5,062	3,091	2,686	3,132	3,093
October ..	47,266	55,730	25,264	25,750	5,489	5,452	3,227	3,155	2,959	3,975
November	47,291	51,838	25,997	25,214	5,158	5,021	3,150	3,093	2,721	3,786
December	45,108	47,351	25,308	25,700	4,884	4,874	3,747	2,834	5,199	6,607
January ..	42,796	48,376	27,267	27,961	4,931	4,997	3,087	2,831	4,067	4,067
February	35,478	37,793	19,209	20,493	3,981	4,118	2,671	2,461	3,510	2,929
March ....	45,715	42,464	22,894	22,332	4,745	4,174	3,078	2,462	3,132	2,721
April .....	40,942	41,906	21,473	21,961	4,468	4,414	3,078	2,611	2,959	3,093
May .....	45,586	51,969	24,174	25,698	4,871	4,964	2,978	2,704	3,455	4,156
	539,908	558,592	291,358	282,694	59,549	58,446	37,093	32,818	22,344	50,127

\*NOTE.—These totals do not include the Bank of Toronto.



# THE CANADIAN BANKING SYSTEM

1817 - - - 1890

BY ROELIFF MORTON BRECKENRIDGE, PH. D.

## CHAPTER X

### ON THE PRESENT WORKING OF THE SYSTEM

IN following the course of banking legislation in Canada, it has been necessary to give only such occasional reference to questions of banking history and the economic history with which it is interwoven, as was essential to an understanding of the main object of the inquiry. The fourth part of a complete study, so far as it relates to existing conditions, will form the theme of this chapter. It is proposed now to look at the Canadian banking system in its present development, to examine some of the principles of its organization and consider certain of its practical workings.

#### § 54.—CHARACTERIZATION OF THE SYSTEM

The group of thirty-eight joint-stock corporations chartered by the Parliament of Canada and now in operation, may be described as a decentralized system of relatively large, joint-stock, commercial and industrial banks, privately owned and managed, but working under a uniform law, and subject to the supervision and discipline of the Dominion Government. They have the power to establish branches. They have the privilege, exclusive as against individuals and other corporations, of issuing promissory notes in denominations of \$5 and multiples thereof, for circulation as money; but they issue them subject to the prior lien of the note holder against the whole of the bank's assets, and the double liability of its shareholders, and under special restrictions as to the immediate and ultimate payment of the notes and their redemption at par at various points throughout the country. They have the usual powers to carry on business in discount,

deposit, exchange, other negotiable securities, coin and bullion. They are given wide privileges in the matter of loaning upon the security of commodities in process of manufacture, in store, on the way to market, or passing into, out of, or through the country by land, rail or water; they may loan upon the collateral security of the bonds, stocks and debentures of municipal and other corporations, or public securities of any description; but they may not loan upon the security of stock of their own or any other Canadian bank, or of real estate or mortgages or of completed ships.

Their joint and transferable stocks, and the limited liability of investors in these corporations, have an obvious explanation. Without them it would be impossible to secure the capitals on which the banks are grounded. As it is, their capital comes from all parts of the British dominion, the stock lists showing that some is held at the very antipodes, in India, the Cape Colony, and Australia, as well as in Great Britain. That each bank is chartered was partly due, originally, to the desire of proprietors to secure the limitation of their liability for the debts of the bank to the amount of their subscriptions merely. The liability was extended, as we have seen, to twice the amount of subscribed shares, in compliance with Imperial regulations respecting Colonial banks, and the requirement was afterwards modified and improved under Confederation as a safeguard for their general creditors. Where the shareholders are exempt from the additional liability, as in the case of the Bank of British North America and the French Bank *en commandite* (principal partners liable to an unlimited extent, *commanditaires* to the amount of their subscriptions only), the precaution is taken of requiring that note issue in excess of 75 per cent. of the unimpaired paid capital shall be covered by debentures or money deposited with the Dominion Government.

That each bank must be separately chartered, though all are subject to the same general Bank Act, is due partly to the historical tendencies in Canadian legislation with respect to banks, partly to the principle generally followed by English Governments, to restrict the issue of notes, intended to circulate as money, to those to whom the power is expressly confirmed. We have inquired into the origin of this power of

Canadian Governments, and found that, rather than from the Mint prerogative, it is probably derived from the general powers of supervision and regulation exercised by the State, and the conditions which Parliaments have been able to exact in return for the concessions desired by bank promoters. In Canadian law, all companies established under Dominion legislation are incorporated by special charter, although in some cases the charters of a group of similar corporations are continued by a general Act applying to the whole group. The disposal of bank charters has never been marked by the fraud or partizan-ship which make the record of some of the American commonwealths so discreditable in this respect, and caused the people of others also to forbid to their legislatures the establishment of banks of issue,<sup>1</sup> to require referendum of the question at the next general election,<sup>2</sup> or to make all but adaptations of "free banking," to regulate the note issue, unconstitutional.<sup>3</sup> Yet charters have been easily obtained, too easily obtained. Since Confederation forty-four charters have been granted, and only five proposed charters reported on adversely by the Committees on private bills. Twenty of the forty-four have been forfeited for non-user. Moreover, the authorized banking capital of Canada has never been fully subscribed during the last twenty-seven years, or entirely paid-up. Any new bank may now be chartered so soon as the projectors convince the disinterested committee of Ministers and heads of departments known as the Treasury Board, that their intentions are honest and that they have financial backing. A favorable report by the Treasury Board or the House Committee on Banking and Currency makes the bill a Government measure and ensures its passing. The Canadian banks have enjoyed no monopoly against the entrance of new competitors *bonâ fide* into banking, nor have the shareholders profited from investments in stocks which others might not obtain. That it has been difficult for enterprising but needy speculators to start a "bank" in order to

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<sup>1</sup> Arkansas, California, Oregon, Nevada, Texas and Washington.

<sup>2</sup> Illinois, Missouri, Iowa, Kansas, Michigan and Wisconsin.

<sup>3</sup> New York, Pennsylvania, Indiana, Illinois, Michigan, Iowa, Kansas, North and South Dakota. Cf. JOHN DE WITT WARNER, "Ten per cent. tax on State bank notes," Speech in the House of Representatives, 2nd June, 1894, Washington, pp. 36, 38.

borrow the money of others for their own purposes, or that investors have gained from the increased prosperity and improved business which time and wise management brought to the bank they helped to start, are two facts resembling the effects of exclusive privileges, to which probably no one will object.

The "commercial and industrial" characteristics of the chartered banks are the result as well of the restrictions in the statutes governing them, as of the traditions of Scotch and English commercial banking, which were early brought over to Canada and eventually became well established principles of Canadian banking practice.

The early charters limited the value of real estate which the banks might hold, and ever since the law has forbidden banks to engage in trade or to take mortgages or lands except as additional security for debts previously contracted. In the sense in which I shall use it, industrial will also connote what is sometimes expressed as agricultural. The Canadian banks are agricultural quite as much as they are commercial, but their loaning to farmers is ordinarily conditioned by the prospect of an increase of commodities upon which it will be possible to realize soon, or of such sales as result in speedy returns. In land banking the chartered banks do not engage. The ultimate reason, of course, is in the necessity for banks of issue and deposit to invest their funds only in easily and quickly convertible securities. The best form of such assets are producers' and traders' notes and bills of exchange, given for loans of circulating capital, wherewith to assist production, facilitate exchange and anticipate returns. Another cause is the differentiation of credit institutions. There are obvious advantages to all concerned in leaving land banking to the specialized skill and experience of loan companies and building societies.

#### § 55.—THE PRINCIPLE OF LARGE BANKS

The Canadian banks are few in number, but as individuals their establishments are many, their business and capitals large. In the United States, which has a population something over thirteen times as numerous as that of Canada, there are in

operation about 3,796 banks of the National system alone,<sup>1</sup> that is to say, one hundred times as many banks as in Canada. Their average paid-up capital is only \$143,648; that of the Canadian banks, \$1,619,986, or twelve times (11.9) as large; their total capital is \$545,288,782, not quite nine times that of the Canadian banks on the 30th June, 1894, \$61,559,473.

The figures will indicate the meaning of large as used in this connection. The adjective adopted applies particularly to the banks domiciled in Ontario and Quebec. The twenty-four corporations whose head offices are in these provinces have a total authorized capital of \$56,716,666, of which \$52,389,417 are paid-in.\* Seven of these, five being French banks in the Province of Quebec, have capitals of less than a million dollars, and of the French banks, four have less than \$500,000. Of the larger banks, four have capitals of more than four and a half millions and a total of \$28,866,666; eight, between \$1,400,000 and \$2,500,000 and a total of \$14,441,023; and five between \$1,000,000 and \$1,250,000, with a total of \$5,850,000. Nova Scotia has two banks capitalized for more than a million, the sum of the two being \$2,600,000; three for \$500,000 and over, total, \$1,700,000, and three for \$260,000 to \$300,000, total \$809,788. The three banks domiciled in New Brunswick have a total capital of \$880,000; the one in British Columbia, \$2,920,000, and the two in Prince Edward Island, \$247,388. Twenty of the thirty banks in operation the 1st January, 1894, controlled \$54,677,689, *i.e.*, 88.67 per cent. of the total banking capital of the Dominion, then \$61,546,593. The eighteen smaller banks are partly due to incorporation of the small local institutions of the Maritime Provinces with the system of the Dominion after Confederation, partly to the demand for banks of a local character, strengthened as it has been by municipal pride and ambition, partly to the endeavors, which those who made them would doubtless call patriotic, to establish banks in the Province of Quebec, owned and officered by persons of French blood, and finally to the energy, but rather qualified success, of

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<sup>1</sup> Report of the Comptroller of the Currency, 4th December, 1893, Washington, 1893, p. 72.

\* The statistics are from "Report of the Chartered Banks, etc.," for the month ending the 31st December, 1893, and are for the last business day of that month.

certain ambitious persons in starting and carrying on a bank under their own direction and management.

In the main, therefore, the system is one of a small number of large banks. The increased capital requirement of the Act of 1890 is a legal step in the direction of making the organization of new banks more difficult. No new bank has entered the field since 1885. Investors prefer the stock of the older banks that have the advantages of large rests, wide connections and firm public confidence. Of the fourteen banks chartered in 1883 to 1893 inclusive, only five could comply with the requirements of the Bank Act and actually began business; three of the five have already been put in liquidation, two in 1887 and one in 1893. It may be expected that hereafter both people and Parliament will be disposed closely to scrutinize applications for new charters. The enthusiasm for new banks prevailing in the fifties, the early seventies and in 1882-1886, has abated. Compared to accumulations and the supply of loanable capital, there is less intense demand for it. Security and the motives of the depositor are now weighty considerations. Assistance to production and the development of the country's resources have lost their former predominant importance. The tendency of the number of banks to remain stationary, or even to diminish, so pronounced in English and Scotch banking, is thought a factor of considerable influence in the present Canadian situation. If the existing banks keep pace with the development of the country by placing branches in the new and growing districts, it is highly probable that in the future increased needs for banking capital will be supplied through them; that banking extension will be chiefly effected by additions to the capital stocks already established, rather than by the formation of new ones.

The almost absolute certainty of such a development is, on the whole, reassuring. As banks grow older they usually gain in strength and stability. Eight of the ten failures since 1867 have been of lately organized banks; only one had had a life of fifteen years, one of nine, another of eight, three of four years and one of four months. The principle of large banks, furthermore, has been adopted by almost all the countries of Europe. It is exemplified in the United Kingdom, as well by the Bank of England, as by the joint-stock and Irish and Scotch banks. It is, with-

out doubt, necessarily connected with branch banking; in Europe and England the plan of favoring large banks is usually combined with the establishment of a single predominant central bank, enjoying special privileges and close relations with the Government, and in a greater or less degree under its management or control, in some countries, *e.g.*, Russia, wholly owned by the State. In the continental sense the Canadian banks are not "large"; there is not *la unité des banques*, but *la pluralité d'émission*. There is no privileged bank, the monopoly feature is absent; between the banks there is a constant competition. As Sir Francis Hincks phrased it, "they are all on the same footing." The Government stands towards the banks in a supervisory, regulative, and if need be, disciplinary position. Supervision must not, however, be confused with the technical inspection or with the power to interfere with bank management and legitimate business. The only bases for Government action are the monthly returns, the special returns that may be called for, and the penal provisions of the Bank Act. Canadians have thought that the strict observance of this statute, and certain punishments for violating it, are best secured when Government is independent of the subjects of supervision and uninterested in their gains. There is then no National or Government bank; the Bank of Montreal is merely the depository of the Government, their bankers and fiscal agents. The banks are all privately owned and managed in the interests of their shareholders by officers whom the several boards of directors appoint.

It is in connection with management that one finds a marked advantage in large banks. Organization and consolidation tend to increase efficiency, and lower the cost of individual services, as well in banking as in other activities. A large bank with large funds is able to spend whatever may be necessary to secure men well endowed with talents of management. Under their guidance, at the head, it can employ in the management of its branches men who, acting on their own responsibilities, *e.g.*, as managers of local banks handling no greater funds, might be unequal to their tasks. There is added efficiency at the centre, a saving in expense at the branches. And of this double gain a large part is not infrequently devoted to

further acquisition of marked banking ability, whereby still to increase the efficiency of the bank's organization, the safety of its business and the profits which the other results will promote. Then again, the directorate of a large bank is more likely to contain a greater proportion of quite wealthy men than a small one, and these, presumably, are somewhat abler, as careful business financiers, than others with less tangible evidences of economic success. A large bank, finally, has access to a wide territory and a great variety of conditions in which to train its officers. By transfer from one branch to another they gain in experience and versatility, are freed from local prejudice, acquire familiarity with the different kinds of customers and securities with which the diversified business of the bank is concerned, and present to the bank itself a wider choice of well known men from whom to select incumbents of its higher offices.

A second advantage of large banks is their great command of capital, their power to take whatever proper business may be offered them, their ability to accommodate their customers to any necessary amount. With this comes the practical possibility of restricting a customer to one bank, of requiring that his banking account be kept with but one institution. Whatever advantage accrues from restricting the credits of manufacturers and merchants to the limits which bankers well acquainted with the financial position of their customers decide are safe, may be fully realized in a system of large banks. If the customer is dissatisfied with the regular line of credit granted to him, he may remove his account to another bank. A Canadian borrower who secures advances from two or more banks is regarded with suspicion and is likely to have his custom refused by some of them when his practices, as they must be, are discovered. Under a system of small banks, such as the National banks of the United States, the practice of banking with a single concern is often impossible. The legitimate needs of a single borrower often exceed the funds at the disposal of local institutions, and should these be adequate, the National bank is forbidden to lend more than ten per cent. of its paid-up capital stock to any person, firm or corporation, except on bills of exchange and commercial paper owned by the borrowers. The National banks, accordingly, are obliged in some cases to rediscount the com-

mercial paper offered them, in others to submit to their customers having more than one banker. A third escape is opened to the borrower in the possibility of forwarding his paper to some bill-broker in the nearest large city, or in New York, and getting it discounted there. In any case there is a complication added to the artificial structure of credit, and incompleteness in the knowledge which the lender should have of the debtor's position. In the first and last cases, an intermediate series of debtors and creditors may enter between the original borrower and the ultimate lender. This exaggerates the sensitiveness of credit by widening the area of interdependence, a result quite unnecessary in a system of large banks.

Third, large banks have great stability and strength. The security they afford to note holders, depositors and other creditors is usually superior. The proportion of capital, rest and reserve liability of shareholders to the bank's general liabilities is not necessarily greater than in the case of small banks. There is no reason why public confidence in the large institution, as expressed by note circulation and deposits, should be less, proportionately, than it is in the small bank. The liabilities of the Canadian banks to shareholders and public are about 4.94 times their paid-in capital, those of the National banks 4.58 times their capital. The chances are, as English experience shows, that the larger bank will enjoy the greater business for each unit of capital foundation. Only one of the ten insolvent Canadian banks had a capital of over a million dollars. Four had capitals of \$600,000 or less, and the other five capitals of less than \$400,000. The comparison of 248 insolvent National banks out of the 4,930 organized with the ten insolvent Canadian banks out of 55 some time in operation since 1867, is no comparison at all. The thirty-eight surviving banks have over 500 different establishments, and to be fair, the comparison must be made between the number of establishments affected by insolvency. With one exception the Canadian banks in question were small and their branches few in number. It is because the management of a large bank is presumably able, and their stake depending on care and caution so great, that the creditors of a large bank enjoy a high degree of security. Every instinct of self-preservation demands that unusual risks or speculative investments

be avoided ; that safe rather than brilliant banking be the guiding policy. When losses are incurred, a large bank can bear and write off defaults that would definitely swamp a small bank. Take for example the occasions on which the Bank of Montreal, though not explicit as to the amounts, has acknowledged the loss of a million dollars, the time that the Merchants' Bank reduced its stock from nine million to six, or that the Ontario Bank wrote \$1,500,000 from its capital, or again the reduction of \$1,100,000 on account of bad debts made in the rest of the Canadian Bank of Commerce in 1887.

Lastly, public criticism, a valuable restraint in any system, is more acute and concentrated when banks are large. Confidence, as a condition precedent of banking development, should be well founded and reasonable. The monthly exposure of each bank's condition by the publication of its report to the Government has been required since 1854. The continued expansion of the Return by requirement of more thorough analysis and minute details is sufficient evidence of the benefits obtained from this device. To-day, not only the character of each bank's assets and debts, how many are secured by real estate, how many are overdue, etc., practically its exact condition, but also, in great measure, their relations to each other, may be ascertained from the "statement of banks acting under charter." The publicity makes Government supervision possible, and, in many cases, forms a difficult obstacle to violation of charter restrictions. Public, press and competitive banks are watchful critics of the Return, and conclusions reached by outside observers or the newspaper writers are given prompt and full expression each month. But where banks are small and many, the attention of the critics tends to be dissipated, their interest to be diminished. To concentrate criticism its objects must be few, and if the banks are few they must be large.

A comparison of the banks of Canada and those of the United States in the respect just discussed would not, it is likely, be a very serious arraignment of the American plan. For the last sixty years at least, the American development, though its tendencies have been unique, seems to have been steadily on the lines of local, particularistic banking, the different parts of the monetary and credit organization being united, of course, through

an intricate system of exchanges, the minor centres in the clearing house and redemption cities, and the great centre in the city of New York. The American National banks would suffer most from the comparison with respect to the command of funds and the power to accommodate customers pertaining to individuals of the system. They are not subject to such widespread or keen public criticism, but this is offset by the useful though sometimes misleading official inspection, a safeguard which is practicable in any sense only where a bank is confined to one locality and office. Then, too, the creditors of most of the banks are chiefly local, and persons in other districts are comparatively uninterested in their condition. For stability, if that is to mean the continued solvency of all the banking offices of a system, and the continued power to protect solvent and worthy customers at critical moments, the Canadian banks have a somewhat better record. As to security, an exact comparison on the basis of loss suffered by creditors is not possible. The affairs of 123 insolvent National banks are not yet finally closed.<sup>1</sup> Even if the proportion borne by total loss of principal in thirty years to the total liabilities of the existing banks of the National system, should appear to be less than that borne by Canadian losses in the last twenty-seven years to the present liabilities of the Canadian banks to the public, the conclusion as to security would not be unreservedly in favor of American banking. Operation under State laws has usually been a resource for those who felt hampered by the severer conditions of the National Bank Act. In Canada, however, the conduct of joint-stock banking in all its branches is possible only under the legislation of the Dominion. A rather careful estimate, moreover, points to the probability that when ascertained, the proportion borne by loss suffered from banks under Federal laws is higher than that borne by the loss suffered from Canadian banks subject to the Bank Act.<sup>2</sup> Another aspect of the question

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<sup>1</sup> Comptroller's Report, 1893, pp. 206-213.

<sup>2</sup> The proportion of approved claims against insolvent National banks which will never be paid, will not fall short, probably, of \$25,000,000. The liabilities of the National banks, less capital stock and surplus fund, were \$2,284,272,164 on the 31st October, 1893. Our computation of Canadian losses since 1867 was \$1,922,000; the total liabilities of the banks to their creditors on the 31st December, 1893, \$218,662,965. The percentage in the first case is 1.094, in the second .874.

of stability comes to view in the fact that since 1837, there has been no general suspension of specie payments in Canada, or need for resorting to such devices as clearing house certificates, checks payable only through the clearing house, or the unauthorized issue of scrip.

§ 56 — THE PRINCIPLE OF BRANCH BANKING

For the purposes of this section, branch banking may be defined as the prosecution, under the control of the parent bank, and upon its general capital and means, of a business in banking credits, at offices established in places other than the domicile of the parent bank. It is most practicable and profitable when the parent bank is large, and when it enjoys the privilege of issuing notes upon its general credit, *e.g.*, the Scotch banks, the Australian banks, the two Banks of the United States. The Canadian statutes which permit it, and the Canadian practice of using the power to establish branches, agree with the principal banking systems of Europe, of Great Britain, and the British colonies. Branch banking has been widely extended in Canada; on the 1st June, 1894, there were, exclusive of city branches, 465 establishments of the chartered banks, in 259 different localities.<sup>1</sup> The number of branches established by each bank varies somewhat, according to its capital, the character of its business and the policy of its management. The Bank of Montreal has thirty-eight branches in Canada, and New York, Chicago and London offices; the Bank of British Columbia has ten branches, of which four are in the United States. The Canadian Bank of

<sup>1</sup> The territorial distribution of these branches is best indicated specifically:

Branches in	Places	No. of Offices
Ontario .....	134	243
Quebec .....	47	82
Nova Scotia .....	38	62
New Brunswick .....	16	31
Manitoba .....	8	19
British Columbia .....	7	13
Northwest Territory .....	6	8
Prince Edward Island .....	3	7
	259	465

Commerce has fifty-one branches and an agency in New York ; the Merchants' Bank of Canada has thirty branches and a New York agency. The Bank of Nova Scotia has twenty-six establishments in Canada, an agency in Chicago and another in Kingston, Jamaica. The Molsons' Bank has twenty-three branches; the Merchants' Bank of Halifax and the Imperial Bank of Canada, each twenty-two agencies. Twenty-two of the banks have ten or more offices, eight but one each, and eight from two to nine offices.

Certain advantages both to the Canadian public and to their banks of which branch banking is productive, may be summarized under the following heads.

I. The collection and distribution of loanable capital from and to different parts of the country are accomplished at the minimum of expense and with the maximum of thoroughness. When the instrument of both the services is a single organization such as a large bank with numerous branches, the task is better performed, it would seem, and certainly at less cost than when two or more banks are necessary to the same series of services, and each must be rewarded for its part. The same Canadian bank that collects capital from the older, accumulating districts in the form of deposits, transfers it to the centres of industry and commerce, or to those districts for whose development and activities more capital is needed than can be supplied from the local stock. The process of intelligent distribution is facilitated by the knowledge of local conditions had by the parent bank from the officers of its branches, and the consequent ability to loan when the demand is great, with the same safety as a local lender. Where the banks are merely local, the specialized knowledge frequently lacks the necessary funds. The banks of Massachusetts, *e.g.*, may have hard work to find satisfactory investments at 4 per cent., while Colorado banks are offered more good discounts at 10 per cent. than they can take. The following table of the rates of discount on good paper in differ-

ent parts of the United States at arbitrary dates in 1891, 1892, 1893, is a further illustration :

RATES OF DISCOUNT charged on time loans in different cities in the United States during the week preceding the day on which they were reported in *Bradstreet's* :

	1890	1891		1892		1893	
	27th Sept.	30th May	21st Nov.	16th Apr.	17th Dec.	25th Mar.	2nd Sept.
Boston.....	5 @ 7	5 @ 7	4 @ 6	4 @ 6	5 @ 7	6	7 @ 8
Philadelphia.....	6	5½ @ 6	5½ @ 6	3½ @ 5	5 @ 5½	5½ @ 6	10 @ 12
Chicago.....	6 @ 8	5 @ 8	6	5 @ 6	7	6	7
St. Louis.....	7 @ 8	8	6 @ 8	6 @ 8	6 @ 8	6 @ 8	6 @ 8
Detroit.....	6½ @ 7	7	.....	.....	7	7	7
Kansas City.....	8 @ 10	8	6 @ 7	6	6 @ 8	7 @ 8	7 @ 8
New Orleans.....	8	6 @ 8	8	4 @ 6	6 @ 7	6 @ 7	8 @ 10
St. Joseph.....	7 @ 8	8 @ 10	8 @ 10	8	7	6 @ 8	7 @ 8
Memphis.....	8	8	7 @ 8	6 @ 7	8	8	7 @ 8
Portland, Ore.....	.....	.....	.....	.....	8 @ 10	8 @ 10	8 @ 10
Galveston.....	8	8 @ 10	8	8	8	7 @ 8	7 @ 8
Seattle.....	.....	.....	.....	.....	10 @ 12	10 @ 12	10 @ 12
Louisville.....	6 @ 7	7	7	7	7	7	7 @ 8
Milwaukee.....	7	6	7	6 @ 7	7	7	7
Cincinnati.....	6	5 @ 6	5½ @ 6	5 @ 6	7	7	7 @ 8
Providence.....	6 @ 6½	5½ @ 6	6	5 @ 6	5 @ 6	6 @ 7	6 @ 8
Omaha.....	8	8	8	5	6	6½	7 @ 7½
Baltimore.....	5½ @ 6	5 @ 6	.....	6 @ 7	6	8	8
Pittsburg.....	6 @ 7	6 @ 7	6 @ 7	.....	5½ @ 6	6	6 @ 6
San Francisco.....	7	7 @ 8	7	6	5 @ 6	6	6 @ 7
St. Paul.....	8	.....	.....	6	6 @ 8	6 @ 8	8 @ 10
Houston.....	8	.....	.....	4½	6 @ 8	8	8
Denver.....	.....	.....	.....	.....	8	8	8
					10	10	10

Differences in the United States would probably be much greater were it not for the action of western banks as agents in placing loans for sister banks in the east ; between the rates in western towns of less importance and those in the financial centres of the east, the differences are much greater than the above figures for the larger markets indicate.

But the Canadian banks are not local ; their interests and their activity are bounded, not by the confines of a single town, but by the borders of an entire province or of the Dominion itself. They borrow capital where they can get it and loan it where it is needed. " So perfectly is this distribution of capital made, that as between the highest class borrower in Montreal or Toronto, and the ordinary merchant in the Northwest, the difference in interest paid is not more than one to two per cent."¹ On loans of equal security the interest charged will not vary one per cent. the country over, whether the debt is

¹ B. E. WALKER, "Banking in Canada," in *Journal of the Canadian Bankers' Association*, Vol. 1., p. 18.

contracted in Halifax, Quebec, Hamilton, Calgary or Vancouver.

This unqualified advantage may be summed up as a national equalization of the rate of interest through economies in the cost of transferring capital, and a highly effective system of arbitrage.

II. Ample facilities are afforded to small towns, isolated borrowers and the country generally. For the purposes of good investment a branch has resources limited only by available funds of the great bank of which it is a part. The petroleum producers, the great wheat farmers in the Northwest, the distillers in small Ontario towns, or the packing houses and lumber firms in little New Brunswick villages, have, almost at their doors, agencies of the greatest banks in the Dominion, ready and able to advance on the security of unmarketed products or goods in course of manufacture, to buy their sterling exchange or to discount the paper arising from other transactions already concluded. Produce shippers have access to like conveniences, no matter, practically, how remote or unimportant the district in which they operate. No worthy industry, whatever its distance from the centres, need droop for lack of banking facilities. The agricultural districts are provided with places near at hand for the deposit of their savings, and they are given liberal accommodation, at seed time, before harvest and whenever else there is a prospect that the use of the loan will provide the means for its payment. The degree in which the description "agricultural" applies to Canadian banks is seldom noticed in accounts of the system, but it is increasing from year to year. In 1881, when there were only two less banks than now, the number of branches was 287.<sup>1</sup> In 1890 there were 444 branches, and 225 of these were in towns without the office of another chartered bank.<sup>2</sup> Correct judgment, it is believed, will acknowledge from the Canadian banks services to the agricultural development of their country as great as those for which the Scotch banks have been universally esteemed.

As from the first, there arises from this group of advantages

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<sup>1</sup> GEORGE HAGUE. "Banking in Canada," in Proceedings of the Convention of the American Bankers' Association, New York, 1881, p. 99.

<sup>2</sup> Garland, *ut supra*, p. 35.

due largely to branch banking, a levelling of the rate of interest, and also increased economies of time in the transportation and marketing of goods.

III. The risks of investment are distributed and varied, and the banks are more certain of regular profits. Unlike that of the National banks, their prosperity is not largely dependent upon the fortunes of single towns or sections. Nothing is more emphasized by Canadian bank managers than the inevitable condition of a bank's gain or loss, viz., the prosperity of its customers as a whole. Under the branch system, however, the losses, bad harvests, or depression in one part of a bank's territory are set off against the good crops and more successful issue of the year's business in another. This, to a great extent, was the case with losses incurred by the banks with branches in Manitoba, after the Northwest boom collapsed in 1882, and dozens of other examples might be cited from the reports of shareholders' annual meetings. It may be objected that all this involves having too many irons in the fire, just as it may be said that in affording ample facility to the borrowers of his neighborhood a branch manager may exceed the limit of safety. But the first objection will not hold if the organization of the bank is thorough; the second will be due to faults in judgment from which no man is sure to be free. Branch banking is still a case of not carrying all the eggs in one basket; the gain in stability and the strength to survive local disasters is enormous.

IV. The establishment of branches gives the parent bank opportunities to extend its note circulation. As circulation is issued as a general charge against assets, country banking thus makes possible a special addition to the *credit* loaning powers of the banks, which in so far economises material capital without loss of its beneficial effects. The banks gain further from the slightly higher rate of interest (an extra  $\frac{1}{2}$  to  $1\frac{1}{2}$  per cent.), secured from country customers, partly because of the technical inferiority of the security they offer, partly because of the less severe competition in such localities. Yet, valuable as their services are to the community, many of the country offices return but slight profit. Many could not be kept up were it not for the increase of circulation which they promote and the possibility of saving interest on till-money by using

unissued notes for the purpose. These features of bank note issues like the Canadian will be discussed more fully in § 58.

V. A fifth advantage lies in the centralization of bank management, and nationalization, so to speak, of banking policy. I have called the Canadian system decentralized, because there is no enormous central bank domineering over all the others, and because there is competition, much of it, too, in every department of banking. In another sense the banks are centred; seven of them with capital of \$14,560,958, have their head offices in Toronto; eight, with capital of \$27,756,266, in Montreal; three banks with capital of \$4,900,000 are domiciled in Quebec, and five, with stocks amounting to \$4,300,000, have their head offices in Halifax. Twenty-three banks with a total capital of \$51,517,224, are superintended from the four focusing points of Canadian commerce and finance. Their superintendence, however, is not more concerned for the advantage of traders and producers in these localities than of those elsewhere. The business of the banks comes from every part of the country; the obligation to "take care of customers" is as strong in a lumber village of northern Ontario as in St. James street, Montreal. Here comes the nationalization of banking policy; the interests and responsibilities of the banks are wide; the measures they take at one time and another must be broad of purpose and generally beneficial to correspond. In times of stringency or impending panic they must heed the welfare of their province or of the entire country; upon it depends their own. The branch system, moreover, prevents to a great degree the antagonism of interests in a panic or time of contraction between a great number of establishments, each selfishly intent on self-preservation, and anxious to store away all possible cash against the threatened day of trial. The reserves of branches are the reserves of parent banks; the country offices have the same interests as the city establishments; the branches, further, are subject to orders from the head offices at the centres. There may be hoarding, but reserves are not scattered through the country; they are kept at the centres where the heaviest payments are eventually set off against each other. There is no parallel in Canadian experience to the American crisis of 1893, and so far as that action at cross purposes by city and

country banks which preceded the culmination of the difficulty is concerned, a parallel would be impossible.

VI. Branch banking tends to promote more judicious and impartial administration of the lending powers of the bank than local banking. The confidential character of banking transactions is better secured. The manager of a branch, has ordinarily received his training in a variety of situations. He is likely to deal as a *banker* with the clients of his branch and not to be exposed, not to be subject, to the influences of friendship, family ties and business connections; in all important questions he must consult his head office. Instead of having his affairs discussed by his acquaintances, perhaps by his competitors on the board of a local bank, the applicant for credit receives impartial treatment from the remote and disinterested general manager on the basis of his own and the branch manager's statements of the facts necessary to a decision.

VII. The educative effect of this type of bank organization is not without importance. A certain improvement in the commercial habits of the people with whom the business is carried on is usually ascribed to the introduction of any sort of banking. They show greater promptness in discharging payments and other contracts, more careful calculation of business chances and stronger habits of thrift. The familiar example of the Scotch has been over-used perhaps, although their banking system seems peculiarly calculated to promote these results. What special benefits of this character the branch system favors have been touched upon in the preceding paragraph; they are largely due to the excellent training of branch managers, their lack of prejudice and the possibility through them to bring close to the people the exact and thorough methods of the highest type of urban banking. Nearly every Canadian bank conducts a "savings department" as an important part of its mechanism for the collection of the spare capital of the country. They also pay interest on deposits, seldom on current balances of active accounts, but always practically on deposits which, being payable after notice or on a fixed day, are regarded by the makers in the light of investments. These deposits, on the 31st December, 1893, were to deposits payable on demand as 1,078 to 625. By this means the inducements held out to thrift are immensely

strengthened, the depositing habit is cultivated, and both the country and the banks gain from the utilization of well nigh every dollar not required for the immediate purposes of the owners.

The principles of branch banking and of large banks, and the advantages to which they conduce, are not, as the reader has doubtless already complained, without their reverse side. But certain evils arising in a system of which they are characteristic have been noticed in the historical sketch of the preceding chapters. To realize the possibilities of the Canadian system, each bank must have a strong and thorough central organization, able, cautious, and vigilant management, a trained and disciplined staff, rigid inspection by officers of the principal establishment, specially detailed for the purpose, and the purpose both to observe the Bank Act and otherwise to keep within the bounds of safe and legitimate banking. Where any of these are unduly deficient, the shareholders are sure to suffer loss, but through competition and other safeguards, it will become so soon apparent that, as a rule, the creditors of the bank will be saved from injury.

Another caution may be ventured with regard to the attention given to banking profits under the Canadian system. The apparent one-sidedness disappears when it is seen that the advantage of the banks is also, in the truest sense, the advantage of the public. Ministers and legislators have often remarked, "Banks are chartered for the benefit of the public." They find the real justification of their banking system, without doubt, in the efficiency with which it promotes that benefit, not in the success with which the banks amass gains for their shareholders. Banking in Canada, we must repeat, is no monopoly. To bring forward the services which banks afford, at least the normal return from enterprises of like difficulty and risks must be assured to investments in their stock. Whatever increases the security of banking investments and thus diminishes the premium for risk, whatever extends the fields from which the banks can receive their profits, or increases the efficiency of capital by permitting a larger volume of credit to be based upon it, diminishes,

*pro tanto*, the cost of the individual services which the banks afford. The competition between Canadian banks is of the most free and active variety. The value of the bank's services, therefore, cannot rise above their cost,—the lowest return which will induce sufficient expenditure of capital and labor in the production of such services. That cost is expressed for the public by the rate of discount. Reduced cost means reduced rate of discount, and in this great respect, at all events, the interest of the banks and the interest of the public are one and the same.

§ 57.—THE CANADIAN SYSTEM OF NOTE ISSUE

Each Canadian chartered bank has the power to issue its promissory notes, payable to bearer on demand, for circulation as money. The exercise of this power is restricted by no requirement to hold a minimum reserve against the notes issued, or to secure them by the pledge of definite assets; but it is confined to the corporations to whom the power is expressly confirmed, and they may not issue in excess of their unimpaired paid-up capital stock. Except in so far as they are the first charge upon all the assets of an insolvent bank, the notes form a liability indistinguishable in its essence as a debt, from such other liabilities as deposits payable on demand. In one sense it is a matter of indifference to Canadian bankers whether their liabilities to the public are incurred by issuing notes, or giving book credits to their depositors. As Alexander Hamilton clearly proved, at almost the very inception of American banking, it is the interest on the securities purchased by his credit, that concerns the banker, not the particular form in which that credit is used.<sup>1</sup>

From the general economic and legal standpoint, these bank notes must be viewed as a part, and only a small part, of that vast volume of bills of exchange, cheques and other instruments of credit or evidences of rights to demand money, which are more and more used in convenient and economical substitution for

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<sup>1</sup> Report on a National Bank, 13th December, 1790. CLARK and HALL, *Legislative and Documentary History of the Bank of the United States*, Washington, 1832, p. 16. Cf. DUNBAR, *Chapters on the Theory and History of Banking*, New York, 1891, p. 56.

the coined precious metals as media of exchange. Bank notes are only one type of the devices by means of which modern commerce is becoming more directly the barter of goods for goods, and through which the use of money itself<sup>1</sup> as a means of transferring value, is being constantly economized. When subject to no other regulation than that of the commercial law enforcing the obligation of which they form the evidence, the extent to which these various instruments of credit are issued or retired is dependent on the need for their issue; in other words, the circulating medium which they compose is naturally elastic. The person who accepts them in satisfaction of a debt, does so at his own option, and, though protected in many cases by the continued liability of the transferor, at his own risk. When bank notes are regarded merely as a liability no different in substance from deposits, it is quite true that depositors seem to have a "claim for equal consideration" with the note holders. At all events, there is no reason why that part of the circulating medium composed of notes should be less elastic than that based on deposits, and given form as cheques.

A high American authority has said that legislators have generally failed to perceive the similarity of the two kinds of liability; that the appropriate measures for the protection of note-holders are more obvious, and of easier application; and that depositors, as a rule, are better informed, can more easily protect themselves, and so have less claim on the guardianship of the legislature.<sup>2</sup> I apprehend, however, that the real reason lies deeper. Of all the substitutes for money, bank notes are the nearest like money. They are transferred by delivery merely, they pass from hand to hand without indorsement, they are issued in convenient and even denominations, and they are legal tender if not objected to as money. Where the greater part of the circulating medium issued in the small exchanges is composed of bank notes, many creditors have practically no option whether or not to accept in payment these conventional substitutes for money. A retail trader, *e.g.*, is forced to receive

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<sup>1</sup> Money is here used as denoting only precious metals, coined by the State, and the fiduciary or fiat issues, whether of the State or its creatures, which are established as the legal tender in payment of liquidated debts.

<sup>2</sup> Dunbar, *ut supra*, p. 58.

the notes by custom, and the probability of having to wait for satisfaction, if he does not take it when and how it may be offered. It may be objected that the smallest shop-keeper or humblest laborer has the right to refuse paper which will not be redeemed at its face value. With regard to the notes of a particular bank, the objection holds. But on the one occasion when a general suspension of specie payments was permitted Canadian banks, inconvertible notes were taken by traders at the same value as paper paid in specie. In the great majority of cases, the bearer of a bank note holds a debt, which, though not of his own seeking, it was conventionally necessary to accept. Apart from the precepts of economic policy, justice to the note-holder as a quasi-involuntary creditor, must always be a valid and effective reason for special legislative action to make his claim secure.

The quality of security is necessarily associated with that of convertibility. If it were impossible to change the note for the money promised on its face, the creditor's claim would not be secured. But security and convertibility, as the people of the United States ought to have learned in the last fourteen years, are not the only desiderata in a circulating medium so like money, and used in substitution for it. It is an accepted doctrine of monetary theory that the amount of metallic money in a country is so regulated by the action of the international exchanges, that it tends constantly to the point where its effect upon prices will not disturb the balance of trade, or as it has been called, the equilibrium of international payments.<sup>1</sup> If a metallic currency is to be partly replaced by a quantity of bank notes, the substitute, to be perfect, ought to be as elastic, at least, as that part of the circulating medium instead of which it is used. If, further, the volume of the bank note circulation is so elastic that it easily and automatically corresponds not only to what the trade of the country ought to have in the long run, but also to the frequent rhythmic rise and fall, which is especially marked in the commercial activity of communities largely agricultural, the advantage of the substitution is greatly

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<sup>1</sup> J. E. CAIRNES, *Some Leading Principles of Political Economy newly expounded*, part iii., chapter iii., § 5.

enhanced. By means of bank notes, there is attained a more exact adjustment of the currency to the need for currency than was possible when the medium used in the exchanges effected by bank notes was wholly metallic.

The need that the bank note currency should be secure, convertible, and elastic in this second sense, is so nearly a generally accepted doctrine as to preclude the demonstration here. Besides, the proof can be found in almost any received work on banking theory. But the methods by which these desiderata are obtained in Canada present some unique devices and deserve examination.

First, then, as to ultimate security: Subject to the exceptions already noted, and the provisions that no bank may issue notes promising the payment of sums of money less than five dollars, or not multiples of five dollars, the Canadian bank note issue is free and plural. Though altogether arbitrary, the maximum limit is, in effect, a restriction upon individual banks rather than on the currency as a whole. The total authorized circulation on the 30th June, 1894, was \$61,559,473, the amount outstanding \$30,241,719.<sup>1</sup> The bank note circulation has never exceeded \$40,000,000. Not more, probably, than four of the banks with a moderate paid-up capital and a relatively large and active business, find their authorized circulation inadequate in the most active season of the year.

The security for the ultimate payment of this liability is the prior lien given to the holders of its notes, upon all the assets of any insolvent bank. The notes were first made a preferred claim in 1880. Since then there have been four bank failures, and in every case all the notes presented have been paid in full. It will hardly be possible in the future for any bank to play the losing game so long that, when it is forced to withdraw, its property will not be enough to discharge its liabilities on notes. On the 1st January, 1894, the Canadian banks held assets, presumably good, averaging \$8.809 for every dollar of their notes in circulation. Of individual banks, there was only one whose assets bore as low a proportion as \$3.56 to \$1 of notes; only

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<sup>1</sup> The figures are obtained by deducting from the grand total given in the statements of banks acting under charter, the authorized and outstanding circulation of the defunct Commercial Bank of Manitoba.

two others who held less than \$6 against every note issued.<sup>1</sup> One bank shows as high a proportion as \$10.91 of assets per dollar of notes, another \$11.03, and another still \$12.40. But this is not the only guarantee. The notes are a first charge, not only upon the \$302,991,544 of assets, but also upon the double liability and unpaid stock subscriptions of shareholders to the amount of \$63,313,315 more. The average guarantee behind each dollar of the circulation is, therefore, nothing less than the extraordinary sum of \$10.65. For the Bank of Montreal, the proportion rises to \$13.29, for the Dominion Bank to \$14.40, and for the Quebec Bank to \$15.42. The average, however, is one of the few that are really representative. By the Bank Circulation Redemption Fund, the note issue of any bank is become a debt which all the banks may be called on to redeem, an amount equal to 5 per cent. of the circulation being immediately available after a failure, and one per cent. in each subsequent year.

Suspension of the payment of any of its liabilities, as they accrue, if continued for ninety days, consecutively or during the year, constitutes a bank insolvent, and forfeits its charter, except for the purpose of collecting its debts and winding up the estate. Practically though, a bank fails on the day it stops payment. Its notes bear interest at six per cent. per annum from the day of suspension to the day of payment. In all probability, those in charge of a suspended bank's estate will be able to begin redemption within sixty days of the failure. The interest which the notes bear until redemption has begun rather tends to hasten the efforts of liquidators. But if they do not make arrangements for paying these claims, and do not publicly announce within the sixty days that such arrangements have been made, the Minister of Finance may make arrangements for the payment of the notes, with interest, out of the Bank Circulation Redemption Fund. Interest in this case also ceases after the day set for redemption.

This Fund, as we have seen, has been deposited with the Government for the very purpose of ensuring prompt redemption of the notes of an insolvent bank. It has been contributed

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<sup>1</sup> These banks have issued about \$40,000, \$1,050,000, and \$120,000, respectively.

by all the banks in sums equal to five per cent. of the average circulation of each during the twelve months preceding the 15th July, 1892. It is annually adjusted, and bears interest at 3 per cent. If it be depleted by operations of redemption, each of the solvent banks must contribute to make it good, by annual payments not exceeding one per cent. of its average circulation. With respect to notes paid out of the Fund, the Minister of Finance has the same prior lien upon the assets of the issuing bank as any other note holder, and if such notes or any number of them are redeemed, he is under obligation to return the proceeds, *pro ratâ* to the amount of their contributions, to the banks who helped to restore the Fund to its permanent level, *i.e.*, five per cent. of the total bank note circulation. The liability of the Government is limited to the amount of the Fund. Neither in the matter of ultimate security, nor of redemption in case of insolvency, does the Canadian State become responsible for the notes. The holder must look to the pledge of the banks first, last, and for all time, as the only guarantee of the credit currency. Experience proves that the first lien is ample ultimate security for the notes. By agreeing to maintain the Redemption Fund, the banks have bound themselves so long as they are solvent, to see to the payment of the notes of any bank of the system that may suspend.<sup>1</sup>

So far as the circulation is concerned, the Bank Act of 1890 does for the banks what the British North America Act of 1867 accomplished for the Canadian provinces. In either case confederation is now an accomplished fact. But the highest benefits

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<sup>1</sup> Suppose, however, that one very bad failure should exhaust the Fund, and that another bank, quite able to pay its debts and even return a dividend to proprietors, should fail or decide to wind up its business before the assessment to make the Fund good had been levied by the Treasury Board, would the second bank be liable to contribute? The case is nowhere treated in the Bank Act; the contribution would not be one of the penalties which are a last charge on the assets of an insolvent bank, and section 54 provides only for repayment from the Fund to the bank in liquidation, not from a bank in liquidation to the Fund. It is conceded that this hypothesis is a bit extreme. Suppose, again, a general financial and commercial crash, in which several banks should go down; what then would become of the Fund? Three of the banks have each a circulation equal to twice or thrice the amount of the Fund, while the notes of any two of twelve others, if falling upon the Fund for payment, would wholly deplete it. What would happen in case of the third failure? If, of course, such a catastrophe were probable, the criticism would be good. Laws must be passed with a view to what is likely to happen, and not to meet everything imaginable. The very banks whose failures are supposed to deplete the Fund, are among those notoriously well managed, stable and strong. In the worst failure that ever happened in Canada the assets of the bank, if notes had only then been a preferred claim, would have been enough and more to pay them in full.

of the bank federation are indirect. The Bank Circulation Redemption Fund is the latest, the strongest, the outermost safeguard set up about the circulating medium of Canada. The service of the Fund as a preventive, practically absolute, of discount on the notes of a suspended bank, provides the best of reasons for undisturbed confidence in bank paper. Formerly, it was necessary to keep telling the Canadian public that the currency was good; now they are convinced. The Fund protects the note holder from loss, however ignorant he may be, or however humble or helpless his condition. It protects the banks against needless runs from this class of creditors, and materially strengthens their credit. It is to be admitted that the new security for the circulation somewhat strengthens that tendency of depositors to convert their claims against a suspected bank into a prior lien upon its assets, which is illustrated by the increase of circulation and the decrease in demand deposits shown below in statements of the Commercial Bank's condition.<sup>1</sup> But the impulse to change deposits into notes is

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<sup>1</sup> The chief use of the Fund appeared after the failure of the Commercial Bank of Manitoba on Monday, the 3rd July, 1893. Induced by the interest and protected by the guarantee fund, the banks in Winnipeg and throughout Manitoba "accepted the notes after suspension freely, relieving the public from all inconvenience and fear." The notes never fell to a discount, and on the 16th September those held by the public were redeemed. The liquidator, finding he could better realize upon the estate by waiting a little, made arrangements to continue paying interest upon notes held by the banks until he should have the funds to redeem them. Thus, at the end of September, the circulation, which had been \$419,135 on the 3rd July was \$163,225; a month later \$83,365; and on the last day of November \$31,835, from which point it has fallen to \$12,440, in June, 1894.

The Commercial Bank of Manitoba was the third of the banks started in the eighties to close its doors. In 1834 it had succeeded, as an incorporated bank, to the business of Macaithur, Boyle and Campbell, private bankers and financial agents at Winnipeg. Always extremely subject to local influences, usually, from all appearances, run with as much of a view to the development of the country as to the conduct of a safe and sound banking business, and resorting to such methods to obtain business as prudent bankers disapproved, the Commercial met a fate by others, at least, not unexpected. It had been indebted to its Montreal correspondent, on secured loans, since 31st January, 1892. Beginning at the modest figure of \$25,000, the debt rose by the next January to \$125,000, and by March to \$166,290. During this period, settlements with the Commercial were difficult, and some banks in Winnipeg had regularly required the payment of balances in legal tenders, or, if accepting the bank's draft on Montreal, fore-assured themselves of its acceptance. The winter of 1892-3 was a hard one for the concern, and the spring quite as severe. In May, a drain of its deposits payable on demand was begun. It continued in June, with force much increased towards the end of the month. The greater part of the run was met by paying out notes. Thus, on the 1st July, \$38,752 of deposits were called for, and \$22,245 of notes paid out. Between the 31st May and the 3rd July, demand deposits were reduced \$189,813, circulation increased by \$140,605. The principal provision for the other \$49,000 drawn out is best explained by the increase of \$42,000 in secured loans from other banks. The process of paying out notes to anxious depositors had to stop, of course, as soon as the paper fell into the hands of other banks. The Commercial, having only \$4,130 of money left in its vaults, could not redeem its paper, and was forced to suspend. The following table shows the state of the Bank at different times preceding the failure, and the effect of a year's liquidation:

only slightly stronger than when, before the establishment of the Fund, the notes were already the first charge against a failed bank's assets. The plan of meeting a heavy run by paying out notes is practicable only so long as the circulation is within the authorized limit, and does not come back for redemption. All the banks, except the five or six with largest capitals, have a very small margin between outstanding and authorized circulation; at best, therefore, a weak bank in serious difficulty could not pursue the policy for more than forty-eight or seventy-two hours. In the first place it would too soon exhaust its authority to issue notes, and further emission would subject its estate to heavy fines. Then persons who had once acquired the depositing habit would not keep notes thus received in their pockets or their safes. They would pay them in to other banks, and the demands for redemption pressed by these creditors would precipitate the failure of the suspected bank. The Commercial Bank of Manitoba withstood the extreme pressure but one day.

The metallic materials of redemption—the money in which bank notes are payable—are American gold coins of the present

CONDENSED STATEMENT of the Assets and Liabilities of the Commercial Bank of Manitoba:

LIABILITIES (cents omitted)	31 May, 1893	30 June	3 July	30 June, 1894
Notes in circulation .....	\$ 278,530	\$ 396,890	\$ 419,135	\$ 12,440
Due Provincial Government.....	85,117	69,646	84,294	.....
Deposits payable on demand .....	685,695	534,634	495,882	557,393
do. after notice .....	148,357	167,176	137,176	22,920
Loans from other banks in Canada, secured .....	160,000	172,583	202,583	.....
Other liabilities.....	1,709	320	5,197	3,042
<b>Total.....</b>	<b>1,360,470</b>	<b>1,341,251</b>	<b>1,344,269</b>	<b>595,796</b>
<b>ASSETS</b>				
Specie and Dominion notes .....	23,273	4,130	4,130	.....
Deposit for note circulation .....	19,750	19,750	19,750	14,750
Deposit in other banks .....	27,915	72,997	85,795	81,045
Notes, cheques and balances due of other banks .....	48,449	26,480	26,308	4,484
Current loans.....	1,714,192	1,649,059	1,636,260	536,790
Overdue debts .....	68,005	104,702	104,702	405,536
Real estate .....	31,828	41,158	41,158	32,501
Mortgages on real estate held .....	12,398	12,122	12,122	14,221
Bank premises .....	10,150	10,150	10,150	11,832
Other assets .....	10,741	10,599	13,789	10,063
<b>Total.....</b>	<b>1,967,708</b>	<b>1,951,151</b>	<b>1,954,167</b>	<b>1,171,225</b>

weight and fineness, the eagle being legal tender for \$10 in Canadian currency, and the British sovereign and a half thereof, the unit being legal tender for \$4.86½ in Canadian currency. Silver coins of 5, 10, 25 and 50 cents in Canadian currency, struck by the British mint, are legal tender up to \$10; copper or bronze cents to 25 cents. The Dominion also issues a legal tender paper currency, redeemable in gold, in denominations of 1, 2, 4, 5, 10 and 20 dollars and upwards. These, with bank notes, constitute practically the whole currency of the country, except that which is used in making fractional change. The larger part of the Dominion note circulation among the people consists of one, two and four dollar notes, payable on demand by the Assistant Receiver-General at the commercial centre of any province; the balance of the circulation, from 50 to 70 per cent., is held by the banks. Upon the request of the payee, a bank is required, in making a payment, to pay not to exceed \$100 of the amount thereof in Dominion notes of the smaller denominations. The chief variations in the amount of Dominion notes outstanding are due to the rise and fall of the large note circulation, and are dependent upon variations in the reserves held by the banks. The legal reserve against the Government issues not in excess of \$20,000,000 is composed of (a) specie and Dominion debentures guaranteed by the Government of the United Kingdom to an amount equal to 25 per cent. of the total circulation, of which 15 per cent., at least, shall be in specie; (b) Dominion debentures, issued by authority of Parliament, to cover. Issues in excess of \$20,000,000 are covered by equal amounts of specie. In practice, considerably more specie and guaranteed debentures are held than the law requires; the practice now conforms to the original policy of Sir Francis Hincks, *i.e.*, to establish, after experience, a minimum to be covered by securities, and to hold for all issues in excess of the minimum, equal amounts of specie. If the unguaranteed debentures were sold to provide specie for redemption purposes, they would become liabilities quite as much as the notes themselves. The one difference now is that the notes have been issued to the public; the debentures may be issued. The supposition that the one "secures" the other form of liability is palpably absurd. The requirement that such debentures shall be held in amounts equal to the outstanding circulation not

otherwise covered, originated, no doubt, in the idea that the Government would thereby be prevented from incurring debt on Dominion notes without the authority of Parliament. The only real reserve held against the notes consists of specie and guaranteed debentures. This need be but 25 per cent., but ought to be much more. Latterly it has been higher, in June, July and August, the specie alone reaching nearly 50 per cent.

There is high authority for the rule that the lowest denomination of bank notes should not be less than five dollars. If a small note circulation is necessary, or is preferable to a metallic currency, it is expedient, probably, that the Government should be responsible for it. Yet the small note circulation of Canada is of comparatively minor consequence. The amount of Dominion notes in the hands of the people, *i.e.*, outside the banks, has never been more than \$8,000,000; \$6,000,000 is nearer the usual figure. The total circulation outstanding is much larger, and now amounts to more than \$20,000,000. Why? The obvious explanation is:—By compelling them to hold not less than forty per cent. of their cash reserves in Dominion notes, the Government has forced from the banks a permanent loan without interest which has varied in the last five years between ten and fourteen million dollars. Yet the credit of Canada is good; its securities, though bearing extremely low rates of interest, are highly esteemed by British investors. Its Government can borrow all that they need in the open market. The justice of a forced loan for 16 to 22 per cent., the entire banking capital of the Dominion, need not be examined.

It is enough that the reserve provision is injurious. It prevents the use of gold, or gold certificates, in exchanges between the banks at the centres. In a single day a bank might acquire, by collecting its just debts, so great a sum of specie that its total stock would rise above the proportion fixed by law, and sanctioned by a penalty of \$500 for each violation. It diminishes the amount of gold held in the country. It impairs the ultimate banking reserve of the Dominion. That reserve is not at all times instantly available in its nominal strength, as it would be were the banks perfectly free. The cash which they hold consists, in part, of mere promises, and they are under

constant obligations as to the proportion which such promises shall bear to the entire amount. If the banks had only Canadian payments to make, the objections to the requirement would be less serious. In Canada, Dominion notes are money.

But the liabilities of the Canadian banks are by no means merely Canadian. They are due in the United States, in the United Kingdom, Hong Kong, Australia. The really heavy demands upon Canadian banks have always been for settlement of balances abroad. To meet them they need the international money, and that is gold alone; for international payments, Dominion notes are just about as available as American silver certificates. It is true that there are redemption offices at Toronto, Montreal, Halifax and St. John, but when called upon to redeem quantities of their notes, past Governments, if specie was wanted for shipment to New York, have repeatedly paid out sovereigns; if it was needed for export to England, they have redeemed in eagles, and the coins desired have consequently cost a premium of one-eighth to one-quarter of one per cent. And in order to "protect the reserve," or "correct the situation," it is quite possible that authorities, within the next ten years, may again exercise this option to the cost and hurt of the honest commerce of the country.

The immediate redemption, the convertibility of Canadian bank notes, is ensured by their character as debts due on demand, for the payment of which the entire estate of the issuer is liable. The note must be paid when presented at the place of payment, else the bank whose promise it bears confesses insolvency and destroys its credit. A daily test of this convertibility is made wherever there are two or more offices of different banks. Bank notes are legally payable only at the offices where they are made payable, and at the redemption office which the Bank Act obliges each bank to establish at the trade centre of each province. That office may be a branch of the issuing bank, or an office of another bank which undertakes the service. The notes, however, must be received in payment at any office of the bank which issues them, and banks, in practice, do receive the notes of other banks. The balance due after the daily exchange of notes and other liabilities made between bank offices outside of the three principal cities, are settled by drafts on

Montreal, Toronto and Halifax. In these three cities there are clearing houses, and the balances remaining after the daily offset of claims due by the banks against claims due to them, are settled in legal tenders of the highest possible denomination. In consequence, the country through, there are frequent and thorough tests of the possibility to convert bank notes into the money promised by them. The public take little active part in this; the banks do the work by presenting for payment whatever notes they receive in the course of their day's business. Of these, the notes of local competitors will stand for the largest sums; notes of banks without a branch in the locality are forwarded to the nearest redemption office, and presented there

The possibility and enforcement of the immediate redemption of bank notes have an important bearing upon the elasticity of this form of circulating medium. I have already taken for granted the desirability of elasticity, and I waive now the discussion whether as high a degree of elasticity can be secured through the emission of fiduciary paper by other agencies, as when it was issued by banks. Canadian Governments and bankers have thought not; American bankers, at their last convention, have come to the same conclusion; and the views of all accord with the conclusions of what may safely be called the received theory of credit. But I shall endeavor to show that the Canadian banks do provide a medium of exchange, the volume of which exactly corresponds to the need for it—the need depending upon the number and amount of the transactions in which it is used—and that with profit and honor, the banks cannot do otherwise under the present system.

First let us look at the logic of the case. The funds at the command of a bank, its lending power, or its purchasing power as a buyer of negotiable securities, are based on the capital furnished by proprietors, the money deposited with it by customers, and such rights to demand money as will be accepted from the banks in lieu of money itself. Whatever expands the credit of the bank, *i.e.*, the extent to which rights to demand money from it will be accepted, permits the increase of its profit. Whether this be done by giving the person to whom money is due a credit in its books, or by paying him in notes, is, in some respects, a matter of indifference. Every book credit accepted in lieu of

money payment, every note in circulation, by augmenting the purchasing power of a bank, becomes tantamount to a loan, in the latter case always without interest, had by the bank from the public. This need nowise imply that the issuers of notes do not share their gain with the people, and it does not imply that banks alone reap the advantage of economizing the \$30,000,000 or more of real capital which, without some other substitute, would be needed to effect the Canadian exchanges in which bank notes are now used. But it does make it plain that each bank has a direct and powerful motive for expanding its note circulation by whatever lawful and reputable methods it may.

A little examination ought to make it equally clear that the possibility of this expansion is dependent upon the needs of bank customers. Canadian banks are prohibited by law from pledging, assigning or hypothecating their notes, and advances or loans made on the security of its notes are not recoverable from a bank. The only way for a bank to get its notes in circulation is to pay them over its counter in the ordinary course of business. It may exchange them for gold, pay with them the demands of depositors, or other creditors, or make advances in that form of its credit. Where the practice of keeping deposits with banks is common, and especially where interest is paid on deposits, the bank's customers are prevented by motives of prudence or profit from drawing out more notes than are required for their immediate purposes. No man will procure twice the amount of notes he needs to meet his payments, and run the risk of losing the unused half, when, by calculating his wants, he would avoid the risk and either save interest on the unnecessary part of a loan, or, in some cases, receive interest on the balance he leaves with his bank. Where, further, the banking habit is strong and banking facilities are as well distributed as they are in Canada, the customers of banks and those in exchange relations with them, comprise practically the entire commercial, agricultural and industrial community. The means, for instance, which three or four hundred laborers need for their weekly or monthly purchase of groceries, and other goods, are provided at one stroke in supplying a manufacturer or contractor with notes for his pay roll. The bills which the farmers

of a certain district use to buy their winter supplies, or in which they realize upon their grain, are issued through a few advances to the produce shippers operating in that district. Since the process is quite the same in an indefinite number of other cases, the whole country secures whatever expansion of the circulation may be required. The banks clearly have every motive to meet the need for increased note issues; it is quite as clear they cannot issue in excess of that need.

In no country, however, are the number and amount of the exchanges effected by bank notes in constant augmentation. The upward movement, if there be one, is not steady. The need for circulating medium at a given time may be greater than it was shortly before, exactly the same, or less. Particularly in North America, where the supply of important marketable commodities varies with the seasons of the year, are there marked differences between the commercial activity in different months, and extreme variations in the need for the means of payment. Contraction is an element as important to elasticity as expansion. In Canada, while the influence of foreign exchanges and international trade is not without force, the immediate causes of contraction are different, but quite as effective and automatic, and even more prompt. No man who keeps a bank account is going to hold bank notes or any other negotiable instruments of credit payable on demand, after the need for their use in exchange is passed. Either he wishes to avoid the risk of losing them, desires to convert them into interest bearing deposits, or with them discharges some obligation to the bank on which he is paying interest. In any case he has substantial motives of gain for bringing the notes to the bank which has his account. The action of a note holder, who has no bank account, may be disregarded; if a bank note is used in making payments, it is destined, with all necessary promptness, to reach the hand of some one who has a bank account, and will deposit the note to his credit if he feels no need for its present use.

The next and final agents in the process of contraction are the banks themselves. Though it is not obliged to do so, any Canadian bank will receive in payment the notes of any other bank of the system. In so doing, the bank is protected from loss, and is able to serve not only the customer's convenience, but

also its own advantage. The total amount of notes outstanding at any one time is limited, as we have just seen, by the needs of the public of that form of circulating medium. If there were no other substitute for money, the extreme limit of the note circulation during a given period would be the total amount of exchanges then to be performed, divided by the average amount of payments effected by a given sum of bank notes. But there are other substitutes for money and the actual limit is considerably less. A comparison of the facts in different countries, *e.g.*, England, France and Scotland, shows that, while the amount of the exchanges varies with the condition of trade, in *what* exchanges a community may use bank notes depends upon the traditions, prejudices and habits (as accommodated to legislation)—the business custom, in short—prevailing within it. Business custom changes, without doubt, but the changes are so slow and comparatively slight as to permit us to conclude that for any one time the limit of a bank note circulation is not only predetermined, but also practically independent of the amount of other money substitutes in use.

From the banker's point of view, the note circulation is a form of credit through the enjoyment of which his interest bearing investments may be increased. His note issue is the source of a profit, which, at a given time, could not be obtained in any other way. This being the case, it is to the undoubted advantage of any one of the thirty-eight banks now doing business in Canada, to supply, so far as the law allows it, the limited and predetermined demand for bank note currency with its own issues. Now, the bank's only way to put notes in circulation is to pay them over its counter. It receives each day, however, the notes of other banks, paid in as deposits, or in liquidation of loans. Such notes are evidences of non-interest bearing debt. The bank finds it essential to convert the debt either into cash, or into some productive investment. The notes may be collected either by presenting them for redemption, or by paying them out to the public. On the latter supposition the public reimburses the bank by exchanging for the notes, either payment, or some other right to demand payment.

But for the Canadian bank there is a more important consideration than mere repayment. The circulating medium of

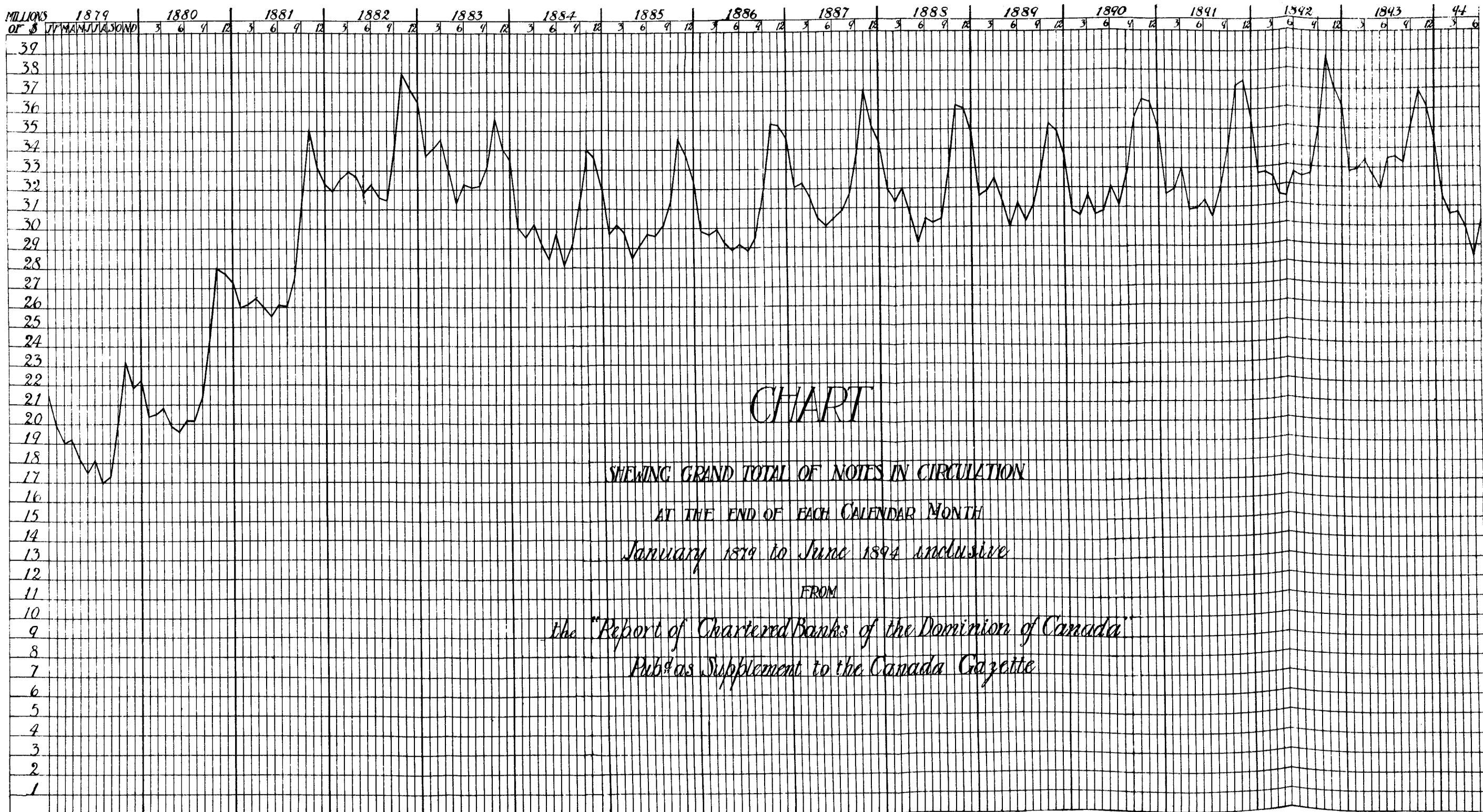
the country, so far as it consists of bank notes, constitutes a volume of credit for which each bank is competing to get the largest possible share, in order to obtain in this form the largest possible loan without interest. The manifest policy of the bank, therefore, is not to collect the debt from the public, but to present the notes for redemption by the bank which issues them. By this means, the bank can cause a slight contraction in the total note circulation, and gain the chance to use its own paper in meeting demands for expansion. Sheer self-interest impels each bank to demand prompt and daily redemption of all the notes of other banks that have come into its tills. Unlike some benefactions, the act of paying the notes of another bank to the public has a real and measurable value. When the amount of its own notes outstanding approaches the authorized maximum, and further issue makes the bank liable to a fine, it has the option of paying out all the paper that comes into it, or to circulate exclusively the notes of some one bank whose issue is further within the legal limit. If the latter course is adopted, it receives compensation for the service in some form, the usual method now being for the bank whose notes are circulated to allow the circulating bank to delay the deposit of funds in exchange, for a period of two weeks after the paper was received. As the average "life" of a note—the time elapsing between the issue of a note and its redemption—is probably in the neighborhood of four weeks, the profit on the circulation is thus divided, the bank which is obliged to circulate another's notes seldom receiving more than one-half. To pay out his competitor's notes in the ordinary course of business is to act as a broker without charge, or at a reduced charge; to hold them is to loan to his competitor without interest. Either service is a form of altruism in which the Canadian banker will never indulge so long as he can issue notes of his own.

Thus the machinery for expansion and contraction of the Canadian bank note currency is efficient, automatic and complete. The impulse in either direction is the silent, certain force of self-interest. The banks gain in supplying the public's need for augmented circulation; the public gain in returning unnecessary notes to the banks; and whenever such notes are not those of its own issue, each bank finds its profit in presenting them for re-

demption. Every one of the five hundred branch banks in Canada is a competitive agent for expansion; every one, from like motives of gain, is an active worker for contraction. In either direction the operations of the banks are wholly dependent on the needs or action of the public with whom they are so closely in touch.

What may logically be expected of the Canadian system of issue is confirmed by examination of the facts as to the notes of chartered banks in circulation at different dates since the 31st December, 1878. In Appendix III there is a table showing the exact amount of the total bank note circulation reported to the Government on the last juridical day of each month since the 31st January, 1878. But every immediate purpose of the table is served, in a more graphic and comprehensive way, by the chart opposite, showing the varying heights of the circulation on the last day of each month of the last fifteen years, by means of points taken on the vertical axes, and connected by lines for the sake of clearness. A casual glance proves perfectly the rhythmic fluctuations of the circulation in harmony with the movements of Canadian trade. It shows how the general level of the circulation rises or falls in accord with the general prosperity and activity of commerce, how the expansion to meet the needs of the autumn and early winter are greater in one year than another, how quickly and regularly the volume of the currency is contracted in January, how it remains stationary or gradually falls still further in the months of the spring and early summer, and how, from the end of July on, the process of "moving the crops" is facilitated by an expansion in the bank note circulation, usually from 19 to 24 per cent., but sometimes as low as 14 and as high as 42 per cent. of the minimum during the year.

As they represent only the circulation on the last day of each calendar month, the figures do not, as a rule, exhibit the maxima or minima actually reached, and so do not fully show the elasticity of the currency. They are, further, merely typical, and do not represent the average circulation in the months with which they are connected. They fail, also, to indicate the different movements in different provinces. But separate tables for the banks domiciled, *e.g.*, in Quebec, Nova Scotia or New Brunswick, would



# CHART

SHOWING GRAND TOTAL OF NOTES IN CIRCULATION

AT THE END OF EACH CALENDAR MONTH

January 1879 to June 1894 inclusive

FROM

the "Report of Chartered Banks of the Dominion of Canada"

Pub<sup>d</sup> as Supplement to the Canada Gazette

be just as useless for this purpose. The business of many of the banks is carried on in several provinces. Their activity more or less covers the entire national field, and the circulation of a single bank is often affected by as many compensatory or opposite influences as the total circulation of the whole banking system. Moreover, there are no banks with head offices in Manitoba or the Northwest Territories, and only one, with six offices, has its principal Canadian establishment in British Columbia. Yet there are seven other branches in British Columbia, each issuing the notes of its parent bank, nineteen branches in Manitoba and eight in the Northwest Territories. A table by provinces would be utterly misleading.

In one respect the arbitrary choice of the days for which the circulation is indicated ought to lend some interest. When we speak of a late or early season we might say, more clumsily no doubt, that the beginning or end of the agricultural, fishing or lumbering year has not coincided with the usual point in the calendar year. The differences in the lines of the chart for different years show that the movements of currency are automatically adjusted to the needs of the particular times in the industrial year which happen to correspond with the last day of each calendar month. The proof of elasticity is varied, cumulative and conclusive.

It is precisely in point of elasticity that the Canadian bank note currency is superior to such a circulation as the bond-secured notes issued by the National banks of the United States. The rigidity of the latter currency, the almost complete lack of relation between its volume and the currency requirements of commerce, have been too frequently pointed out in the preceding pages, and are too notorious facts to need elaboration. The proof can be found in almost any treatment of the question; the pages of the *Proceedings* of the American Bankers' Association have bristled with it for five years and more; the statistics in the Reports of the United States Comptrollers of the Currency establish it beyond a doubt; and in these last days, the American bankers themselves have united to agitate the reform of their own upon the lines of which the Canadian system of issue is one of the best examples anywhere to be found.

Yet every good quality characteristic of the National bank note pertains to the Canadian issues. They circulate at par throughout the land, not because they are a legal tender to any bank, but because (a) the bank which issues the note must provide for redemption at a convenient and accessible point in each of the seven provinces of the Dominion, and (b) the possibility of converting a note is subjected to the daily test of actual redemption. The notes of a failed bank, whatever the condition of its estate, will be redeemed, with interest at six per cent. per annum, within ten weeks of the day of its suspension. The notes of a failed National bank pass at par because their ultimate payment is certain; other banks are obliged to take them, and the process of retirement is practically the same as when the bank was solvent; those of an unfortunate Canadian bank are accepted because their prompt redemption with interest is guaranteed. Before the estate of a bank in liquidation, whether for insolvency or otherwise, is wound up, and the last dividend, if there is any whatever, is paid to the proprietors, money must be deposited with the Government in sufficient amounts to redeem, with interest for the first two months after suspension, all of its notes not yet presented and still outstanding. This regulation, so far as it prevents the operation of the statute of limitations upon bank notes, is similar to the requirement that National banks shall pay enough money to retire their circulation to the Treasurer of the United States, before they may withdraw the bonds which secure it.

To the holder of the Canadian bank note, therefore, it is a matter of indifference whence or when it was issued. The paper of the smallest bank is as good as that of the greatest. At all times, in every part of Canada, and under any circumstances, the note is not only worth its face value but will also be received at that by any bank. Security and convertibility are the great and really only merits of the National bank note currency. The Canadian paper has these, and it has, besides, the invaluable quality of elasticity.

§ 58.—ADVANTAGES INCIDENTAL TO THE CANADIAN SYSTEM OF ISSUE

As obtained by the Canadian system of issue, elasticity in-

volves far more than the advantage of having a currency at all times adjusted to the need for it. Elasticity in currency means elasticity in the loaning powers of the banks. The need for augmented circulation is ordinarily coincident with an increased need for capital, either in production or in the operations of exchange. Particularly is this true of a country whose principal industries are extractive, a country, *e.g.*, in which agriculture and lumbering are relatively more important than manufactures. As economic instruments for the collection, safe-keeping and employment of capital, banks are ordinarily entrusted with funds not required for the immediate purposes of the owners. When more capital is needed in production or in carrying goods with the intention to market them, a part of it is obtained from the banks through the withdrawal of deposits by those to whom they are due. Another part is obtained from loans negotiated with the banks by those who prefer or are obliged to operate on borrowed capital. At the same time, however, banks are under advances to persons engaged in branches of industry or commerce in which the need for capital is comparatively steady.

One source from which banks supply borrowers' needs, the capital of their proprietors, is also comparatively steady. Another source, the money entrusted by depositors, varies according to the wish or interest of the depositors, and, for reasons just pointed out, in times of increased activity on certain lines is likely to be lessened. The banks may use a third source, roughly speaking, in two ways: they may give borrowers book credits for the amount of their loans, or supply them with notes. Instead of capital owned by the bank, the borrower is usually willing enough to borrow of its credit, or the depositor to accept of its credit in payment, provided he can get the credit in a usable form.

But book credits will not serve the purpose. From prejudice, habit or well founded preference, the lumberman wishes his monthly pay, the harvest hand his season's wages, and the farmer the proceeds of his grain and produce, in a convenient, unquestionable and easily transferable form. Money will satisfy them, but cheques, the value of which depends on the genuineness of signatures, and, to a certain extent, upon the unknown

personal credit of the maker rather than on the well-known and ample credit of a bank, will not be readily taken. Bank notes, the title to which passes by simple delivery and the value of which is dependent on the credit of the public bank whose name they bear, are the only instruments of credit available for large classes of the transactions necessary, *e.g.*, to moving the crops or getting out the lumber cut. To meet the periodical and temporary demands for added capital caused by such operations, the banks must either pay out money or issue their promissory notes.

The abstract statement of the conditions is easily confirmed. The table below shows that in the first two months (August and September) of the annual expansion in Canadian trade, bank deposits payable on demand—the basis, that is, for bank credit circulating in the form of cheques—usually remain stationary or diminish, while the amount of current loans and notes in circulation rises until, at the end of October, both are considerably above the figures for the 31st July. For every year since 1889, the increase in each has been at least \$3,000,000, except in 1893, when exceptional conditions, due to the American crisis and the contraction in many branches of Canadian trade, caused a diminution in current loans.<sup>1</sup> The

<sup>1</sup> TABLE FOR COMPARISON of the amount of notes in circulation, deposits payable on demand and after notice, and current loans, at the end of months prior to, during and after the annual period of greatest expansion in the Canadian bank note currency (00,000 omitted):

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1890							
Notes in circulation .....	\$ 31.2	\$ 32.7	\$ 35.5	\$ 36.5	\$ 36.3	\$ 35.0	\$ 31.7
Deposits payable on demand .....	54.6	53.8	54.7	57.5	53.1	53.7	52.7
"    "    after notice or on a fixed day .....	76.6	77.1	77.7	78.2	79.9	80.3	81.7
Current loans .....	150.8	151.2	153.1	153.0	153.5	153.2	151.1
1891							
Notes in circulation .....	30.6	32.0	34.1	37.2	37.4	35.6	32.7
Deposits payable on demand .....	59.0	58.5	59.6	58.5	60.4	62.6	58.6
"    "    after notice or on a fixed day .....	84.6	85.5	86.0	88.5	89.3	90.1	92.3
Current loans .....	184.5	184.1	185.9	188.7	187.8	186.6	184.0
1892							
Notes in circulation .....	32.5	32.6	34.9	38.7	37.1	36.2	32.8
Deposits payable on demand .....	66.5	64.7	65.7	66.4	68.3	68.7	67.4
"    "    after notice or on a fixed day .....	93.8	98.0	98.8	99.9	101.2	101.5	102.1
Current loans .....	189.5	186.3	188.2	194.1	197.1	198.5	197.2
1893							
Notes in circulation .....	33.6	33.3	35.1	36.9	35.1	34.4	30.6
Deposits payable on demand .....	64.6	61.4	61.2	62.5	62.9	62.6	60.1
"    "    after notice or on a fixed day .....	106.4	105.0	104.0	103.5	104.4	107.9	108.0
Current loans .....	206.9	205.9	204.6	204.8	202.0	200.4	198.0

figures, of course, are only for the last day of each month and they represent only net results. The item of deposits, for example, would be much less if the figures reflected the entire amount of funds withdrawn. The apparent effect of the tendency of depositors is somewhat reduced by the practice of borrowers to leave negotiated loans on deposit with the banks until they need to use the funds. For some borrowers the season of active operation arrives later than for others.

What would happen if the banks were obliged to provide money, or notes (like national bank notes) which have cost them value to an equal or greater amount, is well illustrated year after year in the United States. In the autumn those who trade on their own capital draw on their deposits with the banks; the needs of the large class of steady discount customers remain about the same; and at the very moment when deposits are falling off, new needs for advances arise from the greatly augmented activity of trade in grain, pork, cotton and produce. The banks, in short, find the demand for loans strengthened; their ability to meet it, at the best unimproved, and more than likely, much impaired. Under such conditions the rate of discount inevitably rises. Fluctuation in the rate of discount is only one phase of the ensuing inconvenience and expense; there are, besides this, the annual flow of currency inland from New York, that costs at least one-tenth per cent. of the amount of the remittances, the currency famine frequently arising in that city during the movement of crops to the markets, and in consequence, as frequent arrests of the forward movement of products, hardly less complete and sudden than those due to freight blockades or railway strikes.

In Canada, on the contrary, banks are able to supply the fluctuating demands of depositor and borrower with bank credit in a form that can be used. Each is paid in notes; resources employed in the less variable departments of discount business are nowise diminished. The purchase, transportation and marketing of the crops are accomplished without loss or cost to the banks, without the rise of the rate of discount, and with a high degree of efficiency, economy and promptness. The annual expansion in the country's business tends rather to ease the situation than to tighten loan markets. The goods are brought

forward so rapidly and realized on so soon that the banks, whose loans to grain buyers, produce shippers, millers, etc., are generally secured by such documents as warehouse receipts and bills of lading, find that these advances, as a class, are among the most quickly repaid of any they make.

So when the circulating notes in which the advances were made begin to come in, the banks, if redemption should be called for, always have the means to meet it. Borrowers have already discharged their debts by drafts on the Canadian produce markets, or if they happen to be in the export trade, by exchange upon American and British correspondents. In actual practice, however, the additional circulation is returned to the banks in the form of deposits. The public do not demand a money redemption. No bank, to be sure, receives only its own notes from these depositors. What notes of its own are received, are retired by a simple credit to him who pays them in. The notes of other banks thus acquired are used to offset those of its own which they may receive from their customers and present in the daily exchanges as claims against the issuing bank. The process of contraction, therefore, is almost as easy and as costless to a well managed bank as that of expansion. Final payment of the autumnal increment to liabilities is brought about, not through immediate redemption in hard money, but through the gradual withdrawal for the owners' uses of the deposits by which the notes were first retired from circulation.<sup>1</sup>

Compared to the other liabilities on which banks trade, the note circulation, it is true, seems of minor importance. During the last four years, for example, the highest amount outstanding has never been much more, and usually less, than a fourth of all the public deposits in the banks at corresponding periods. At first thought it seems unnecessary to emphasize so strongly the advantages derived from the note issue as a means of expanding loanable credit. But the answer to the objection lies in the simple fact that the autumn needs form the *last in-*

<sup>1</sup> For illustration of this last fact, the table lately given does not include a sufficient number of months. The other statements, however, may be verified by it, although it must again be remembered that the figures represent only net results, are affected by a variety of influences only remotely connected with the forces here discussed, and refer only to seven days arbitrarily chosen in each year.

crement of demand in the loan market. If the banks were unable to supply it with notes, this demand would be turned upon discount resources already employed, and the cost of loans would be higher for the time, not only to new borrowers, but to all the old ones as well.

There are still other reasons why elastic issue upon their general credit is one of the most beneficial functions of the Canadian banks. The remark is offered with all regard to the extraordinary growth of deposits exhibited in Appendix I, and to the fact that in April, May and June, 1894, the circulation fell below the average for fifteen years. It is perfectly true that in the most progressive Canadian communities, cheques payable to order, as safe, convenient and efficient media of exchange, are fast supplanting bank note currency; that the establishment of clearing houses facilitates the process; and that the profit from circulation paid out in the chief cities is considerable only by reason of the large volume of retail transactions in which bank notes are still the medium. The average life of the notes issued in cities is comparatively short; a bill paid over the counter of a Toronto or Montreal office one day, is tolerably certain, in two cases out of five, to come against the issuer in the exchanges of the next day but one. But banking facilities are not required by the most progressive communities alone; they are at least proportionally essential to districts less advanced.

In many of the less advanced or less wealthy communities, there is still the discount business, accumulation of deposits, and other sources of banking profits that would be sufficient to support local banks. What additional advantages are derived from the establishment of branch banks to meet these needs have been pointed out in § 56. There are many other Canadian communities, however—communities which we may describe as on the margin of the supply of banking facilities—in which the profits of the loaning business and the brokerage on deposits combined would not pay the expenses of a local joint-stock bank. The conditions on which, through the establishment of branch banks, they do secure the facilities necessary to their development, are the peculiar possibilities of profit and economy under the Canadian system of issue.

Where notes are based on the general credit of the promisors, an increase in a bank's circulation is a means of additional profit. Now, where there are no banking facilities in the immediate neighborhood—in villages and the surrounding country whence both villages without banks, and the smaller towns where branches have been placed, chiefly derive their support—payments are very seldom made in cheques. The credit economy of such localities and districts, is still, to a great extent, in the first stages of development. Among their people and in retail trade, promises have supplanted money only in the form nearest like money, viz., bank notes. Access to banks is less convenient. Persons receiving notes are often unable promptly to make a deposit, or prefer to hold a certain quantity of this currency in provision against payments for which distance from the bank, custom or the preferences of the payees, make cheques unsuitable. Then, too, the habit of relying upon banks for the safe-keeping of spare cash is less strong. So the "life" of a note is much longer in the country and country towns than in the cities. While the amounts circulated by branches in sparsely settled or newly opened districts, are small compared with the payments made by city offices, considerable proportions of the bills issued for use, *e.g.*, in paying the wages of farm hands and lumbermen, are neither seen nor heard of for average periods of from two to six months.

By establishing offices in the country districts and newly settled towns, and by supplying the local need for loans, cashing drafts and otherwise assisting in the transfer of money, a parent bank is able to get this longer, larger and more profitable circulation for its own paper. Through judicious support of the local trade and industry, the branch at the same time extends the field for safe and profitable discount operations. The greater number of exchanges consequent on this development improves in a manner the opportunity for increasing the note circulation; by providing a place of security for spare cash, and by paying interest on sums entrusted to it, the bank stimulates accumulation and promotes also the growth of its deposit business.

The possibility of economy under the Canadian system of issue and of branch banking lies in the use of unissued notes as till money. The Canadian note, like others based on the credit

of banks and not secured by the pledge of particular assets, has no value, except the cost of printing, while in the possession of the bank whose promise it bears. It is the evidence of a contract to which, as yet, the promissor is the only party. Unissued notes represent no more expenditure, no more wealth, than the result of a morning spent in writing IOU's with the intention some time to exchange them for value. Yet unissued notes, except as small change, and for the purposes of the customer who occasionally requires a gold piece, serve every use obtainable by any branch bank from money itself.

Banks have two principal classes of payments to meet, payments to the public and to each other. Except when situate at the financial centres, Canadian banking offices usually settle with each other by means of drafts upon correspondents in those centres (Toronto, Montreal, Halifax). They need, then, no localized supply of money for these payments, but a sufficient reserve or balance in the place where drafts are due. Payments to the public are of two sorts. Payments required for the purpose of remitting funds to outside localities are made by drafts upon the place to which the remittance is desired, or by drafts upon the financial centres. The only purpose for which actual money would be used, *i.e.*, payments to the public in the locality where the branch is situate, is satisfactorily served by bank notes, a form of payment which costs the bank nothing to keep. The security of this circulating medium is so complete that notes are freely accepted by the public, even at times of runs upon deposits. Note redemption is brought about either by deposits of its own notes made with the bank, or through the settlement of balances exacted by competitive banks. The one method merely effects the metamorphosis of the credit accorded the bank by its customers. When balances in the daily bank exchanges are against it, a solvent bank in good repute can always effect redemption in the other method by drafts upon the financial centres.

Under the Canadian system of issue, therefore, banking is carried on without the necessity and expense of localizing at each office a money reserve, and sufficient till money of intrinsic value, to guard against all contingencies. It does not follow that the reserves are weaker; on the contrary, they are quite

likely to be stronger. Placed, as they are, at the centres, reserves are available in their entire strength for meeting demands wherever such arise. Furthermore, settlements between the banks are accomplished with a higher economy of the use of money. Practically none passes between the banks outside the centres, and at the centres money payments are only used to discharge balances. The gain in efficiency of the reserves is supplemented by economies in their maintenance. Where the market for securities is strong and active, part of the reserves may be invested in first class bonds and stocks, or loaned at call on the pledge of such bonds or stocks. The cost of holding large amounts of idle cash as protection against possible dangers is thus materially reduced in a way scarcely possible when reserves are localized; local markets could seldom be relied upon for the prompt conversion of securities.

How great is the saving of interest on the hard cash which, without the ability to use unissued notes, the banks would be obliged to hold as till money, is not particularly difficult to calculate. A "suit of notes," *i.e.*, the quantity of bills prepared, signed and delivered to the various offices of a bank, is, as a rule, from one and a half to two times as great as the highest proportion thereof ever in circulation. The advantage to the banks, and here also, to the public, is not due to a new profit, but to the economy of real capital possible by use of notes as till money. If the banks were deprived of this advantage, it is safe to say that they would be obliged to withdraw some \$10,000,000 to \$15,000,000 now employed in the trade and industry of Canada.<sup>1</sup> This, be it understood, is quite independent of the \$30,000,000 to \$38,000,000 more that the banks would necessarily withdraw if they were obliged to secure their notes by pledge of bonds, or were subjected to almost any other regulation under which it would cease to be practicable or advantageous to use unissued notes to fill their tills.<sup>2</sup> Without the saving on till

<sup>1</sup> Cf. R. H. INGLIS PALGRAVE, "Analysis of the Evidence taken before the Select Committee of the House of Commons on Banks of Issue, 1875." London, 1876, p. 11; also Replies to Questions 3801-3, 4408-9, in the evidence itself.

<sup>2</sup> Under the so-called "Baltimore plan" lately approved by the American Bankers' Association, the American banks and public would enjoy the increase of loanable funds possible under a system of issue against the general credit of the promissors, but many of the banks would be prevented by the very activity of their

money and the extra gain from rural circulation, the banks could not serve the country so cheaply as they do now. With the sources of their advances partly diverted to other purposes and partly dried up, they would be obliged to raise the rate of discount or begin a long course of personal discrimination in supplying the needs of their customers.

Many communities enjoying the support of banks as wealthy, well managed and strong as those in the largest cities, could no longer have such facilities within their midst. Deposits at places "on the margin of supply" are often insignificant and the brokerage on them trifling: the profit on loans and discounts, even with the additional charge of one-half to one and a half per cent. on account of the inferiority of the local security, is comparatively slight. Unsupplemented by profit on circulation and diminished by interest on till money, the two together would often fail to pay the salaries, postage and rent of a branch. Without the saving and the extra gain effected under the Canadian system of issue, the extension of branch banking would have been neither so wide nor so thorough as it has been.<sup>1</sup> Peculiar possibilities of profit have induced the banks to establish new branches, and competition between the banks has forced them to divide the profit with the public.

§ 59.—RESERVES

Gold, as we have seen, is no part of the mechanism of Canadian banking operations outside the centres. Except for making change under five dollars, there is a like economy of other

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business, from sharing the advantage of costless till money naturally incident to such a system. Each bank would receive only the amount of its authorized circulation in bills prepared by the United States Government, and as the limit proposed for each is only half the amount of its paid-up capital stock, it is probable that a great many of the banks would be able to circulate up to their limit and thus have no notes left for their tills. One way to secure the advantage would be to transform the "surplus," in many cases now very large, into capital. But when a bank's operations are confined to a single locality and one office, till money becomes practically indistinguishable from cash reserve. The importance of economies in till money is not so great as under a system in which the issue of notes against general credit is scientifically combined with branch banking.

<sup>1</sup> B. E. WALKER, "Banks, Canada," in INGLIS PALGRAVE'S "Dictionary of Political Economy," New York, 1894. Vol. I., p. 100. "The proportion of deposits to capital is still so small \* \* \* that branch banking could not have reached its present comparatively perfect development, but for the note issues being specially secured. It has been argued that if this power was taken away or replaced by a specially secured issue, perhaps one-half of the branches would have to be closed."

kinds of money, *e.g.*, Dominion notes, for which gold or its equivalent must be given. We have seen further that the chief banking reserves of the country, as in Great Britain and the United States, are concentrated and kept in the principal money markets of the land. Five-eighths of all the banks in Ontario and Quebec have their head offices either in Montreal or Toronto, and five-eighths of the Nova Scotia banks have their principal establishments at Halifax. The proportion of banking capital managed from the centres is much greater (*vide* § 56). So, too, with reserves. Though it was more or less distributed among their branches, these twenty institutions controlled \$17,063,686 of the \$20,978,623 of specie and Dominion notes held by all the banks in the country on the 31st December, 1893. On the 30th June, 1894, the proportion was \$17,647,555 to \$21,455,217. Banks with head offices elsewhere situate either have branches of their own in one or more of these cities, or keep balances on deposit with other banks there.<sup>1</sup> Four banks, one in Toronto, two in Montreal and one in Halifax, apparently have the lion's share of the business as bankers' banks. On the 31st December, 1893, they had \$1,845,057 of the \$2,420,874 reported as "Deposits payable on demand, or after notice, or on a fixed day, made by other banks in Canada"; on the 30th June, 1894, \$1,800,214, out of a total of \$2,352,505.<sup>2</sup>

<sup>1</sup> This statement, like many others of a similar generality, needs some qualification. The banking development of Canada is not altogether homogeneous, any more than the climate, the race types, the trade and economic interests in different parts of the country are cast in one mold. The trouble is, the very distance of the several provinces and of the areas of thickest settlement, one from the other, presents a serious obstacle to Canadian unity. In many respects the old Provincial separation still survives, and there are a few banks the farthest limit of whose operations are the boundaries of their respective provinces. The business of the Maritime Provinces is quite distinct in numerous important details from that of Quebec, and in spite of their long union, Ontario and Quebec could not, without exceptions, be described as one undivided field of activity. Of really characteristic banks of the Canadian system, however, every one of the larger provinces, except New Brunswick, perhaps, and Manitoba, has one or more principal establishments, except New Brunswick, have placed offices in provinces other than the site of their head offices, and some of them have opened up in British Columbia, Manitoba or New Brunswick; others again in two or three provinces besides their own. It is chiefly such banks of a national or semi-national activity and importance that should be kept in mind while the Canadian banking system as a whole is under discussion. Still, remarks about them, except those relating to territorial extension, generally apply with scarcely diminished force to Canadian banks of a more local character.

<sup>2</sup> The proportions for each of the four banks were:

	on the 31 Dec., 1893	30 June, 1894
Bank of Montreal.....	\$695,644	\$703,460
Canadian Bank of Commerce.....	275,966	273,748
Merchants' Bank of Canada.....	753,661	588,601
Merchants' Bank of Halifax.....	119,786	234,495

Total, 4 banks..... \$1,845,057 \$1,800,214

Tot al, 39 " 2,420,874\* 2,352,505

\* Less Commercial Bank of Manitoba, \$520

How far the Bank of Montreal is the "Canadian Bank of England," appears in respect

But there is this difference, already noted in another connection, between the Canadian organization of credit and that of Great Britain or the United States. The centralization of banking management permits practically the same disposition of the banking reserves during critical periods as in ordinary times. Conflict of interest between urban and rural banks, and the institution of dangerous inland drains, are evils of panicky times in these other countries that Canadian banks are usually able to escape.

The arguments for requiring banks always to hold money reserves equal, at least, to a fixed proportion of their liabilities, are hardly a part of our proper subject. There is no such obligation laid on the Canadian banks. It may be possible, by regulations of this type, to compel certain loosely managed banks to keep on hand more nearly an adequate supply of cash, but behind the policy there lurks the theory that legislators better understand the right conduct of banking than bankers themselves. The arguments, valid in Canada, against a fixed reserve, have been given at length in our statement as to certain proceedings preliminary to the Bank Act revision of 1890. To recapitulate here, the most obvious is the principle that a banking reserve is a resource to be used rather than to be gloated over and talked about, just as fresh troops, if available, are used to turn the tide of a hard fought and undecided battle. The military analogy is clear. Aside from this consideration we have to note the false security induced; the fact that the requirement has not been lived up to in the United States; the rise of the rate of interest occurring when reserves, *e.g.*, in the city of New York, are reduced to near the legal minimum; the necessarily somewhat greater instability of commercial confidence under such regulations; and the sufficiency, proved by Canadian experience, of the first lien as security for the ultimate payment of note holders.

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to the item of bankers' balances from the figures just given. It is, to be sure, the oldest and by far the largest bank in Canada. It is the Government's depository and fiscal agent; in the money markets of Chicago, New York and London, the three great centres of commerce for English speaking races, it is a factor whose importance may justly be termed considerable. In Canada its control of enormous resources makes the Bank of Montreal a tower of strength to the banking system. It commands the highest respect, the unwavering confidence and the implicit reliance of the entire country. But it has no peculiar privileges, no qualified monopoly like the Bank of England, and its former predominance is somewhat lessened by the fact that there are now two other banks whose combined resources are nearly equal to its own. Many of the other banks also, are now richer and more powerful, compared to the Bank of Montreal, than were its competitors, *e.g.*, in 1867.

Some illustrations have been given of the manner in which the reserves of well managed banks vary in height at different times. They also vary in composition according to the circumstances of different banks. A bank with its head office in Hamilton, Ottawa or Sherbrooke, needs to keep its principal reserves, not as money at its principal establishment, where payments to the public are chiefly in notes and to the banks in drafts, but as a balance in Montreal or Toronto, where the principal demands upon its reserves are payable. And among banks situate in the centres, there is the greatest diversity as to business. Some specialize in agricultural business; some have a high proportion of lumber accounts; some enjoy the custom of large importing houses with heavy customs duties to pay from time to time; others may be characterized as largely tradesmen's banks, and others are heavy dealers in exchange, or again, the proportions in which various banks combine such classes of trade are different for each one. Some banks have enormous balances loaned at call in the United States, others hardly any whatever. For some the amount of deposits payable after notice or on a fixed day, is twice, for some thrice, for others four times, the amount payable on demand. Some have issued notes close to the authorized limit, two or three circulate barely one-fifth of what they lawfully may. One bank, at least, has heavy Government deposits, and is constantly called on for large payments of hard cash; others have no Government account whatever, or only the small deposits they have obtained as temporary keepers of revenue where the fiscal agent has no office.

What legislator, then, what banker, or what convention or committee of bankers can rightly fix the proportion of specie and Dominion notes a bank shall always hold against its liabilities? The true proportions are as many as the banks themselves, as diverse as the character of their business on both sides of the account, and as changing as times and circumstances. At best the establishment of a minimum reserve is an attempt to do by legislation what legislation cannot accomplish. Laws may forbid corporations to engage in any but a strictly banking business, but for the wise conduct of that business, the only real provisions are the bank's instincts of self-preservation, and the enlightened self-interest of shareholders and directors in choos-

ing efficient, experienced men to manage their trust. Upon directors and managers alone depends the choice of a bank's investments; according to the wisdom or folly of their choice—the value and liquid nature of its loans, or the depreciation and fixity of its investments—the bank will prosper or perish.<sup>1</sup>

For the four and one-half years preceding the 1st July, 1894, the amounts of specie and Dominion notes held by all the chartered banks at the end of each calendar month have averaged 9.11 per cent. of their total liabilities on corresponding days. The lowest percentage shown by the Bank Statement was 8.; the highest, 10.08 per cent. This, it will be observed, is quite as high as the proportion of money kept on hand by the English joint-stock banks, although for most of them gold and its practical equivalent, Bank of England notes, are the only till-money and form parts of their business machinery. Of the entire banking reserve, it is needless to say, money forms only a part; the immediately available assets held by the Canadian banks, like those held by the English banks, are in much higher ratio to the total liabilities of the system. Thus, the items which may be taken, in a rough way, as constituting the banking reserve of all the Canadian banks were reported at the following amounts:

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<sup>1</sup> Cf., on the question of reserves, the general principles laid down by the eminent German authority, DR. ADOLPH WAGNER, in his treatment of "Der Kredit u. das Bank Wesen." First as to the reserve of the bank of issue: "The only theoretically and practically correct covering for notes (deckung) is the one obtained by banking operations, (bank mäs-ige); that is, the covering with cash in proper combination with easily realized, short term, rights to demand, i.e., discounted notes. But the correct height of the specie reserve, or its minimum, cannot be determined for the bank of issue either in absolute figures or as a proportion of the outstanding circulation. It depends on the general conditions of credit, on the credit of the bank, on the state of the money market, on the conditions of industry, commerce and politics, on the course of foreign exchange, on the periodical need of commerce for currency—upon which the value of the smallest notes is also influential. The cash reserve must also suffice for any unusual return of notes to the bank for redemption. It can never be considered alone, but only in connection with the other assets, especially the discounts, and must naturally be higher for a bank of issue, when at the same period it holds large amounts of deposits either on time or at call."

Next, as to the cash or money reserve: "The Cash Reserve. Its proper amount is dependent upon the time which the bank's liabilities have to run,—as to those due on demand (notes and deposits), upon their variable amount and the time of the actually resulting demands—and further upon the demands for credit to which the bank must, in the course of business, regularly respond. With deposits at call or short notice, the reserve must be larger than with deposits at long notice. Further, the conditions of the time, the state of politics, of the money market, the course of the foreign exchanges, etc., etc., are to be regarded. Now a larger, now a smaller reserve need be maintained, especially when the other assets are easily and speedily available (realizable). \* \* \* \* The cash reserve at any one time really adequate can only be determined by the bank itself."

Vide SCHÖNBERG (editor), "Handbuch der Politischen Ökonomie," Tübingen, 1890. Vol. I., pp. 462 and 438.

	31st Dec., 1893	30th June, 1894
1. Specie and Dominion notes.....	\$20,978,623	\$21,455,211
2. Balances due from agencies of the bank or from other banks or agencies in foreign countries..	18,229,248	16,650,822
3. Balances due from agencies of the bank or from other banks or agencies in the United Kingdom	3,540,220	3,086,167
4. Dominion Government debentures or stock....	3,191,383	3,157,413
5. Canadian municipal securities and British provincial or foreign or colonial, public securities	9,981,680	10,859,394
6. Canadian, British or other railway securities..	6,692,856	8,240,707
7. Call loans on bonds or stocks.....	14,236,629	14,600,915
8. Deposits payable on demand, or after notice or on a fixed day made with other banks in Canada.....	3,630,883	3,287,255
Total .....	\$80,481,522	\$80,337,784
Total liabilities .....	218,622,965	221,292,707
Percentage of reserve to liabilities.....	36 85	36.30

As might be expected, the proportion of the various components to the whole reserve, and of the reserve to total liabilities, varies widely as between different banks. Rather interesting comparisons and a substantial basis for criticism could be derived from a table showing month by month for a series of years the proportion of quick assets held by the several banks against their total debts.

There are two objections, however, to the inclusion of such a table here, its great bulk and the ambiguity of certain items in the form of the statement to the Government. Some call loans *e.g.*, may be speedily realized only at a considerable cost. Only for the bank to which they belong is it possible closely to estimate the amount of its assets immediately available, either for conversion into cash in Canada, or in the United States and Great Britain, as a balance against which to draw bills of exchange. This view of the question is admittedly somewhat doubtful. Any banker whom one addressed would probably deny its pertinence to his own bank and aver that the quick assets held by his institution were of the gilt-edge type throughout. Very properly, too, he might express ignorance as to the position of his competitors in this respect. A more reasonable view of the question would be to take it for granted that public securities, railway bonds and call loans are worth

approximately what they are set down for, and usable whenever required.

On this supposition I have made a study of the Bank Statement for the last five years, with particular reference to reserves. For most of the banks the results form highly creditable indications of the watchful care of managers in guarding the stability of their institutions and in keeping ample provision for every contingency. But the reserves of a few banks have almost regularly been below the point which the managers of other banks, not too dissimilarly situate, have seemed to regard as both prudent and safe. This fact—the common property of all who take sufficient interest in banking, carefully to study the monthly statement—is one reason for the opinion elsewhere advanced (§ 55), that the number of Canadian chartered banks may be less in the future than it is to-day.

One of the most beneficial minor effects of the Bank Circulation Redemption Fund has been the new community of interest among banks which grows out of their common liability with respect to the currency. It is believed that this advantage is hardly less than that derived in the United States from the plan of combined reserves, but it is realized in a somewhat different way. The effects of the fund chiefly appear in the greater interest taken by banks in each other's welfare, the stronger solidarity in maintaining confidence, the inclination more promptly to grant deserved assistance, and the more powerful motive to act as mentor in recalling somewhat errant banks to the paths of sound policy. The strong banks have themselves the power to bring flighty ones to time, *e.g.*, in the last resort, by refusing to take cheques upon them. Other sanctions are less severe; banks not relatively so strong are frequently in need of loans or other accommodation, and a word or two from the grantor of the accommodation is generally sufficient.

But the day may come when a bank or banks, who have heeded neither friendly warnings nor safe principles, and who have long lacked reserves by others thought adequate, will be unable without help to make the payments so rigidly exacted by Canadian banks in settlement after the daily exchanges. And then it can hardly be expected that other banks will consent to prolong the existence of competitors who have constantly borrowed

at more and loaned at less than the current rates, who have "persistently built upward and outward the fabric of credit while persistently whittling away its base." In a system where the security of banking operations, within, of course, the field where banks may work, is almost entirely dependent on the skill and sagacity of banking management, the presence of institutions in anywise badly managed is an annoyance to well governed banks, and a menace to the stability of commercial confidence. It not only aggravates banking competition, but it keeps a host of unworthy or incapable traders on their feet long after they ought to have been turned down.

I repeat, therefore, as my own empirical and independent opinion, that the probability of strong banks advancing funds to tide such banks over failure, is extremely dubious. As to what steps they may take, one possibility can be inferred from the action of the other banks in giving help that the Federal Bank might be wound up with open doors. Another course would be to let the involved bank go down in unqualified failure, as the Commercial Bank of Manitoba was allowed to go. When the condition of a badly managed or unprosperous bank is tolerably understood by the public, this course is the most convenient; the public forewarned, are forearmed, and no panic whatever follows the failure. A third course would affect only the bank in trouble and some one of the others. The trouble might be so far anticipated that shareholders could agree to reduce the nominal value of their stock, and ratify proposals for amalgamation with another bank. By any course of the three, the number of banks would be reduced.

#### § 60.—BANK INSPECTION AND THE DEPOSITOR

I. According to the opinion of Canadian legislators, as implied in the Bank Act, the *depositor* with a chartered bank is a person capable of looking out for himself. There is no requirement of a fixed reserve for his protection, no Government inspection. The reasons for the latter omission, if such one chooses to call it, have already been detailed. They may be summarized here as (a) the impracticability of efficient Government inspection where banks are as complex and their business

as widespread as under the Canadian system, and (b) the provision for inspection already adopted by the banks themselves.

Inspection is an integral part of a Canadian bank's administrative routine, the need for which has been proved in a negative way by the experience of banks who have neglected it. Looked at from another side, it is essential to sound management upon a full knowledge of a bank's liabilities, assets and circumstances. A bank with a number of branches usually employs at least one officer exclusively for the service of inspection. In the larger banks he ranks third in the hierarchy, coming next to the assistant general manager or assistant cashier, reports to the general manager or cashier, and is under his direction. It is the duty of the inspector, with his assistants (who in some banks may be three or four in number), to make the round of the branches each year, or oftener, if possible, to pass upon the value and character of the commercial paper and other negotiable securities composing the banking assets of the offices, to check over the books and otherwise to verify accounts, to inquire into the general working, prospects and business of the several branches, and to furnish detailed statements of his findings, criticisms and recommendations to the general manager.

The general manager has his own opinion, he has information as complete as they can make it from branch managers; he needs the result of the inspector's observations as to the value and character of his bank's assets, and it is given him with fullness, courage and independence. By comparing the three views, the general manager has a proper basis for deciding the policy he will pursue, the provision for bad debts he will recommend, and the curtailment or extension of the operations of the respective branches. The inspector, as his rank indicates, must be a banker of the first class. In order to the just appraisal of the bank's loans, his experience must be wide and his judgment trustworthy. When the inspection staff is large, the work of the chief inspector and his assistant is confined to this problem, and the equally difficult task of reporting on the general policy, prospects and position of the branches. Counting cash and checking books is left to the routine inspector and the inspection clerks.

There is an obvious propriety in the inspector's reporting to the chief administrative officer of the bank, rather than to the president or board of directors. Should he report to them, the strained relations likely to arise between manager and board or manager and inspector, would be intolerable. Then, too, the data obtained by inspection are essential to the management of the bank rather than to the supervision exercised by the advisory committee of shareholders. Cases of collusion between a general manager and inspector are rare. The latter is always a banker who has his own ends, reputation and future. He would not gain by stultifying himself. If the bank should fail, the facts would be certain to leak out. His name would be tarnished; his career ruined. Besides, the public are critical. They have seen and learned that in the long run a bank which fails, fails because of bad debts. They have also come to believe that efficient inspection is the only possible means for a bank promptly to acquire knowledge of its bad debts and provide for them in time. The public will gossip of a bank as of a woman. If its inspector is a weak man, of slight ability or bad character, unscrupulous, a mere clerk, connected by family ties with the general manager, or otherwise likely to be too close to him, the public will say "there's no inspection whatever of that bank," and act accordingly.

So the depositor, if he chooses to seek it, can still have the security of inspection, not, to be sure, carried on for his special protection, but of an inspection more expensive, thorough and capable than the work of Government officials well could be. He enjoys, it is true, no preferred claim upon the assets of an insolvent debtor, even though his deposit bear no interest. Indeed, three classes of creditors—note holders, the Dominion Government and the Provincial Governments—must be paid in full before he gets a cent. The real security of the depositor is found in the large capitals and reserve funds of the banks, their prudent, careful management, the double liability of shareholders and the personal joint and unlimited liability of directors guilty of violating provisions of the Bank Act. It has been argued that, taking the system as a whole, shareholders must lose \$63,000,000 of subscribed capital, \$63,000,000 more of double liability and \$27,000,000 of rest, \$193,000,000 in all, before

depositors can lose on their claims for \$174,000,000.<sup>1</sup> The security afforded depositors by individual banks is more or less than the average indicated by these figures; but it is high in every case. The experience of twenty-seven years with failed banks shows that where depositors and all other creditors have lost one dollar, shareholders have lost twelve.

To guide his choice of a bank, the depositor has the information obtainable from the monthly bank statement, the common reputation of the different corporations, the general opinion passed upon their officers and the criticisms of newspapers and financial journals. If through ignorance or excessive timidity, he is inclined to distrust his judgment, the Government is always ready to borrow his money through the Post Office or Government savings banks, and to pay at least the current rate of interest on time deposits. Well-informed persons, however, especially those to whom time and the constant availability of their funds are considerations, object to the inconvenient restrictions and red tape apparently necessary to deposits in and withdrawals from the Government banks, and prefer to leave their money with the chartered banks.<sup>2</sup>

If the depositor will agree to leave his money with the bank for a specified time, or not to withdraw it without giving notice, usually of ten to fifteen days, the chartered bank will pay him an interest, the current rate now being 3 to 3½ per cent. The higher current rate is paid when the period is one of three to six months, or when thirty or sixty days' notice of withdrawal is agreed upon.

Deposits of this class figure in the return as "deposits made by the public, payable after notice or on a fixed day." Their large amount, \$109,924,925 on the 30th June, 1894, well indicates the efficiency of the Canadian system in gathering up

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<sup>1</sup> B. E. WALKER, "Canadian Banking," *Journal of the Canadian Bankers' Association*, Vol. I., p. 20.

<sup>2</sup> Still, the balances due by all the Government banks have risen, almost steadily, from \$5,230,733 on the 30th June, 1872, to \$43,036,630 on the 30th June, 1894. (*Public Accounts, Canada, 1893*, p. 76, and *Canada Gazette*, Vol. XXVIII., pp. 302, 303.) Twenty-five millions (\$25,257,868) of this was owed by the Post Office banks and \$15,803,209 by the Government Savings banks, the latter being mostly in the Maritime Provinces. The funds thus obtained are not immediately invested in securities as they are in Great Britain. The Government acts more as a borrower than as a trustee. Deposits made with its banks pass into the Consolidated Revenue Fund, and interest and withdrawals are a charge upon the revenue. Both items appear in the Budget.

the spare cash of the people and in quickening the flow of capital disbursed among laborers, farmers, artisans and others, back to the channels of commerce. It must be remembered that the sum is almost entirely of Canadian contribution. The discount rate has long been so low in Canada as to preclude the profitable employment of British funds bearing the interest which other colonial banks are able to offer. Canadian banks, therefore, have not developed a British business; their foreign liabilities chiefly arise from transactions in exchange. Interest bearing deposits are regarded by the Canadian depositors in the light of investments; by the banks, as among the most satisfactory and least troublesome of their liabilities. They are evidenced either by deposit receipts, or, when made through "Savings Bank Departments," by entries in the pass-book of the creditor. As in other countries, the notice of withdrawals required from depositors of the latter sort is designed to protect the bank at critical times; ordinarily the money is paid over as soon as the depositor signifies his wish for it. The more permanent character of such deposits lies in the intentions of the makers rather than in the practical conditions of their withdrawal.

The person who wishes to retain complete control over his moneys, deposits them on demand. Competition formerly led the banks to pay interest on the balances of active current accounts. Now, however, the custom is nearly obsolete among well managed banks. In rare cases, when the balance of the depositor is large, has a permanent character, or promotes, as an account, important incidental advantages, the bank may still allow an interest. Aside from the convenience of making payments through the bank and the security of funds left with it, the depositor on demand generally expects to derive certain other benefits from the bank in his relation to it as a borrower. He cannot, therefore, exact so much as the customer who merely expects the bank to hold his savings safe, and to whom interest is paid, partly as a just compensation for the use of his money, partly as a means to the important economic end of utilizing all the available capital of the community in the operations of trade and industry.

## § 61.—THE SHAREHOLDER AND BORROWER OF THE CANADIAN BANK

I. As guarantors of its liabilities, the shareholders of a bank are liable not only for the amount of their subscriptions to stock, but also for an equal amount in addition. The very fact that close to five-sevenths of the total resources of Canadian banks are derived from sources other than their proprietors, makes patent the necessity for some such guarantee. Various precautions are established by the Bank Act in order that the liability of shareholders shall be real and available. A new bank may not start without giving substantial evidence of a capital foundation contributed *bonâ fide*. Subscribers refusing or neglecting to pay calls made by directors, forfeit ten per cent. of their shares; they may not vote at meetings while calls, then due by them, are still unpaid; calls may be enforced by suit; or sufficient of the holders' stock may be sold to provide the amount necessary, after deduction of expenses and penalties, to pay up their remaining shares. The provisions for promptly enforcing the double liability include, among others, entire forfeiture of claims to dividends on refusal to pay calls, the recovery of calls by suit, and the continued liability of the transferor on shares the transfer of which shall have been registered within sixty days of the bank's suspension of payment. A further safeguard, effective chiefly as an exhibit of the character of each bank's proprietary and the changes occurring therein, is the requirement of an annual return to the Government of the names of the shareholders of each bank, their places of residence and the amount of stock held by each.

Other clauses of the Act, dealing with the transmission of shares, declare no transfer valid unless registered, and accepted by the person to whom it is made, nor unless the person making the transfer, if so required by the bank, has discharged his debts to the bank exceeding the value, at the current rate, of the remaining stock belonging to him. The bank has a prior lien on shares of persons indebted to it, a security on which it must realize by selling the stock within twelve months after the debt becomes due and default occurs in payment. Partly, it is supposed, to prevent speculation in shares, no contract to transfer shares is valid unless the person making the transfer is the

registered owner of the shares, or has the owner's consent to the sale and specifies the distinguishing numbers,<sup>1</sup> if any, of the shares transferred. \* \* \* Under these and a number of other restrictions for the most part only of technical legal interest, his position as a guarantor and the liabilities of the shareholder are fixed and certain; if he have visible wealth other than his stock, they are practically inevitable.

As a proprietor, or rather as an investor, his position is not always so certain. Buying or subscribing to bank stock is a business venture, subject to the business risk. The profit from the investment depends, more or less, upon the sagacity and prudence with which the risk is placed. Passages in the historical chapters of this investigation have shown how, in former years, shareholders have borne well nigh the whole burden of loss caused by careless, unsound, dishonest or imprudent banking, a loss that can be estimated at nothing less than \$23,000,000 in twenty-seven years. What has happened will happen hereafter. The first purpose of successive improvements in Bank Acts must be to minimize injury to bank creditors, rather than to bank proprietors. Still, Canadians frequently remark that faults in banking management are fewer now than they were in earlier years, or that the business is conducted on safer lines than ever before, and they believe that the future will bring further improvement. Evils have never been more than sporadic. A number of banks have enjoyed a steady growth from the time they were started; in bad times they have, perhaps, slightly reduced their dividends, but they have always been able to provide for losses from the balance at credit of profit and loss. A number of others, not quite so fortunate, while obliged to trench upon reserve funds, have never had their capital stock reduced and have never passed their dividends.

If his choice is judicious, the bank investor can find plenty of stocks on which the payment of the semi-annual dividend is as nearly sure as commercial ventures well can be, and from which he is likely to gain in the added value, "the unearned increment" usually accruing to the stock of a well-managed bank, as it grows older and shares in the advancing prosperity

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<sup>1</sup> It is not the custom of Canadian banks to number their shares.

of its customers. In 1893-1894, six of the banks have paid dividends of 6 per cent., seven of 7 per cent., two of  $7\frac{1}{2}$  per cent., nine of 8 per cent., two of 10 per cent. and two of 12 per cent. The dividends paid by the principal banks in the last four years appear in Appendix II.

Partly to protect the shareholders from fluctuations in the rate of dividends, it is provided by the Bank Act that no division of profits exceeding eight per cent. per annum of the capital stock shall be declared until the rest or reserve fund ("surplus" in the United States) shall equal thirty per cent. of the paid-up capital of the bank. By avoiding changes in the dividend rate, this accumulation of earned profits left with the bank also tends to minimize the fluctuation in the value of shares that stimulates speculation. Canadian bankers think it desirable to have their stock held by investors *bonâ fide*, and for years some of them have congratulated their shareholders upon the diminution of speculative holdings.<sup>1</sup> It is hardly necessary to add that the rest furnishes an additional guarantee to the creditors of a bank; while undivided, it is strictly corporate property; its existence nowise diminishes the liability of stockholders, although it does furnish them with a substantial protection against the possibility of being called on for further contributions.

As a matter of fact, rests are much larger in many instances than the proportion mentioned in the Bank Act. Any addition to the fund is ordinarily reflected in the price of the stock, for the rest increases the earning power of the bank which holds it. It costs neither dividends nor interest, and most managers and proprietors believe that higher returns are obtained from profits thus undistributed than could be secured by proprietors if the fund were divided among them. The Bank of New Brunswick, therefore, has accumulated a rest of 105 per cent. and pays a 12 per cent. dividend; the Dominion Bank has one of 100 per cent. of its capital and pays 12 per cent.; the Bank of Nova Scotia, one of 80 per cent. and pays 8 per cent.; the

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<sup>1</sup> In the small number of transactions in shares indicated by the market reports, it is possible to see how completely, at the present day, bank stock has passed into the hands of permanent holders. There is no better or stronger evidence of the confidence placed by the public in the solidity of the banks than its appreciation of bank shares as investments.

Bank of Toronto, one of 90 per cent., and pays 10 per cent. The Imperial Bank, the Bank of Hamilton, Standard Bank, Bank of Ottawa, Bank of Montreal, Banque du Peuple, Molsons' Bank, Merchants' Bank of Halifax, Merchants' Bank of Canada, Halifax Banking Company and the People's Bank have each a rest equal to 50 per cent. or more of their paid-up stocks.

Too seriously to emphasize the liabilities of shareholders in the Canadian banks will be to make a grave mistake. Investors, no doubt, take a certain account of the liability, but in respect to eleven-twelfths, at least, of the subscribed banking capital of the Dominion, the probability of occasion arising for its enforcement is so remote, so slight, that the liability is practically disregarded. The stock in well managed banks is esteemed one of the safest and best commercial investments in Canada. Stocks yield to the buyer from 4 to 6 per cent. on the market value of his purchase. It may be worth while to note that the lowest yield is usually obtained from stocks commanding the highest premium. The accumulation of a rest makes property in a bank somewhat more secure, and the firm establishment of banks which have been able to acquire large rests rather improves the prospects of regular and uniform or gradually rising dividends. Other factors in the market estimate of a stock, are that growth of a bank's good-will, the increase of its credit and the formation of a *clientele*—for all of which time and good management are necessary.

These considerations make shares in particular banks especially desirable investments, and help to raise their price, even considerably above the point at which the rest would be fully provided for in the value of the stock, or at which the yield to the investor would be as high as from the stock of banks less favorably situated. Shareholders exclusively get the benefit of any such increment of value accruing during the period of their proprietary. To realize it, either they may sell their holdings, or in case it is decided to increase the capital of the bank, they may sell the new shares allotted to them. It is provided by the Bank Act that bank directors shall not require from holders to whom allotments are made, a rate of premium on new shares exceeding the percentage then borne by the rest of the

bank to its capital stock. The holder gains the difference between this price and the higher market price.

II. The position of the *borrower* has received some attention in the discussion of large banks, branch banking, and the Canadian system of issue. I have pointed out there the wide and thorough distribution of banking facilities, the equalization of discount rates, the avoidance of periodical fluctuations in the cost of loans, and the extensive control of funds exercised by the Canadian banks wherever their establishments are in operation. A consequence of this control, which has also been previously noted, is the ability of each bank to supply whatever may be judged the needs of its own customers, and to enforce the rule of "one customer, one bank."

The natural, desirable and usual corollary to this rule is the establishment of confidential relations by the borrower with his banker, as a condition precedent to any advance. The borrower lays before the banker the state of his business, usually by means of an actual balance sheet; he explains to the banker the purpose for which the advance is required, and gives such general information as to his prospects, condition and business as can assist the lender in judging as to the expediency of granting the amount asked for, the sincerity of the borrower's explanations, and the probable productivity of the advance. As a rule, the discussion of the balance sheet is required each year, and the banker sets a limit or "grants a line of credit" up to which he agrees to supply the borrower as needs arise in the course of his season's operations. The general possibilities of the mentorship, the restraint on speculation and the check on over-expansion which can be exercised by cautious, far-seeing and sagacious men as bank managers under such conditions, have been reasoned out to the conclusion that the country in which they are thoroughly realized will enjoy practical immunity from commercial crises.<sup>1</sup> The experience of Scotland for a long period of years, and of Canada since 1879, would seem to confirm the writer's views. At any rate bankers do not so often discover that they "have

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<sup>1</sup> Cf. SOMERS, *The Scotch Banks and System of Issue*, pp. 113-114, on Scotland's escape from crises.

unwittingly been booming a corner lot, building a mill or helping to float a company."<sup>1</sup>

As the Canadian corporations are predominantly commercial and industrial banks, we may disregard, for the present, loans made on the security of bonds and stocks, temporary and unsecured advances to persons of great wealth and high credit, and occasional supplies to shareholders merely, *e.g.*, on undorsed promissory notes.

Borrowers in general, whose purposes are approved by the banks, seek advances to anticipate returns from sales of commodities already concluded, to make, to move or to carry commodities for the purpose of selling them. In other words, banks as a rule will extend credit only when there is a prospect that the use of the advance will provide the means for its payment. Otherwise they incur losses and lock-ups. It is, further, a well established principle of Canadian practice that advances shall be secured.

Those who borrow to anticipate returns from concluded sales are technically the discount customers of the banks. The security they give is the two-name paper purchased by the bank, *i.e.*, promissory notes indorsed by the payee, time acceptances of debtors for which the drawee is still liable, or indorsed bills of exchange. The bank thus has two guarantors of repayment, the one directly liable, the other by way of recourse, and both commercial houses who must meet such obligations in order to preserve their solvency. Another class of discount customers are farmers, who usually borrow on their promissory notes, indorsed by one or more of their neighbors.

Persons making commodities for sale are usually expected to secure the banks which assist them in the method provided by those clauses of the Bank Act of 1890 which relate to the security given by wholesale manufacturers, millers, distillers, packers, etc. (*Vide* § 52.) The security given by those engaged in shipping goods to market or holding them for the purpose of sale, is likewise, in many cases, the material security of valuable goods, and the rules for its assignment are provided by the

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<sup>1</sup> B. E. WALKER, "Canadian Banking," *Journal of the Canadian Bankers' Association*, Vol. I., p. 22.

Bank Act in the clauses dealing with warehouse receipts, bills of lading, specifications of timber and the like. Under the same category (of persons carrying goods with intent to sell them), come many wholesale houses, importers, exporters, dealers in general merchandise and a large variety of retail traders. It is usually necessary to give the bank collateral security, if it exists, but where no collateral is at hand, the borrower, according to the best practice, is required to furnish the bond of other responsible parties, to secure the repayment of his banker. In their essence, all the transactions mentioned in the paragraph are loans, but in form they frequently appear as discounts. Canadian bankers prefer to make advances on negotiable instruments, rather than overdrafts, even though the promissory note taken from the customer for loans is nothing more than an evidence of the bank's claims.

The rule as to renewals no longer shows the same simplicity as when Upper Canada was a separately governed province. Whether a renewal is permitted now depends upon the purpose for which the advance was made and the pertinent circumstances. Produce buyers and grain shippers or others for whom the season of operations and sales is brief, would hardly be allowed renewals.

Customers obtaining the discount of paper payable at places other than the place of discount, are subject to an additional charge for the expenses of agency and collection not exceeding one-half of one per cent., when the paper is payable at the office of a bank other than the one discounting. When the paper is payable at another office of the same bank, the charge permitted by the Bank Act, which may not exceed one-half of one per cent. for paper payable in ninety days or over, is proportionally less for shorter term advances. These provisions, intended to assure to banks in certain cases somewhat more than the interest at seven per cent. per annum they are permitted to deduct at the time of discounting or recover by suit, are not of particular importance under the ruling conditions. The rate of discount on first-class commercial paper does not usually exceed  $6\frac{1}{2}$  per cent. in any part of Canada except British Columbia.

The borrower whose account is "valuable" is likely to se-

cure favorable rates on the additional charges for agency. If, for example, he usually keeps a large balance at his credit, if he receives or uses a large amount of exchange in his business and sells or obtains it through his bank, or if, again, he uses quantities of bank notes in his disbursements, the bank which has the account can afford to perform services for him at lower rates than for those whose custom opens no such incidental sources of profit. He is likely to be accorded somewhat greater facilities in the matter of loans. What extra gain the banks obtain in one way, competition generally compels them to return in another.

A question as to the borrower's position which we have yet to examine, is the treatment he receives from his bank when the money market tightens, the financial horizon becomes obscured and every one begins to prepare for trouble. Is the borrower allowed to carry through the undertakings begun on an understanding as to loans? Or is he sacrificed to the exigencies of the time and forced to realize at a loss, in order to pay a debt? What is the meaning of the banker's proposal "to take care of his customers?" For an answer, we need only to recall the spring and summer of 1893.

In the first half of that year many an agent of first rate American houses, provided with unexceptionable securities, offering paper at all the way from 8 to 14 per cent., and promising permanent custom if immediate needs were supplied, was sent away begging from one Canadian bank to another. But even then Canadian customers of these banks got advances, if they needed them for legitimate purposes, up to the full amounts of their credits, and at rates no higher than seven per cent. The banks had to import more than \$8,000,000 to do it, they had to reduce their American balances at a time when the reduction was most difficult and unprofitable, they lost safe chances for high though temporary profit, but they were under obligation to support their customers and they did support them. Current loans were increased by over eleven millions between the last day of January and the first of July, although between the last of January and the last of August, barely half a million was added to circulation, and deposits on demand were reduced by more than six millions. In the table below

appear the changes occurring in the significant items of the bank statement, month by month, from January to December.<sup>1</sup> Nothing could better illustrate the protection enjoyed by the worthy customer under the Canadian system of banking. In critical periods, his accommodation is not ruthlessly curtailed, nor the price of it excessively augmented.

§ 62.—THE BUSINESS OF CANADIAN BANKS

In reviewing the important or interesting facts relating to note holders, depositors and borrowers under the banking system of Canada, in discussing reserves, inspection and other points, many of the salient features of the miscellaneous banking business carried on with the Canadian public have already been more or less fully explained. A second explanation in this connection would be repetition from a different point of view, rather than the formulation of new material. The proportions of various items in their assets and liabilities to their capital stocks, and sundry other facts respecting the several banks, appear in Appendix II.

Aside, however, from those commonly denoted by discount, deposit and issue, the business of the Canadian banks includes other types of transactions. The Canadian chartered banks perform nearly every variety of the mercantile banking services

(000 omitted)	Circulation	Demand Deposits	Deposits at notice or on fixed day	Balances due to Foreign Agencies	Balances due to Agencies in United Kingdom	Specie and Dom. Notes	Balances due from Foreign Agencies	Balances due from Agencies in United Kingdom	Securities	Call Loans	Current Loans
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Jan.	32,831	67,459	102,097	81	4,100	19,695	21,626	1,432	14,606	18,833	197,256
Feb.	32,978	66,822	103,140	87	4,766	19,791	21,397	1,159	14,264	19,456	197,709
Mar.	33,340	64,536	103,700	127	6,412	17,857	20,539	375	14,395	17,655	204,903
Apr.	32,633	64,542	104,216	139	6,101	19,378	17,165	2,324	14,306	16,469	206,789
May	31,927	64,859	105,581	103	5,504	19,230	17,814	1,182	14,787	15,213	207,685
June	33,483	64,975	105,841	210	4,751	18,547	17,331	1,587	14,786	14,880	208,793
July	33,573	64,563	106,563	124	4,600	19,205	15,616	3,860	15,080	15,141	206,937
Aug.	33,308	61,437	105,015	169	5,538	20,456	13,562	3,364	15,377	14,398	205,937
Sept.	35,128	61,245	104,004	221	5,312	20,214	13,451	4,243	15,562	14,960	204,654
Oct.	36,906	62,524	103,577	179	4,966	20,588	14,839	3,918	15,446	14,681	204,854
Nov.	35,120	62,926	104,414	131	4,419	20,630	16,242	4,827	16,439	14,465	201,996
Dec.	34,418	62,594	107,785	166	4,751	20,978	18,229	3,540	16,573	14,236	200,397

required wherever there is sufficient business to support an agency or branch. Quite all the trade they do not enjoy. In collecting deposits, *e.g.*, they have as competitors both the Government savings banks and the loan, mortgage and investment companies, as well as some building societies—the latter being corporations that loan money on real estate—most of whom receive deposits at interest. There are also a number of private bankers who receive deposits, conduct a loaning business in places where no chartered bank is established, and frequently place money elsewhere, in such amounts or on such security as would make the transaction unacceptable to a chartered bank.

But of incorporated savings banks, such as one finds in almost any American city of twenty thousand inhabitants, there are not more than five in the whole country. With two exceptions these are in the cities of Montreal and Toronto. "The Savings Bank Department" usually attached to the branch offices of chartered banks forms a place of safety for the spare earnings of the people, and is now opened in many a locality where a mere savings bank could not eke out existence. The practice of banks in computing interest upon deposits varies in different parts of the Dominion; in some districts interest is paid from the day of deposit to the day of withdrawal; in others, it is computed on the minimum monthly balance, though when this is the case, the rate allowed is often somewhat higher than when interest is paid on the daily balance. What proportion the mass of small accumulations thus acquired and eventually devoted to productive purposes, bears to the total deposits at interest with the chartered banks, there are no official statistics to indicate.

In addition to Canadian collections and transactions in domestic exchange, many of the banks undertake the negotiation of municipal debentures, city bonds, and occasionally provincial securities. They do not act as brokers, but buy the securities outright, after the manner of specialized bond dealers in the United States. Some banks issue commercial credits available in whatever parts of the world the importers and traders among their customers are likely to require funds. They also issue travellers' credits and circular notes, these also being available in any part of the world with which a banking corres-

pondence can be established. Not all the Canadian banks engage in this class of business ; not all the banks are examples of what may be termed the Canadian type. There are still some banks, ten in all, perhaps, whose interests are at most but sectional, and whose business is chiefly confined to discount, deposit, issue, and such transactions in domestic exchange as may be required within the sections where the banks work. The typical Canadian bank, however, is a corporation controlled from one of the centres, and capitalized for a million or more, which has its branches at a number of points in one or more provinces, its correspondents in London, England, in numerous cities of the United States, and at different European and Oriental marts, and consequently the facilities for practically any kind of safe transaction that may be offered it.

Four of the banks have agencies of their own in the city of New York, one a branch at Chicago, another an agency there as well as at Kingston, Jamaica, and another still, branches in San Francisco, Portland, Tacoma and Seattle.<sup>1</sup> With the exception of the agencies in New York, the American agents are engaged in a miscellaneous banking business, the amount of which cannot be inferred from the bank statement, because the parent banks are required to report merely the *balances* due by agents, agencies or other banks in foreign countries.

New York city is used by all the larger Canadian banks as a place to keep parts of their reserves. When the bank has no agency of its own there, it can arrange with some local bank to loan its moneys at call, or it can get a certain interest by depositing a balance with one of the local banks. The balance may then be used as a basis for drawing New York exchange, or as a means of purchasing needed sterling exchange when the New York market is more favorable than the Canadian, or as a means to purchase specie when it is necessary to import gold to Canada. Banks which had their own establishments at New York in 1873, used their agents for the

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<sup>1</sup> The Bank of British Columbia, controlled, like the Bank of British North America by a Court of Directors sitting in London. Both are institutions acting under Royal Charter, but subject to the regulation of the Canadian Parliament. The latter bank also has an agency at San Francisco.

employment of portions of their funds until required elsewhere. An agent employed money forming part of the general fund reserved by his bank to meet shortly maturing or unexpected liabilities, partly on loans maturing on demand, for which no vouchers were received (call loans on bonds and stocks), and partly in loans payable at specified times, for which he received notes, drafts and other commercial paper.<sup>1</sup> Even then the Bank of British North America and the Bank of Montreal had long been two of the "five great names" of the sterling exchange market.

At present the New York offices very seldom loan on time, though when good rates are offered and no funds are required, either in Canada or abroad, they are willing to make an occasional time loan. But their principal business is loaning at call on negotiable securities to stock brokers and others, the purchase and sale of sterling exchange, and making transfers of money by cable. Their British correspondents, in two cases, may be their own London offices, but both for these and the other banks are usually such institutions as the Clydesdale Bank, Limited, the Bank of Scotland, the London and Westminster Bank, the Union Bank of London, the banking house of Messrs. Glyn & Co., or the British Linen Company Bank. Correspondents elsewhere are of equal standing, so that wherever it is payable, the bill drawn by a Canadian bank is of the highest class. The New York agencies do not receive deposits or discount notes. They have no considerable liabilities and practically the whole amount of their funds is always available.

What use is occasionally made of this reserve may be illustrated by the action of the banks during the Canadian stringency of early 1875, and still more graphically by the net decrease of the "foreign balances" (which really mean, for the most part, American balances), by over eight million dollars between the last of January and the last of August, 1893. Yet the advantage of their establishments in the United States is not by any means confined to the Canadian banks. In New York, the sellers of cotton bills, with whom their transactions are enormous, doubtless feel that the benefit is mutual. So, too, the great grain

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<sup>1</sup> New York Supreme Court Reports (T. & C.), p. 630.

merchants in the export trade. Many a dealer in stocks has had occasion to thank these foreign corporations at times when, just as many banks were calling in their loans, and it seemed that borrowing from others would soon be ruinous or impossible, the agents of Canadian banks have come into the Stock Exchange with offers to advance freely as long as the security was good. Farther west, large sums of surplus Canadian money are employed in the grain markets of Minneapolis, Duluth and Chicago. On the Pacific slope, where the Bank of British Columbia is established, it ranks as one of the most important corporations of the kind. In San Francisco the other British bank has an office in which is carried on a heavy business in exchange and such other transactions as circumstances permit.

New York, of course, is not the only scene of the transactions of the Canadian banks in sterling exchange. Nearly every one of the chartered companies has its London correspondent, and deals in sterling bills. The rate of interest in comparatively quiet periods is so low in London that it is more profitable for a bank to hypothecate a part of its securities, bearing interest say at 4 per cent., than to keep a cash balance loaned out at call there. Consequently the Canadian banks are usually somewhat in debt to their London correspondents. By reason of the branch system and the presence of a number of banks well equipped for such transactions, there is plenty of competition in the Canadian exchange market, and a buyer or seller is always near at hand. The Government takes advantage of this when negotiating London bills by inviting tenders from all the banks.

What particular gain there may be in making foreign payments or collections through the agencies employed in the manifold exchanges of domestic trade, I do not purpose to examine. The convenience, doubtless, is greater. The banks of New York City and the National banks generally—with marked exceptions in Chicago and California—have left the business in foreign exchange and a number of other banking operations, to houses specializing in those lines, chiefly private or foreign bankers. National bankers lack both the facilities and training for such business. Particularly for dealing in exchange, the operator needs habits of close observation, acute

reasoning faculties, prudence, caution, decision, a varied experience and thorough technical training. The Canadian chartered banks can successfully undertake the business, for it is exactly these qualities in its servants that the Canadian banking system is admirably calculated to develop.

Further details belong to the technique of banking practice or to the minutiae of banking law. How far the principles on which the Canadian banks are organized, by which they are regulated and according to which they are managed, are of general application, is a question to be decided as the banking system conforms to the general economic tests. How the Canadian banks economize capital; how they utilize and distribute it; what is the security, convertibility and elasticity of the circulating medium they supply; how thoroughly are their creditors protected against loss; how low and how nearly equal are the rates of interest in different parts of the country; how cheaply are other banking services sold; how easy of access are banking facilities; what support have worthy customers in critical times, and how far does the system promote the stability of commercial confidence: these are questions to which, perhaps, this chapter forms an answer. According to the true response, the merits of the Canadian Banking System must be judged. If the present answer be sufficient, the reader may draw his own conclusions.

APPENDIX I

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TABLE SHOWING THE GRAND TOTALS OF THE LIABILITIES  
AND ASSETS OF THE CHARTERED BANKS

Of the Dominion of Canada as reported to the Government on the 30th  
June, 1867; the 31st December, 1868-1893; and the 30th June,  
1894



APPENDIX I

TABLE showing the Grand Totals of the Liabilities and Assets of the Chartered Banks of the Dominion of Canada, as reported to the Government on the 30th June, 1867, the 31st December, 1868-1893, and the 30th June, 1894\*

LIABILITIES

Number of Banks reporting to the Government †	Year	Capital Authorized by Act	Capital Paid-up	Capital Subscribed	Promissory Notes in Circulation not bearing interest	Notes in Circulation	Government Deposits payable on demand	Government Deposits payable after notice	Provincial Government Deposits payable on demand	Provincial Government Deposits payable after notice or on a fixed day	Dep't held as sec'y for ex'n of Dom'n Gov't contracts and for insurance companies	Cash Deposits not bearing interest	Cash Deposits bearing interest	Other Deposits payable on demand	Other Deposits payable after notice	Other Deposits payable after notice or on a fixed day	Due to other Banks in Canada	Due to other Banks or Agencies not in Canada	Balances due to Agencies of the Bank or to other Agencies in foreign countries	Balances due to Agencies of the Bank or to other Banks or Agencies in the United Kingdom	Liabilities not included under the foregoing heads	Total Liabilities	
																							Reserve Fund
28	1867	.....	\$32,500,162	.....	\$10,102,439	.....	.....	.....	.....	.....	.....	\$14,935,213	\$16,727,378	.....	.....	.....	.....	.....	.....	.....	.....	.....	\$44,548,376
...	1868	.....	30,451,519	.....	10,157,483	.....	.....	.....	.....	.....	.....	16,888,417	22,640,394	.....	.....	.....	.....	.....	.....	.....	.....	.....	51,008,675
...	1869	.....	42,166,666	.....	11,421,641	.....	.....	.....	.....	.....	.....	18,802,310	28,773,736	.....	.....	.....	.....	.....	.....	.....	.....	.....	61,482,490
...	1870	.....	33,449,963	.....	18,526,212	.....	.....	.....	.....	.....	.....	19,159,645	32,897,546	.....	.....	.....	.....	.....	.....	.....	.....	.....	72,494,049
...	1871	.....	\$52,113,998	\$42,157,656	\$24,480,627	\$3,177,939	\$6,084,865	\$29,194,107	\$21,080,063	\$1,157,092	\$997,941	\$29,479,309	\$23,377,579	\$1,094,102	\$1,094,102	.....	.....	.....	.....	.....	.....	\$300,240	\$86,484,726
...	1872	.....	65,666,999	57,881,216	27,930,172	4,129,606	3,768,599	30,479,309	23,377,579	1,094,102	2,102,887	30,479,309	23,377,579	1,094,102	1,094,102	.....	.....	.....	.....	.....	.....	322,561	93,350,100
...	1873	.....	\$68,766,666	\$63,782,916	\$29,016,659	\$4,469,800	\$2,424,850	\$30,952,012	\$26,954,561	\$1,549,207	\$820,656	\$30,952,012	\$26,954,561	\$1,549,207	\$1,549,207	.....	.....	.....	.....	.....	.....	\$519,299	\$104,526,166
...	1874	.....	73,566,666	69,376,976	28,465,192	5,875,707	5,709,172	35,624,746	33,483,718	2,059,647	833,871	35,624,746	33,483,718	2,059,647	2,059,647	.....	.....	.....	.....	.....	.....	443,240	126,090,487
...	1875	.....	77,266,666	71,999,321	33,257,721	3,580,159	2,309,109	34,020,524	26,084,999	2,017,040	193,223	34,020,524	26,084,999	2,017,040	2,017,040	.....	.....	.....	.....	.....	.....	230,239	97,363,173
39	1876	.....	71,966,666	70,129,766	23,275,701	2,918,509	3,240,307	35,071,764	28,576,990	1,586,836	1,033,016	35,071,764	28,576,990	1,586,836	1,586,836	.....	.....	.....	.....	.....	.....	272,341	101,192,533
39	1877	.....	74,266,666	69,127,566	21,794,212	5,121,890	1,221,700	35,408,612	28,360,041	2,152,402	180,362	35,408,612	28,360,041	2,152,402	2,152,402	.....	.....	.....	.....	.....	.....	294,154	96,976,027
39	1878	.....	72,766,666	67,425,557	21,455,641	4,437,841	1,225,314	35,120,759	31,285,757	1,828,410	289,123	35,120,759	31,285,757	1,828,410	1,828,410	.....	.....	.....	.....	.....	.....	402,499	97,332,543
36	1879	.....	67,266,666	63,106,633	22,252,761	3,700,777	6,607,047	37,889,165	30,597,257	3,093,306	75,984	37,889,165	30,597,257	3,093,306	3,093,306	.....	.....	.....	.....	.....	.....	400,645	105,802,821
36	1880	.....	\$66,766,666	\$62,359,533	\$27,328,358	\$5,807,010	\$2,025,252	\$42,179,627	\$37,059,788	.....	.....	\$42,179,627	\$37,059,788	.....	.....	.....	.....	.....	.....	.....	.....	\$260,534	\$121,471,722
36	1881	.....	66,266,666	62,176,933	32,358,844	6,591,901	4,968,516	45,958,529	43,637,079	.....	.....	45,958,529	43,637,079	.....	.....	.....	.....	.....	.....	.....	.....	321,276	140,346,311
36	1882	.....	68,146,666	63,822,183	36,501,694	3,393,963	5,074,264	47,457,360	49,422,184	.....	.....	47,457,360	49,422,184	.....	.....	.....	.....	.....	.....	.....	.....	336,265	149,749,536
36	1883	.....	69,396,666	63,555,133	33,589,454	3,729,445	3,302,965	44,594,648	52,015,098	.....	.....	44,594,648	52,015,098	.....	.....	.....	.....	.....	.....	.....	.....	378,906	145,812,744
38	1884	.....	71,896,666	64,685,933	31,935,933	4,625,625	3,020,831	42,904,831	49,405,039	.....	.....	42,904,831	49,405,039	.....	.....	.....	.....	.....	.....	.....	.....	306,977	135,374,937
41	1885	.....	74,179,999	65,720,299	32,363,992	6,075,031	100,000	49,748,931	54,020,047	.....	.....	49,748,931	54,020,047	.....	.....	.....	.....	.....	.....	.....	.....	328,207	147,440,252
41	1886	.....	79,579,999	64,276,699	34,575,347	5,445,998	100,000	50,750,882	54,020,047	.....	.....	50,750,882	54,020,047	.....	.....	.....	.....	.....	.....	.....	.....	124,409	150,518,455
38	1887	.....	76,079,999	62,944,399	34,354,595	5,240,386	100,000	48,981,273	56,618,392	.....	.....	48,981,273	56,618,392	.....	.....	.....	.....	.....	.....	.....	.....	422,679	153,218,603
38	1888	.....	75,779,999	62,254,599	33,785,186	6,755,245	5,008,324	55,725,682	66,152,756	.....	.....	55,725,682	66,152,756	.....	.....	.....	.....	.....	.....	.....	.....	368,101	170,360,938
38	1889	.....	75,779,999	62,378,499	33,577,700	4,848,523	.....	68,795,757	71,019,107	.....	.....	68,795,757	71,019,107	.....	.....	.....	.....	.....	.....	.....	.....	437,161	171,684,384
38	1890	.....	75,008,665	61,253,732	35,006,274	3,524,884	.....	53,668,396	80,265,132	.....	.....	53,668,396	80,265,132	.....	.....	.....	.....	.....	.....	.....	.....	346,524	178,826,551
38	1891	.....	\$75,758,665	\$62,674,952	\$35,634,129	\$3,238,857	.....	\$62,649,358	\$90,158,184	.....	.....	\$62,649,358	\$90,158,184	.....	.....	.....	.....	.....	.....	.....	.....	\$216,374	\$199,453,832
39	1892	.....	75,958,685	63,169,643	36,194,023	4,409,130	.....	68,694,266	101,526,186	.....	.....	68,694,266	101,526,186	.....	.....	.....	.....	.....	.....	.....	.....	474,426	221,567,771
39	1893	.....	75,458,685	63,170,654	34,418,936	3,399,290	.....	62,594,075	107,885,149	.....	.....	62,594,075	107,885,149	.....	.....	.....	.....	.....	.....	.....	.....	166,966	218,662,965
39	30th June, 1894	.....	75,458,685	63,171,952	30,254,159	4,798,075	.....	65,006,011	109,924,925	.....	.....	65,006,011	109,924,925	.....	.....	.....	.....	.....	.....	.....	.....	207,285	221,292,707

\* The figures for 1868 to 1889 are taken from the compilation of GARLAND, *Banks, Bankers and Banking in Canada*, pp. 49-59; those for 1867 and 1890-1894, from the *Canada Gazette*.

† Prior to 1875, the returns published in the *Canada Gazette* are so frequently incomplete that it is impossible to supplement Mr. Garland's compilation by showing the number of banks reporting to the Government. Down to 1890, there were always more chartered banks in operation than those reporting to the Dominion Government. Until all the Provincial charters had expired, banks working under them were not obliged to make returns.

ASSETS - APPENDIX I - (Continued)

Year	Coin, Bullion and Provincial Notes		Promissory Notes or Bills of other Banks	Notes of and Cheques on other Banks	Balances due from other Banks in Canada	Balances due from other Banks not in Canada		Government Securities	Government Debentures or Stock	Loans, discounts or advances on current account to Corporations	Notes and Bills discounted and current	Loans to the Governments	Notes, etc., overdue and not specially secured	Overdue Debts secured	Real Estate other than the Bank Premises	Bank Premises	Other Debts due to the Bank not included under foregoing heads	Total Assets	
	Specie	Provincial or Dominion Notes				Balances due from Agencies of the Bank or from other Banks or Agencies in foreign countries	Balances due from Agencies of the Bank or from other Banks or Agencies in the United Kingdom												Loans to the Government of the Dominion
1867	\$ 8,200,229		\$1,806,052					\$6,277,593			\$54,899,142							\$80,772,834	
1868	11,820,726		2,021,712					3,608,939			53,652,499							85,192,921	
1869	15,101,094		2,293,075					6,027,523			62,879,202							99,159,050	
1870	14,018,075		2,440,570					4,847,448			75,673,476							111,973,315	
1871	\$8,755,232	\$6,922,369	\$3,028,031		\$2,022,829	\$14,416,213		\$1,437,870		\$2,103,189	\$89,764,279	\$1,302,218	\$1,406,543	\$1,347,162	\$856,581	\$1,760,663	\$2,520,293	\$136,016,959	
1872	6,459,625	8,219,723	3,953,652		2,034,741	10,815,174		1,449,836		2,449,591	113,384,104	543,583	1,141,410	1,553,863	797,790	2,022,943	2,500,764	157,639,816	
1873	\$7,163,297	\$9,109,286	\$4,580,294		\$2,650,784	\$6,378,054		\$1,373,195		\$2,919,798	\$119,647,350	\$244,766	\$1,651,500	\$1,455,385	\$586,996	\$2,359,793	\$2,659,465	\$172,736,993	
1874	7,483,118	9,590,454	5,629,737		3,808,632	8,888,003		1,204,843		3,468,054	139,379,457	144,660	1,494,808	1,597,524	575,449	2,785,207	2,455,836	200,905,145	
1875	6,879,372	8,544,621	4,578,143		3,476,582	8,182,257		1,331,151		3,228,274	119,402,322	56,955	4,436,636	2,775,862	853,498	3,059,971	3,248,401	183,310,243	
1876	6,176,104	8,318,113	4,187,075		3,608,437	5,948,860		1,280,590		4,734,335	122,562,334	97,147	3,185,631	3,218,985	1,067,029	3,174,299	2,105,104	181,880,061	
1877	6,127,739	8,896,455	4,417,169		3,523,669	4,685,860		2,285,357		3,581,615	116,475,030	192,984	3,133,176	4,057,591	1,242,171	3,300,292	2,351,994	176,364,764	
1878	5,623,005	8,098,205	4,381,070		4,489,323	5,803,848		2,203,179		3,794,912	117,556,319	77,654	2,666,201	3,774,681	2,141,827	3,518,848	2,516,814	178,138,495	
1879	6,809,029	9,136,439	4,566,554		4,743,016	19,313,583		2,086,922		4,454,973	97,603,688	80,699	2,921,818	3,474,920	2,383,474	3,342,966	4,428,196	178,302,684	
1880	\$5,965,270	\$10,520,302	\$4,565,005		\$683,070	\$3,263,553		\$1,122,109		\$8,011,068	\$105,587,672	\$609,220	\$1,783,071	\$217,693	\$3,015,209	\$1,998,311	\$3,140,523	\$2,691,920	\$192,537,574
1881	6,561,619	9,856,837	5,835,416		882,567	2,555,260		1,099,822		13,976,340	123,710,008	895,998	1,107,207	212,304	2,174,370	1,718,830	3,020,158	2,861,979	213,588,098
1882	6,555,761	10,463,842	6,765,973		379,457	3,331,521		1,285,079		16,861,583	144,414,108	651,952	1,310,435	1,411,262	1,679,854	1,409,835	3,116,247	2,600,379	230,675,211
1883	7,225,552	11,176,840	7,288,167		235,508	3,307,283		900,722		10,415,155	133,378,550	825,182	2,100,756	175,524	2,120,018	1,096,893	3,081,835	1,881,452	228,193,650
1884	7,469,756	11,007,629	6,100,270		493,894	2,331,317		1,495,435		11,929,955	122,109,496	1,517,432	3,222,865	122,677	3,091,569	1,219,421	3,188,745	2,291,199	215,787,511
1885	6,710,058	12,446,829	7,869,777		172,198	679,542		4,317,070		12,556,050	14,070,831	1,170,642	1,545,858	98,688	2,022,278	1,379,820	3,886,342	2,278,634	227,863,546
1886	5,801,576	9,405,594	7,135,076		131,502	3,007,886		4,438,638		13,153,174	14,855,133	1,083,783	1,594,284	1,109,611	1,452,275	1,331,261	3,569,524	2,923,999	231,300,482
1887	6,037,563	10,030,196	6,474,758		164,904	274,526		3,699,679		2,813,823	138,398,246	1,004,181	1,412,603	52,120	1,218,352	1,218,352	3,659,014	3,535,917	232,576,983
1888	7,372,132	10,671,722	8,257,385		557,793	3,605,991		2,045,076		3,706,035	10,252,233	1,246,447	982,834	1,449,100	1,409,500	696,489	3,737,699	5,248,889	255,348,112
1889	5,967,665	9,117,810	7,826,325		290,708	200,738		3,693,232		4,655,171	23,209,430	1,036,390	1,072,996	63,328	1,611,284	990,080	3,559,612	3,559,612	252,166,663
1890	6,650,948	9,678,322	7,714,525		55,900	3,335,890		2,462,347		2,690,187	27,268,006	153,236,184	1,429,783	65,579	1,263,029	1,027,107	4,187,572	2,453,015	260,137,159
1891	\$5,769,313	\$10,113,040	\$4,343,075		\$43,706	\$3,289,518		\$3,061,722		\$8,825,965	\$14,401,695		\$322,013	\$2,656,588	\$1,144,391	\$785,713	\$4,463,619	\$1,537,649	\$280,754,661
1892	6,720,500	12,381,108	1,761,259		3,616,137	140,885		3,328,082		19,957,947	19,957,947		2,447,234	4,661,621	798,609	4,661,621	1,711,416	305,730,910	
1893	7,691,331	13,287,292	1,818,571		3,630,883	173,697		3,191,383		6,692,856	14,236,629		2,263,712	3,040,078	834,480	636,640	5,132,156	304,231,696	
30th June, 1894	7,438,513	14,016,698	1,831,979		3,287,255	228,299		3,157,413		8,240,707	14,600,915		487,093	2,811,395	928,151	623,800	5,365,188	307,542,429	

† For 30th June, 1867, the amounts given for total Assets are approximate, the return for Nova Scotia lacking details for one Bank.

APPENDIX II

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SUNDRY ITEMS OF THE STATEMENTS OF LIABILITIES  
AND ASSETS

FURNISHED to the Department of Finance for the last juridical days of the months ending the 31st December, 1890-1893, and the 30th June, 1894, by Chartered Banks of the Dominion of Canada having Paid-up Capital Stocks of \$500,000 or over. Compiled from the *Canada Gazette*.

(000 omitted)	Year 31st Dec.	Capital paid-up	Rest	Circula- tion	Deposits by the public payable on demand	Deposits by the public payable after notice or on a fixed day
Bank of Montreal, Montreal	1890	\$12000	\$6000	\$5332	\$ 9994	\$10782
	1891	12000	6000	5163	13249	11124
	1892	12000	6000	5327	13597	12475
	1893	12000	6000	5056	13428	15086
	30th June, 1894	12000	6000	4542	13740	13780
Canadian Bank of Com- merce, Toronto	1890	6000	800	2942	4115	8547
	1891	6000	900	2992	4942	10227
	1892	6000	1000	3255	5775	11322
	1893	6000	1100	3061	4862	11252
	30th June, 1894	6000	1200	2545	5105	11656
Merchants' Bank of Can- ada, Montreal	1890	5799	2335	3107	3143	5981
	1891	5799	2510	3461	3797	6756
	1892	6000	2725	3474	3831	6755
	1893	6000	2900	2927	3261	6352
	30th June, 1894	6000	3000	2393	3826	6610
Bank of British North Am- erica, London, Eng., and Montreal <sup>1</sup>	1890	4866	1241	1280	2087	6294
	1891	4866	1289	1193	2201	6879
	1892	4866	1289	1173	2327	7153
	1893	4866	1338	1084	2239	6735
	30th June, 1894	4866	1338	1015	2070	6345
Bank of British Columbia, Victoria and London, Eng.	1890	2920	973	1106	2004	315
	1891	2920	1070	1065	2389	283
	1892	2920	1266	848	2707	602
	1893	2920	1314	886	2481	896
	30th June, 1894	2920	1338	800	2772	954
Quebec Bank, Quebec	1890	2500	500	568	3875	1421
	1891	2500	500	648	4331	1380
	1892	2500	550	704	4481	1778
	1893	2500	550	826	4316	1872
	30th June, 1894	2500	550	642	4622	2269
Bank of Toronto, Toronto	1890	2000	1500	1591	3909	2842
	1891	2000	1600	1699	5191	2947
	1892	2000	1700	1771	5425	3213
	1893	2000	1800	1591	5132	3330
	30th June, 1894	2000	1800	1254	5434	3129
Molsons' Bank, Montreal	1890	2000	1100	1913	3637	3054
	1891	2000	1100	1828	4345	3575
	1892	2000	1150	1868	5429	3785
	1893	2000	1200	1761	4806	3516
	30th June, 1894	2000	1200	1535	5010	3872
Imperial Bank of Canada, Toronto	1890	1500	700	1416	2494	3371
	1891	1909	954	1516	2981	4448
	1892	1947	1023	1592	3197	5007
	1893	1953	1101	1503	2608	5565
	30th June, 1894	1954	1152	1220	2459	5660

<sup>1</sup> The return from the Bank of British North America includes Canadian business only.

Total Liabilities	Specie	Dominion Notes	Balances due from agencies of the bank, or from other banks or agencies in foreign countries	Current Loans	Total Assets	Rate per cent. of last dividend
\$28700	\$2221	\$2399	\$ 4553	\$28406	\$47978	10
32439	1695	2142	9871	28687	51405	10
35427	2073	3157	11395	29484	54432	10
36007	2760	2207	10854	28831	55212	10
36269	2704	2910	7356	33060	55560	10
16074	438	466	759	16796	23061	7
18841	392	587	2227	16298	25926	7
21748	396	714	3404	17774	28924	7
20695	399	780	1716	19664	28016	7
20743	361	693	1683	19021	28001	7
13255	452	468	512	16283	21664	7
15163	320	566	1103	16653	23765	7
15586	299	673	1335	16393	24507	7
14139	382	859	1053	16703	23258	7
14010	386	1082	726	16725	23102	7½
9788	383	859	677	9306	14285	7½
10382	320	668	623	9061	12179	7½
10738	348	712	692	9321	13122	7½
10103	362	701	693	8626	11964	7½
9483	346	628	881	8545	12024	7½
4530	186	231	133	4265	5125	6
5486	212	218	76	5340	6188	6
5759	429	794	69	5039	6689	6
5742	512	797	..	5384	7001	6
6075	408	675	62	5838	7287	6
5913	73	432	77	5998	9030	7
6424	80	356	79	5356	9528	7
7311	79	287	67	6418	10411	7
7116	90	557	56	6200	10248	7
7767	96	520	87	7027	10950	7
8409	308	431	185	9264	12188	10
9956	338	695	594	9861	13806	10
10546	356	587	546	11278	14550	10
10157	542	1112	399	10412	14238	10
9959	547	1154	420	9934	13989	10
8858	257	357	72	9518	12186	8
9971	201	551	197	10206	13349	8
11470	206	503	197	11137	14984	8
10326	121	691	97	10449	13890	8
10732	140	613	151	10777	14335	8
7704	300	699	270	6152	10055	8
9077	293	648	461	7128	12156	8
10033	288	688	469	7805	13232	8
10218	358	1174	285	7110	13435	8
9845	384	1028	331	7190	13097	8

(000 omitted)	Year 31st Dec.	Capital Paid-up	Rest	Circula- tion	Deposits by the public payable on demand	Deposits by the public payable after notice or on a fixed day
Dominion Bank, Toronto	1890	\$1500	\$1300	\$1292	\$2739	\$5335
	1891	1500	1350	1226	2828	5796
	1892	1500	1400	1132	3525	6140
	1893	1500	1450	1036	2776	6376
	30th June, 1894	1500	1500	943	2961	7008
Bank of Nova Scotia, Halifax	1890	1114	700	1307	1265	4061
	1891	1500	1000	1187	1013	4375
	1892	1500	1050	1128	1256	4306
	1893	1500	1200	1163	1180	4553
	30th June, 1894	1500	1200	1148	1261	4543
Ontario Bank, Toronto	1890	1500	250	964	1532	2785
	1891	1500	280	1032	1624	3014
	1892	1500	315	1056	1852	3475
	1893	1500	345	901	1382	3462
	30th June, 1894	1500	345	900	1379	3574
Eastern Townships Bank, Sherbrooke	1890	1487	550	782	589	1884
	1891	1487	600	774	568	1989
	1892	1499	625	780	552	2236
	1893	1499	650	761	544	2396
	30th June, 1894	1499	680	814	523	2369
Bank of Ottawa, Ottawa	1890	1000	425	870	709	2094
	1891	1204	587	1007	819	2115
	1892	1342	710	1012	1282	2458
	1893	1487	847	1030	1032	3067
	30th June, 1894	1489	848	825	810	3340
Bank of Hamilton, Hamilton	1890	1145	515	1103	1153	2458
	1891	1239	614	1175	1383	3074
	1892	1250	650	1161	1487	3525
	1893	1250	650	1145	1250	3623
	30th June, 1894	1250	675	886	1286	3590
Banque du Peuple, Montreal	1890	1200	400	756	1423	2160
	1891	1200	425	748	1246	2400
	1892	1200	480	810	1542	3372
	1893	1200	550	825	1499	3928
	30th June, 1894	1200	600	787	2168	4391
Banque Nationale, Quebec	1890	1200	100	632	683	1147
	1891	1200	...	710	705	1139
	1892	1200	...	937	744	1474
	1893	1200	30	1054	842	1735
	30th June, 1894	1200	30	852	787	1717
Union Bank of Canada, Quebec	1890	1200	200	1036	854	2195
	1891	1200	225	1117	1006	2310
	1892	1200	225	1130	1048	2758
	1893	1200	250	1160	735	2952
	30th June, 1894	1200	280	939	939	2971

Total Liabilities	Specie	Dominion Notes	Balances due from agencies of the bank, or from other banks or agencies in foreign countries	Current Loans	Total Assets	Rate per cent. of last dividend
\$9394	\$187	\$344	\$ 811	\$7415	\$12407	10
9985	197	349	1390	6766	13055	10
11054	223	611	1399	7299	14178	10
10243	227	442	1106	6996	13423	10
10936	240	653	1033	7202	14076	12
7089	292	377	108	5554	8911	7
7300	261	451	309	6445	9809	8
7505	378	492	240	6468	10058	8
7739	299	565	309	6191	10441	8
8295	179	443	941	6400	11038	8
5506	176	347	88	5152	7384	7
5779	160	360	117	5292	7715	7
6685	170	372	175	6045	8636	7
6180	180	302	77	5869	8134	7
6223	181	319	143	6024	8180	7
3305	117	97	164	4550	5493	7
3366	123	99	194	4110	5569	7
3625	107	92	214	4458	5879	7
3766	117	98	411	4528	6050	7
3810	91	104	163	4774	6060	7
4010	116	94	42	4683	5534	8
4228	117	122	269	5011	6125	8
5055	114	123	217	5895	7235	8
5368	120	169	312	6164	7813	8
5287	130	186	289	5902	7798	8
4930	183	186	23	4996	6719	8
5721	159	220	47	5779	7706	8
6375	170	188	131	5113	8401	8
6551	173	228	35	5881	8558	8
6408	182	301	37	5893	8395	8
4651	44	146	4	5201	6371	6
4617	47	184	45	4993	6305	6
6029	97	172	33	5853	7786	6
6574	50	191	3	6706	8391	6
7530	48	438	75	6947	9308	6
2562	87	112	96	2785	3997	6
2634	67	59	92	2639	3966	6
3246	74	105	38	2918	4593	6
3721	61	191	87	3772	5116	6
3530	61	109	75	3901	4838	6
4851	31	174	30	5435	6419	6
5086	28	194	66	5698	6655	6
5811	38	226	8	6023	7397	6
5645	24	174	25	5742	7177	6
5731	30	229	63	6028	7266	6

		(000 omitted)				
	Year 31st Dec.	Capital paid-up	Rest	Circula- tion	Deposits by the public payable on demand	Deposits by the public payable after notice or on a fixed day
Merchants' Bank of Halifax, Halifax	1890	\$1100	\$ 375	\$ 996	\$ 945	\$2242
	1891	1100	450	949	993	2514
	1892	1100	510	1020	1391	2842
	1893	1100	600	1013	1222	3001
	30th June, 1894	1100	600	932	1187	3384
Standard Bank, Toronto	1890	1000	460	815	1465	2183
	1891	1000	500	926	1782	2656
	1892	1000	525	911	1802	3038
	1893	1000	550	835	1640	3254
	30th June, 1894	1000	600	580	1325	3554
Banque d'Hochelega, Montreal	1890	710	160	581	447	989
	1891	710	160	589	620	1380
	1892	710	200	566	598	1947
	1893	710	230	641	680	2570
	30th June, 1894	710	270	634	641	2457
People's Bank of Halifax, Halifax	1890	600	70	433	215	502
	1891	680	90	490	291	580
	1892	700	115	428	227	930
	1893	700	130	441	360	810
	30th June, 1894	700	160	438	440	834
Traders' Bank of Canada, Toronto	1890	592	20	576	724	1163
	1891	604	35	591	995	1555
	1892	607	55	590	856	2200
	1893	607	75	600	768	2451
	30th June, 1894	607	85	565	726	2607
Bank of New Brunswick, St. John	1890	500	440	455	674	836
	1891	500	500	435	508	1079
	1892	500	525	444	656	1131
	1893	500	525	453	591	1143
	30th June, 1894	500	525	463	624	1142
Union Bank of Halifax, Halifax	1890	500	70	335	227	631
	1891	500	90	278	352	595
	1892	500	110	274	353	449
	1893	500	120	302	440	566
	30th June, 1894	500	140	331	467	697
Halifax Banking Company, Halifax	1890	500	170	489	411	1429
	1891	500	210	463	384	1543
	1892	500	210	450	444	1538
	1893	500	210	455	409	1588
	30th June, 1894	500	250	485	423	1590
Banque Jacques Cartier, Montreal	1890	500	150	413	1013	645
	1891	500	150	419	575	1390
	1892	500	175	403	598	1858
	1893	500	215	402	747	1964
	30th June, 1894	500	225	427	636	2113

Total Liabilities	Specie	Dominion Notes	Balances due from agencies of the bank, or from other banks or agencies in foreign countries	Current Loans	Total Assets	Rate per cent. of last dividend
\$4374	\$143	\$398	\$168	\$4553	\$5849	6
4714	145	455	87	4261	6264	6
5991	138	544	170	4794	7601	6
5941	187	465	110	5130	7641	7
6160	143	402	108	5497	7936	7
4488	141	210	15	3689	6052	7
5440	140	247	86	3550	7048	8
5939	138	274	127	3604	7576	8
6236	145	295	31	4398	7807	8
5928	149	298	25	4533	7550	8
2097	65	151	51	2095	2975	6
2659	68	113	71	2261	3591	6
3222	58	130	50	3186	4214	6
3974	54	233	61	3353	5032	6
3845	66	117	148	3305	4856	6
1210	35	35	9	1534	1931	6
1371	30	45	1	1932	2216	6
1611	25	111	79	2044	2488	6
1655	26	113	34	2207	2572	6
1733	24	121	77	2206	2658	6
2530	72	140	16	2371	3166	6
3470	68	147	5	2905	4141	6
3960	79	132	69	2920	4661	6
4188	101	221	24	2979	4901	6
4271	114	194	23	3140	4982	6
2038	108	200	67	1993	3070	12
2087	99	172	70	2271	3122	12
2317	182	162	75	2347	3379	12
2291	156	168	69	2274	3372	12
2347	167	238	299	1915	3439	12
1390	24	40	8	1356	1991	5½
1412	25	70	1	1502	2041	6
1277	24	33	12	1325	1925	6
1513	25	84	9	1670	2179	6
1746	27	98	19	1769	2420	6
2380	34	68	28	2722	3075	6
2552	22	86	32	2966	3262	6
2519	30	236	120	2701	3253	6
2501	49	189	54	2712	3298	6
2565	49	113	93	2801	3406	6
2145	42	30	13	1866	2841	7
2468	29	118	31	2050	3174	7
2945	29	98	34	2514	3685	7
3221	30	65	37	2952	4023	7
3300	29	155	63	3081	4069	7

## APPENDIX III

TABLE showing grand total of Notes in Circulation at the end of each calendar month from January, 1879, to June, 1894, from "Report of the Chartered Banks of the Dominion of Canada," published as supplement to the *Canada Gazette* :

	1879	1880	1881	1882	1883
	\$	\$	\$	\$	\$
Jan ....	19985958	20393301	26010035	31946809	33722447
Feb ....	19014558	20495219	26169190	32524142	34044909
Mar ....	19193485	20793775	26439316	32947269	34517813
Apr ....	18162105	19864343	26044888	32712335	33082658
May ..	17479608	19612921	25575729	31861044	31301075
June ..	18090814	20186176	26102368	32229937	32212240
July ....	16956630	20186470	26047733	31729233	32093938
Aug ....	17258597	21397953	27481218	31458191	32118943
Sep ....	20004989	24369798	31753589	33953387	33145845
Oct ....	23201007	27981567	35034308	37940516	35563243
Nov ....	21827712	27745597	33145292	37180399	34007350
Dec ....	22252761	27328358	32358844	36501694	33589454

	1884	1885	1886	1887	1888
	\$	\$	\$	\$	\$
Jan ....	30031076	29689046	29845735	32110620	31952132
Feb ....	29576177	30166082	29691347	32304887	31363400
Mar ....	30197882	29791262	29959916	31521420	31985285
Apr ....	29239635	28491692	29281603	30467891	30742577
May ..	28449049	29124205	28900765	30086803	29278074
June ..	29654511	29692803	29200627	30438152	30444643
July ....	28063301	29607902	28882843	30845304	30241455
Aug ....	29137301	30108359	29515389	31666467	30448815
Sep ....	31456024	31334621	31927050	33765609	32913526
Oct ....	33988079	34576246	35322015	37012342	36246775
Nov ....	33653945	33702934	35260345	35163321	36060933
Dec ....	31935933	32363992	34578347	34354595	34785486

	1889	1890	1891	1892	1893	1894
	\$	\$	\$	\$	\$	\$
Jan ....	31592372	30870961	31662099	32705400	32831747	30571375
Feb ..	31866151	30627074	31925749	32711015	32978840	30603267
Mar ..	32471522	31704281	33020661	32483965	33430883	30702607
Apr ..	31299842	30671938	30904096	31496369	32633073	29996472
May ..	30012900	30831914	30917214	31383218	31927342	28467718
June ..	31209972	32059177	31379886	32614699	33483413	30254159
July ..	30343413	31167628	30579968	32488718	33573468	
Aug ..	31090284	32718363	32012196	32646187	33308967	
Sep....	32888429	35522319	34083051	34927615	35128926	
Oct....	35233310	36480649	37182768	38688429	36906941	
Nov ..	34899830	36344546	37430690	37124505	35120561	
Dec ..	33577700	35006274	35634129	36194023	34418936	

## APPENDIX IV

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## THE CANADIAN BANKING SYSTEM, 1817-1890

## CORRIGENDA

- Page 179, note 2, for G. Poulette Lerope read G. Poulett Scrope.  
Page 191, line 25, for *legislations* read *legislation*.  
Page 191, line 35, add *is difficult to determine*.  
Page 275, line 16, for *modifications* read *modification*.  
Page 299, line 33, for *has* read *had*.  
Page 316, note 1, line 9, for *101* read *58*; line 11, for *11* read *21*.  
Page 320, note 1, delete *The charter*.  
Page 321, note 1, line 4, after *issues* insert *not*.  
Page 326, note 1, add *Exchange Bank of Yarmouth*.  
Page 327, line 14, add *Exchange Bank of Yarmouth*.  
Page 337, line 1, 2nd clause, for *one* read *two*.  
Page 337, note 2, line 2, after *Windsor* add *and the Exchange Bank of Yarmouth*.  
Page 343, line 12, for *question* read *questions*.  
Page 452, line 26, for *organized* read *recognized*.  
Page 452, line 36, for *were* read *was*.  
Page 461. —In the list of Banks quoted as having reduced their capital to provide for losses, is included the Bank of New Brunswick. This is an error; the Bank of New Brunswick reduced its capital voluntarily, and returned the money to the shareholders.  
Page 481, note 4, line 8, for *144* read *244*.  
Page 585, line 35, for *arises* read *arise*.  
Page 591, line 9, for *issue* read *use*.  
Page 591, line 32, for *issued* read *used*.  
Page 599, line 7, insert after *August, 1894*.  
Page 600, line 37, for *balance* read *balances*.  
Page 601, line 19, for *was* read *is*.

# CONSTITUTION OF THE CANADIAN BANKERS' ASSOCIATION

AS ADOPTED 17TH DECEMBER, 1891, AND AMENDED 7TH AND 8TH  
JUNE, 1893

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## PREAMBLE

It being desirable that the chartered Banks of Canada, together with their officers, should be united for the purpose of mutual advantage, it was decided at a meeting held in Ottawa on February 12th, 1890, that an Association should be formed for the purpose.

## ARTICLE I

This Association shall be called the Canadian Bankers' Association, and shall consist of Members and Associates.

## ARTICLE II

The Members of this Association shall consist of the chartered Banks of Canada who have already expressed willingness to become members, and of such others as notify their desire to become members. Such Banks shall act in all matters relating to this Association by their chief executive officers.

For the purposes of this Association the chief executive officer of the Bank shall be the General Manager or Cashier, or, in their absence, the officer next in authority. Where the President or Vice-president of a Bank performs the duties of a General Manager or Cashier, he shall be deemed chief executive officer, and in his absence the officer next in authority shall vote.

Such officers shall be Associates, *ex-officio*.

The Associates of this Association shall consist of such Bank officers as have already expressed willingness to become Associates, and of such other Bank officers as shall be duly elected at a meeting of the Executive Council, or at an annual meeting.

ARTICLE III

as amended 7th June, 1893.

The subscriptions for Members shall be as follows :

For Banks with a paid-up capital stock of under \$500,000,	\$	40
“ “ \$500,000 and under \$2,000,000,		60
“ “ \$2,000,000 “ \$3,000,000,		150
“ “ \$3,000,000 and over.....		250

The subscription for Associates shall be one dollar annually.

All subscriptions shall be payable on or before the first day of February in each year.

ARTICLE IV

The objects of the Association shall be to carefully watch proposed legislation and decisions of the Courts in matters relating to banking and to take action thereon ; also to take such action as may be deemed advisable in protecting the interests of the Contributories to the Bank Circulation Redemption Fund, and all other matters affecting the interests of the chartered Banks.

It shall also be competent for the Association to promote the efficiency of Bank officers by arranging courses of lectures on commercial law and banking, by discussions on banking questions, by competitive papers and examinations. Prizes may be offered for proficiency, under the direction and control of the Executive Council.

ARTICLE V

The voting on all subjects shall be by Associates, except the following, on which Members only shall be permitted to vote :

1. Election of officers.
2. Action relating to proposed legislation.
3. Passing of By-laws.
4. Adding to or amending Constitution.
5. All other subjects on which general action by the banks is contemplated.

Each Member shall have one vote and the chairman a casting vote.

ARTICLE VI

The officers of the Association shall be two Honorary

Presidents, a President, and four Vice-Presidents. These shall be elected at the annual meeting. All elections shall be by ballot without nomination.

A Secretary-Treasurer, who shall be an officer or an ex-officer of a Bank, shall be appointed by the Executive Council, and remunerated in such manner as the said Council may determine; the terms of his engagement to be regulated by the Executive Council.

## ARTICLE VII

as amended 7th June, 1893.

The Executive Council shall consist of the President and Vice-Presidents of the Association, and *nine* Associates to be qualified to act as chief executive officers of Banks—these Associates to be elected by the Members at the annual election of officers. Five shall constitute a quorum.

The Honorary Presidents shall also have seats at the Council.

## ARTICLE VIII

Any Member not represented at a meeting of the Association by one of the officers named in Article II., may vote by proxy, provided such proxy is held by a Member or by an Associate who is an assistant general manager or assistant cashier of a Bank, or branch manager of a city office. Should any of the persons constituting the Executive Council be unable to attend at a meeting called, he may be represented by proxy, provided such proxy is held by a member or by an Associate, as before specified by this and the preceding article.

## ARTICLE IX

The Association shall have power to appoint a Solicitor and to fix his remuneration, for either general or special services, and also to engage Counsel where such services may be needed.

## ARTICLE X

Sub-sections of the Association may be constituted, and may frame By-laws for their guidance, subject to the provisions of the Constitution and By-laws of the Association.

## ARTICLE XI

The first Annual Meeting of the Association shall be held

at Montreal during the month of May next, the day to be fixed by the Executive Council. All subsequent annual or other meetings of the Association shall be called by the Executive Council, to be held at a time and place to be decided by that Council. A special meeting of the Association may be called at any time by the Executive Council, or shall be called by the President or Secretary-Treasurer on the requisition of at least ten members of the Association; thirty days notice to be given of the annual or any special meeting of the Association.

ARTICLE XII

By-laws may be framed not inconsistent with the provisions of this Constitution.

ARTICLE XIII

Additions and amendments may be made to this Constitution at any annual meeting by a vote of not less than two-thirds of those present and entitled to vote personally or by proxy, but one month's notice shall be given thereof, addressed to each member of the Executive Council.

ARTICLE XIV

No resolution passed by the Association or by the Executive Council shall be considered as compulsory, or as enforcing, necessarily, any action of any kind upon the Banks.

## LIST OF ASSOCIATES

---

Abbott, J. H. ....	Merchants Bank of Halifax
Acres, J. J. ....	Canadian Bank of Commerce
Aird, John .....	Canadian Bank of Commerce
Allan, Andrew .....	Halifax Banking Co.
Allan, W. A. ....	Merchants Bank of Canada
Alley, J. A. M. ....	Traders Bank of Canada
Allin, A. E. ....	Western Bank of Canada
Allen, J. R. ....	Standard Bank of Canada
Ambidge, H. A. ....	Molsons Bank
Ambrose, E. S. ....	Bank of Hamilton
Ambrose, H. S. ....	Bank of Montreal
Ambrose, J. R. ....	Bank of British North America
Anderson, A. Y. ....	Imperial Bank of Canada
Anderson, J. ....	Bank of British North America
Anderson, J. J. ....	Union Bank of Canada
Anderson, J. P. ....	Union Bank of Canada
Anderson, M. A. ....	Union Bank of Canada
Anderson, R. H. ....	Bank of Nova Scotia
Andrews, Ernest .....	Canadian Bank of Commerce
Andros, E. B. ....	Bank of Toronto
Angus, Jas. A. ....	Bank of Montreal
Appleton, L. G. ....	Molsons Bank
Archibald, H. H. ....	Halifax Banking Co.
Arkell, R. ....	Imperial Bank of Canada
Armstrong, C. R. ....	Canadian Bank of Commerce
Armstrong, V. O. M. ....	Canadian Bank of Commerce
Arnaud, E. D. ....	Union Bank of Halifax
Arnaud, F. H. ....	Merchants Bank of Halifax
Arnold, C. M. ....	Imperial Bank of Canada
Ashe, F. W. ....	Union Bank of Canada
Atkinson, M. ....	Bank of Toronto
Austin, Benj. ....	Eastern Townships Bank
Austin, H. L. G. ....	Bank of British North America
Babbitt, D. Lee. ....	People's Bank of New Brunswick
Babbitt, G. W. ....	Bank of Nova Scotia
Bailey, H. A. ....	People's Bank of Halifax
Balfour, G. H. ....	Union Bank of Canada
Ball, Wm. Lee .....	Eastern Townships Bank
Bangs, John A. ....	Bank of Ottawa
Banks, D. W. ....	Union Bank of Canada
Barnhardt, R. ....	Molsons Bank

Barnum, J. L. ....	Canadian Bank of Commerce
Barrow, R. S. ....	Union Bank of Canada
Barry, J. F. ....	Merchants Bank of Halifax
Bastedo, A. G. ....	Bank of Hamilton
Bate, E. N. ....	Imperial Bank of Canada
Battersby, J. P. ....	Canadian Bank of Commerce
Bayly, A. T. ....	Bank of Montreal
Bayly, N. ....	Bank of British North America
Bayly, V. E. ....	Molsons Bank
Beaven, H. R. ....	Bank of British Columbia
Beaven, W. J. ....	Bank of Montreal
Begg, Wm. M. ....	Bank of Toronto
Bell, G. B. ....	Imperial Bank of Canada
Bell, J. P. ....	Bank of Hamilton
Bell, W. ....	Imperial Bank of Canada
Bellhouse, Wm. A. ....	Merchants Bank of Canada
Belt, W. G. H. ....	Bank of British North America
Benedict, C. L. ....	Bank of Montreal
Bennett, A. E. ....	Merchants Bank of Canada
Bennett, H. E. ....	Merchants Bank of Canada
Benoit, M. ....	Banque Nationale
Benson, J. J. ....	Bank of Montreal
Bentley, H. M. ....	Bank of Ottawa
Bethune, F. A. ....	Molsons Bank
Bienvenu, Tancredié ....	Banque Jacques Cartier
Biette, F. ....	Western Bank of Canada
Bignell, A. E. ....	Merchants Bank of Canada
Billett, J. Glanville. ....	Union Bank of Canada
Billett, T. R. ....	Canadian Bank of Commerce
Bingay, T. Van B. ....	Exchange Bank of Yarmouth
Bingham, H. P. ....	Merchants Bank of Canada
Birchall, A. S. ....	Union Bank of Canada
Bird, E. H. ....	Canadian Bank of Commerce
Bird, J. Godfrey. ....	Bank of Toronto
Bird, T. A. ....	Bank of Toronto
Black, Francis M. ....	Bank of British Columbia
Black, John. ....	Bank of Nova Scotia
Blackburn, Russell ....	Bank of Ottawa
Blagdon, J. F. ....	Merchants Bank of Halifax
Blair, T. B. ....	Bank of Nova Scotia
Blakeney, H. ....	Merchants Bank of Canada
Blanchard, E. R. ....	Banque de St Hyacinthe
Bleau, J. A. ....	Banque Du Peuple
Boak, S. D. ....	Union Bank of Halifax
Boddy, W. C. ....	Standard Bank of Canada
Boivin, N. A. ....	Banque Nationale
Boire, H. N. ....	Banque d'Hochelega
Bonner, G. W. G. ....	Bank of British North America
Borradaile, H. E. ....	Bank of Montreal
Borden, F. W. ....	Halifax Banking Co.
Botsford, W. M. ....	Merchants Bank of Halifax
Boulton, E. K. ....	Imperial Bank of Canada
Boulton, G. D. ....	Imperial Bank of Canada

Boulton, J. D.....	Molsons Bank
Bourinot, E. W.....	Union Bank of Canada
Bousquet, J. S .....	Banque du Peuple
Bowles, Geo.....	Union Bank of Canada
Boyd, B. C. Barclay.....	Bank of New Brunswick
Boyle, J. A.....	Imperial Bank of Canada
Breedon, H. M.....	Bank of British North America
Bremner, W. B.....	Bank of Ottawa
Brent, C. J.....	Merchants Bank of Canada
Brent, Geo. W.....	Bank of Hamilton
Brewer, H. C.....	Molsons Bank
Brock, Jas. T.....	Bank of Ottawa
Brock, W. F.....	Canadian Bank of Commerce
Brodie, F. A.....	Bank of Toronto
Brodrick, A. B.....	Molsons Bank
Brodrick, P. W. D.....	Molsons Bank
Brough, C.....	Bank of Montreal
Brough, John M.....	Halifax Banking Co.
Brown, G. C.....	Imperial Bank of Canada
Brown, T. H.....	Bank of Hamilton
Brown, Vere C.....	Canadian Bank of Commerce
Browne, W. G.....	Canadian Bank of Commerce
Brownfield, F.....	Bank of British North America
Bryce, Geo. M.....	Bank of Toronto
Brydon, James .....	Canadian Bank of Commerce
Buchan, E.....	Bank of Hamilton
Buchan, J. L.....	Canadian Bank of Commerce
Buchanan, J. O.....	Union Bank of Canada
Burchell, John E.....	Merchants Bank of Halifax
Burn, Geo.....	Bank of Ottawa
Burns, G. H.....	Bank of British North America
Burns, W. H.....	Bank of Nova Scotia
Burrows, N. R.....	Union Bank of Halifax
Burrows, W. A.....	Merchants Bank of Canada
Butler, W.....	Imperial Bank of Canada
Butler, W. E.....	Merchants Bank of Canada
Butt, R.....	Bank of British North America
Butterfield, J.....	Bank of Hamilton
Cadenhead, J.....	Imperial Bank of Canada
Caldwell, W.....	Bank of Nova Scotia
Cameron, Duncan.....	Merchants Bank of Halifax
Cameron, D. A.....	Canadian Bank of Commerce
Cameron, D. E.....	Canadian Bank of Commerce
Campbell, A. J. D.....	Bank of British North America
Campbell, J. M.....	Bank of Hamilton
Campbell, P.....	Bank of Toronto
Cant, Joseph .....	Bank of British North America
Capreol, A. R.....	Imperial Bank of Canada
Carmichael, W. B.....	Bank of Toronto
Carreau, G. P.....	Banque du Peuple
Carruthers, George .....	Merchants Bank of Canada
Carter, Cecil H.....	Bank of British Columbia

Carter, E. H.	Canadian Bank of Commerce
Cattenach, W. G.	Bank of British North America
Chapman, J. R.	Bank of British North America
Charles, D. H.	Canadian Bank of Commerce
Chatterton, T. S.	Bank of Toronto
Checkley, E. R.	Merchants Bank of Canada
Checkley, F. Y.	Canadian Bank of Commerce
Chester, A.	Merchants Bank of Canada
Chesterton, C. A.	Bank of Ottawa
Chipman, L. D. V.	Bank of Nova Scotia
Chipman, W. H.	Bank of Nova Scotia
Chisholm, Geo. R.	Merchants Bank of Halifax
Chisholm, W. R.	Imperial Bank of Canada
Chisholm, W. S.	Merchants Bank of Canada
Christie, A. E.	Union Bank of Canada
Christie, W. J.	Bank of Ottawa
Clarke, C. H. Stanley	Imperial Bank of Canada
Clarke, D. R.	People's Bank of Halifax
Clark, O. S.	Bank of Hamilton
Clark, R.	Bank of Montreal
Clark, R. S.	Imperial Bank of Canada
Clark, S. A.	Merchants Bank of Halifax
Clawson, J.	Bank of New Brunswick
Clinch, C. W.	Molsons Bank
Clouston, E. S.	Bank of Montreal
Cochran, E. J.	People's Bank of Halifax
Cochran, T. J.	People's Bank of Halifax
Codd, A. A.	Molsons Bank
Code, E. E.	Union Bank of Canada
Cogswell, A. E.	Halifax Banking Co.
Cole, Francis	Bank of Ottawa
Collard, W. H.	Imperial Bank of Canada
Collins, W. G.	Merchants Bank of Canada
Connolly, W. S.	Molsons Bank
Conolly, R. G. W.	Canadian Bank of Commerce
Cook, C.	Standard Bank of Canada
Cooke, Wm.	Merchants Bank of Canada
Cooper, W. F.	Bank of Toronto
Copeland, W. A.	Bank of Toronto
Cotton, F. M.	Bank of Montreal
Coulson, D.	Bank of Toronto
Coulthard, W. B.	People's Bank of New Brunswick
Counsell, C. E.	Bank of Montreal
Cowdry, E.	Canadian Bank of Commerce
Craig, F. L.	Imperial Bank of Canada
Craig, H. J.	Western Bank of Canada
Craig, Will	Bank of Toronto
Cran, J.	Bank of British North America
Crawford, F. L.	Canadian Bank of Commerce
Crebassa, Geo.	Banque Nationale
Creighton, J. M.	Union Bank of Halifax
Creighton, J. S.	People's Bank of Halifax
Crispo, F. W. S.	Union Bank of Canada

Crombie, A. M. ....	Canadian Bank of Commerce
Crombie, D. B. ....	Quebec Bank
Crombie, R. B. ....	Bank of Montreal
Crompton, R. W. ....	Canadian Bank of Commerce
Crookall, C. J. ....	Merchants Bank of Canada
Crosbie, C. A. ....	Canadian Bank of Commerce
Cross, F. O. ....	Canadian Bank of Commerce
Crossley, F. ....	Canadian Bank of Commerce
Cumberland, C. R. ....	Bank of British North America
Cumberland, D. ....	Bank of British North America
Currie, R. S. ....	Merchants Bank of Halifax
Dampier, L. H. ....	Canadian Bank of Commerce
Daniel, G. W. ....	Bank of Nova Scotia
Daniels, Fred. ....	Bank of Montreal
Davidson, R., jr. ....	Imperial Bank of Canada
Davison, Clarence A. ....	Standard Bank of Canada
Dawson, T. C. ....	Canadian Bank of Commerce
Day, Martin S. ....	Union Bank of Canada
Deacon, C. F. ....	Bank of British North America
Deans, H. G. P. ....	Bank of British North America
de Gex, L. M. ....	Canadian Bank of Commerce
De Martigny, A. L. ....	Banque Jacques Cartier
Dench, F. E. ....	Canadian Bank of Commerce
Denovan, A. A. C. ....	Molsons Bank
Désy, W. L. M. ....	Banque d'Hochelaga
De Veber, Boies ....	Halifax Banking Co.
Dick, John M. ....	Bank of New Brunswick
Dickens, A. H. ....	Bank of Ottawa
Dickie, M. ....	Merchants Bank of Halifax
Dickinson, Wm. ....	Merchants Bank of Halifax
Dimock, R. V. ....	Merchants Bank of Halifax
Dinning, Neil. ....	Eastern Townships Bank
Dixon, F. J. ....	Bank of British North America
Dixon, W. Homer. ....	Imperial Bank of Canada
Doig, D. ....	Bank of British North America
Douglas, H. S. ....	Imperial Bank of Canada
Dowding, C. E. ....	Molsons Bank
Downie, D. H. ....	Canadian Bank of Commerce
Draper, W. H. ....	Molsons Bank
Drummond, E. B. ....	Bank of British Columbia
Drury, Le B. M. ....	Bank of Montreal
Drynan, W. R. ....	Canadian Bank of Commerce
Dubuc, J. E. A. ....	Banque Nationale
Duff, J. M. ....	Canadian Bank of Commerce
Dumoulin, P. B. ....	Banque Du Peuple
Duncan, D. H. ....	Merchants Bank of Halifax
Dunn, E. Edward ....	Bank of Toronto
Dunsford, C. R. ....	Union Bank of Canada
Dupuy, H. S. ....	Bank of Montreal
Durand, J. E. ....	Merchants Bank of Canada
Durnford, A. D. ....	Molsons Bank
Duthie, E. ....	Bank of Montreal

Dykes, P.....	Merchants Bank of Canada
Earle, Earnest A.....	Merchants Bank of Halifax
Easson, C. H.....	Bank of Nova Scotia
Eckardt, H. M. P.....	Merchants Bank of Canada
Eddis, J. H.....	Imperial Bank of Canada
Edgell, Stephen.....	Eastern Townships Bank
Elliott, R.....	Molsons Bank
Elliot, James.....	Molsons Bank
Elliott, John.....	Standard Bank of Canada
Eliot, W. L.....	Bank of Montreal
Ellis, A. E.....	Bank of British North America
Emery, F. B.....	Union Bank of Canada
Evans, H. P.....	Molsons Bank
Farraday, J. H.....	Bank of British North America
Farwell, Wm.....	Eastern Townships Bank
Fenton, T. R.....	Imperial Bank of Canada
Ferguson, D. A.....	Molsons Bank
Ferguson, J. H.....	Merchants Bank of Halifax
Fetherstonhaugh, E. J.....	Canadian Bank of Commerce
Fewings, E. J.....	Merchants Bank of Canada
Fidler, J. E.....	Molsons Bank
Finlaison, E. O.....	Bank of British North America
Finnie, D. M.....	Bank of Ottawa
Fisher, Guy E.....	Union Bank of Canada
Fisher, W. H.....	Canadian Bank of Commerce
Fisk, A. K.....	Bank of British North America
Fitton, H. W.....	Canadian Bank of Commerce
Fitzgerald, M. J.....	Bank of Nova Scotia
Flemming, H. A.....	Bank of Nova Scotia
Forbes, D. J.....	Halifax Banking Co
Forrest, C.....	Imperial Bank of Canada
Forrest, H. F.....	Union Bank of Canada
Forrest, S. L.....	Union Bank of Canada
Forsayeth, B.....	Bank of Hamilton
Fortier, S.....	Banque d'Hochelaga
Foster, G. C.....	Imperial Bank of Canada
Fowler, Percy B.....	Bank of British Columbia
Fox, Chas. J.....	Western Bank of Canada
Fraser, Hector.....	Bank of Ottawa
Fraser, Wm. D.....	Eastern Townships Bank
Frazer, C. W.....	Union Bank of Halifax
Freeman, C. D.....	Bank of Nova Scotia
Fripp, Geo. M.....	Merchants Bank of Halifax
Frost, Henry.....	Banque Ville Marie
Fuller, S. B.....	Imperial Bank of Canada
Fulton, J. H.....	Canadian Bank of Commerce
Fulton, J. R.....	Imperial Bank of Canada
Fyshe, Thos.....	Bank of Nova Scotia
Gaboury, W.....	Banque Nationale
Gagnon, Arthur.....	Banque du Peuple

Galbraith, R. S.....	Imperial Bank of Canada
Gallagher, James.....	Ontario Bank
Galletly, A. J. C.....	Bank of Montreal
Gamble, R. D.....	Dominion Bank
Gardiner, H. J.....	Merchants Bank of Halifax
Gardiner, W. ....	Standard Bank of Canada
Gault, John.....	Merchants Bank of Canada
Geddes, H. M. ....	Molsons Bank
Gentles, A. E.....	Union Bank of Halifax
Gibb, J. S.....	Imperial Bank of Canada
Gibson, C. E.....	Molsons Bank
Gilbert, M. A.....	Imperial Bank of Canada
Gill, Robert.....	Canadian Bank of Commerce
Gillard, J. H.....	Bank of British North America
Gilleland, L. J. ....	Traders Bank of Canada
Giroux, C. A.....	Banque d'Hochelega
Girvan, Samuel.....	Bank of New Brunswick
Glazebrook, A. J. ....	Bank of British North America
Godfrey, W.....	Bank of British North America
Goffin, C. A. ....	Bank of British Columbia
Gould, R. J. ....	Bank of Toronto
Gossip, W. H.....	People's Bank of Halifax
Gower, E. P. ....	Canadian Bank of Commerce
Graburn, K. F. A.....	Merchants Bank of Canada
Graham, Percy .....	People's Bank of Halifax
Grant, J. F.....	Bank of Montreal
Grant, J. N. S.....	Union Bank of Halifax
Grasett, H. J.....	Canadian Bank of Commerce
Gray, Fred H.....	Standard Bank of Canada
Gray, J. E. ....	Standard Bank of Canada
Gray, V. G.....	Bank of British North America
Gray, W. N.....	Merchants Bank of Canada
Greata, J. M.....	Bank of Montreal
Green-Armytage, H. R. G.....	Imperial Bank of Canada
Greene, P. H. C. ....	Union Bank of Canada
Greenhill, G. V. J.....	Merchants Bank of Canada
Grindlay, Wm. ....	Bank of British North America
Grindley, H. S.....	Molsons Bank
Grubbe, R. W.....	Bank of Toronto
Guptill, L. H.....	Bank of Nova Scotia
Hague, Fred .....	Merchants Bank of Canada
Hague, Geo .....	Merchants Bank of Canada
Hague, Geo. E.....	Merchants Bank of Canada
Hague, Henry .....	Merchants Bank of Canada
Hale, Jeffery .....	Canadian Bank of Commerce
Haliburton, Wm. ....	Bank of Nova Scotia
Hall, T. G.....	Bank of British North America
Hamilton, J. W.....	Bank of British North America
Harcourt, J. L.....	Canadian Bank of Commerce
Harper, C. G.....	Merchants Bank of Canada
Harper, J. F.....	Bank of Hamilton
Harries, H. A. ....	Molsons Bank

Harris, C. E.....	Merchants Bank of Halifax
Harrison, R. M.....	Union Bank of Canada
Harrison, T. S.....	Canadian Bank of Commerce
Harshaw, W. B.....	Merchants Bank of Canada
Hartt, A. W.....	Molsons Bank
Harvey, W. C.....	Union Bank of Halifax
Hawkins, G. N. C.....	People's Bank of Halifax
Hay, E.....	Imperial Bank of Canada
Hay, E. P.....	Canadian Bank of Commerce
Hazen, A. P.....	Bank of British North America
Hearn, A. R. B.....	Imperial Bank of Canada
Heathcote, Bruce.....	Bank of British Columbia
Hebblewhite, W. A.....	Imperial Bank of Canada
Hebden, E. F.....	Merchants Bank of Canada
Helliwell, W. P.....	Imperial Bank of Canada
Henderson, F. D.....	Bank of British North America
Henderson, Joseph.....	Bank of Toronto
Henderson, J. H.....	Union Bank of Canada
Henderson, W. T.....	Imperial Bank of Canada
Henry, R. H.....	Union Bank of Canada
Henwood, H. B.....	Bank of Toronto
Hespeler, Jacob.....	Molsons Bank
Hetherington, James.....	Eastern Townships Bank
Heward, E. H.....	Merchants Bank of Canada
Hill, E. W. R.....	Molsons Bank
Hinds, W. G.....	Merchants Bank of Canada
Hirtzel, H. M.....	Canadian Bank of Commerce
Hoare, C. S.....	Imperial Bank of Canada
Hoare, S. F.....	Bank of British North America
Hodder, M. S.....	Merchants Bank of Canada
Hodgetts, G. W.....	Bank of Toronto
Hogg, A. B.....	Bank of Ottawa
Holland, G. A.....	Canadian Bank of Commerce
Holmes, H. V.....	Bank of Hamilton
Holmsted, F. W.....	Canadian Bank of Commerce
Holt, Grange V.....	Bank of British Columbia
Holtby, F. B.....	Merchants Bank of Canada
Hood, J. D.....	Imperial Bank of Canada
Hope, Adam.....	Canadian Bank of Commerce
Hope, F.....	Bank of British North America
Hopper, A. C.....	Bank of Ottawa
Horne, G. H.....	Canadian Bank of Commerce
Hornsby, O. A.....	Merchants Bank of Halifax
Houseman, J. E.....	Molsons Bank
Houston, E. S.....	Imperial Bank of Canada
Howard, L. W.....	Molsons Bank
Howe, S. J.....	Union Bank of Halifax
Hughes, R. W. B.....	Bank of British North America
Hunt, W. P.....	Bank of Nova Scotia
Hunter, Harry A.....	Canadian Bank of Commerce
Hurdon, N. D.....	Molsons Bank
Hutcheson, S. M.....	Western Bank of Canada
Hutchinson, F. W.....	Canadian Bank of Commerce

Hutton, B. P.....	Union Bank of Canada
Imrie, James .....	Bank of Nova Scotia
Inglis, R. ....	Bank of British North America
Inglis, John.....	Merchants Bank of Canada
Innes, Chas. B. ....	Bank of British Columbia
Ireland, A. H. ....	Canadian Bank of Commerce
Irwin, H.....	Merchants Bank of Canada
Jackson, E. C.....	Traders Bank of Canada
Jackson, R. L.....	Canadian Bank of Commerce
Jaffray, W. G.....	Imperial Bank of Canada
Jarvis, Arthur S.....	Union Bank of Canada
Jarvis, Cecil .....	Canadian Bank of Commerce
Jarvis, E. W.....	Bank of Montreal
Jarvis, Gerald.....	Bank of Ottawa
Jeffery, C. L.....	Molsons Bank
Jemmett, F.....	Merchants Bank of Canada
Jemmett, F. G. ....	Canadian Bank of Commerce
Jemmett, H.....	Canadian Bank of Commerce
Jennings, B.....	Imperial Bank of Canada
Jennings, J. B.....	Western Bank of Canada
Jennings, R. C. ....	Canadian Bank of Commerce
Johnson, F. W. G.....	Molsons Bank
Johnston, Geo. S. ....	Bank of Toronto
Jones, A. F. H. ....	Traders Bank of Canada
Jones, E. C. ....	Bank of Montreal
Jones, H. V. F. ....	Canadian Bank of Commerce
Jones, H. F. M.....	Bank of British North America
Jukes, A.....	Imperial Bank of Canada
Kains, J. M.....	Imperial Bank of Canada
Kavanagh, C. R. ....	Bank of Ottawa
Kavanagh, W. J. P.....	Imperial Bank of Canada
Keith, J. W.....	Union Bank of Halifax
Kelly, J. E.....	Merchants Bank of Canada
Kemp, Donald .....	Merchants Bank of Halifax
Kemp, J. C.....	Canadian Bank of Commerce
Kent, R. G.....	Union Bank of Halifax
Kennedy, C. A. ....	Bank of Nova Scotia
Kennedy, F.....	Bank of Nova Scotia
Kenway, Donald .....	Commercial Bank of Windsor
Kenny, C. H. ....	Bank of Ottawa
Kessen, R. Blaikie.....	Bank of Ottawa
Ketchum, C. V. ....	Bank of Toronto
Kilgour, W. A. ....	Canadian Bank of Commerce
Kimball, F. E.....	Bank of Toronto
King, W. C. J.....	Canadian Bank of Commerce
Kingsmill, Wm.....	Bank of Ottawa
Kirkland, Angus .....	Bank of Montreal
Kirkpatrick, G. R. F.....	Imperial Bank of Canada
Kirkpatrick, W. R. ....	Bank of Toronto
Knight, A. S.....	Bank of Nova Scotia

Knight, John .....	People's Bank of Halifax
Kohl, E. F. ....	Molsons Bank
Kortright, E. A. ....	Bank of Toronto
Kydd, Geo. ....	Bank of British North America
Lacoursiere, F. X. O. ....	Banque d'Hochelaga
Laframboise, J. ....	Banque Du Peuple
Laframboise, P. ....	Banque Du Peuple
Lafrance, P. G. ....	Banque Nationale
Laing, R. T. ....	Canadian Bank of Commerce
Laird, D. R. ....	Bank of Nova Scotia
Lamb, J. R. ....	Bank of Toronto
Lamont, Malcolm .....	Bank of British Columbia
Lane, M. J. ....	Merchants Bank of Halifax
Langmuir, J. A. ....	Imperial Bank of Canada
Larocque, A. A. ....	Banque d'Hochelaga
Latimer, C. R. ....	Bank of Toronto
Latornell, W. U. ....	Molsons Bank
Lawson, F. T. ....	Canadian Bank of Commerce
Lawson, L. G. B. ....	Bank of Nova Scotia
Lawson, Reginald. ....	Bank of Nova Scotia
Lawson, Walter. ....	Commercial Bank of Windsor
Lay, Harry M. ....	Canadian Bank of Commerce
Lay, J. M. ....	Imperial Bank of Canada
Leach, Hugh .....	Bank of Toronto
Leavitt, J. D. ....	Union Bank of Halifax
Ledoux, A. O. ....	Eastern Townships Bank
Leefe, B. W. ....	Canadian Bank of Commerce
Leitch, W. B. ....	Merchants Bank of Canada
Le Mesurier, G. G. ....	Imperial Bank of Canada
Leslie, A. ....	Bank of British North America
Leslie, C. F. ....	Imperial Bank of Canada
Leslie, John. ....	Bank of Montreal
Lewer, M. W. ....	Bank of British North America
Lewis, C. A. ....	Merchants Bank of Canada
Lewis, J. D. ....	Imperial Bank of Canada
Lightbourn, D. B. ....	Molsons Bank
Lithgow, James C. ....	People's Bank of Halifax
Lister, F. A. W. ....	Merchants Bank of Canada
Little, A. F. ....	Union Bank of Halifax
Little, J. A. ....	Molsons Bank
Livingstone, N. M. ....	Bank of Hamilton
Lockie, Everard J. ....	Canadian Bank of Commerce
Lockwood, H. ....	Molsons Bank
Logan, A. H. ....	Bank of Ottawa
Lombard, J. H. ....	Bank of Nova Scotia
Loosemore, H. H. ....	Standard Bank of Canada
Loudon, J. S. ....	Standard Bank of Canada
Lyon, R. A. ....	Imperial Bank of Canada
Macbeth, F. ....	Molsons Bank
Macdonald, W. ....	Imperial Bank of Canada
Machaffie, W. A. ....	Merchants Bank of Canada

Mackenzie, H. B. ....	Bank of British North America
MacKenzie, J. M. ....	Imperial Bank of Canada
Mackinnon, Jas. ....	Eastern Townships Bank
Mackintosh, A. St. L. ....	Merchants Bank of Canada
Mackintosh, C. D. ....	Canadian Bank of Commerce
Macpherson, R. C. ....	Canadian Bank of Commerce
Magee, J. E. ....	Merchants Bank of Canada
Mair, Geo. ....	Traders Bank of Canada
Mallory, H. A. ....	Traders Bank of Canada
Malpas, P. ....	Molsons Bank
Manning, M. ....	Bank of Nova Scotia
Manning, M. J. ....	Merchants Bank of Canada
Manson, Wm. ....	Canadian Bank of Commerce
Marler, W. L. ....	Merchants Bank of Canada
Marsh, F. H. ....	Imperial Bank of Canada
Marshall, S. E. ....	Commercial Bank of Windsor
Marsland, C. B. ....	Molsons Bank
Martin, James. ....	Bank of Ottawa
Marquis, H. G. ....	Bank of British North America
Massey, W. M. ....	Bank of British North America
Masters, G. A. ....	Bank of Nova Scotia
Matheson, Alan F. ....	Merchants Bank of Canada
Mathewson, F. H. ....	Canadian Bank of Commerce
Maybee, A. McC. ....	Canadian Bank of Commerce
Maynard, Wm. jr. ....	Canadian Bank of Commerce
Meldrum, G. H. ....	Canadian Bank of Commerce
Mellish, A. E. ....	Merchants Bank of Halifax
Mercer, J. H. ....	Bank of British North America
Merrett, T. E. ....	Merchants Bank of Canada
Mickle, A. E. ....	Imperial Bank of Canada
Middleton, W. E. ....	Ontario Bank
Millar, J. E. ....	Canadian Bank of Commerce
Miller, D. ....	Merchants Bank of Canada
Minty, F. C. G. ....	Canadian Bank of Commerce
Minty, H. J. ....	Canadian Bank of Commerce
Mitchell, H. D. ....	Traders Bank of Canada
Mitchell, W. F. ....	Merchants Bank of Halifax
Moffatt, R. ....	Bank of Ottawa
Moffat, W. ....	Imperial Bank of Canada
Molson, H. Markland ....	Molsons Bank
Molson, J. D. ....	Molsons Bank
Monk, John Benning. ....	Bank of Ottawa
Monk, Wm. ....	Molsons Bank
Montgomery, R. J. ....	Canadian Bank of Commerce
Mooney, B. ....	Bank of Nova Scotia
Moore, E. A. ....	Bank of Montreal
Moore, W. S. ....	Bank of Nova Scotia
More, John C. ....	Merchants Bank of Canada
Morey, Samuel F. ....	Eastern Townships Bank
Morgan, C. G. ....	Merchants Bank of Canada
Morris, H. H. ....	Canadian Bank of Commerce
Morris, M. ....	Canadian Bank of Commerce
Morris, M. ....	Imperial Bank of Canada

Morrison, C. T.	Canadian Bank of Commerce
Morrison, J. H.	Halifax Banking Co.
Morrison, J. J.	Bank of British North America
Morrison, P. W.	Merchants Bank of Halifax
Morson, W. C. T.	Canadian Bank of Commerce
Mowat, John	Bank of Nova Scotia
Muir, J. Gillespie	Merchants Bank of Canada
Mulkins, F. C.	Bank of Ottawa
Munro, A. D.	Bank of Nova Scotia
Munro, Geo.	Merchants Bank of Canada
Munro, Geo. W.	People's Bank of Halifax
Munro, John S.	Bank of British Columbia
Murray, A. S.	Exchange Bank of Yarmouth
Murray, J. McM.	Canadian Bank of Commerce
Murray, Thos.	Halifax Banking Co.
Murray, William	Bank of British Columbia
Mussen, R. T.	Canadian Bank of Commerce
MacGachen, F. L.	Merchants Bank of Canada
MacGillivray, D.	Canadian Bank of Commerce
Mackellar, D. A.	Standard Bank of Canada
MacLaren, W.	Bank of Ottawa
MacMahon, H. P.	Traders Bank of Canada
MacMillan, D. A.	Merchants Bank of Canada
MacNamara, D.	Bank of Ottawa
McCaffry, Thos. F.	Union Bank of Canada
McCosh, R. G.	Canadian Bank of Commerce
McCuaig, C. M.	Molsons Bank
McCurdy, E. A.	Merchants Bank of Halifax
McCurdy, F. B.	Halifax Banking Co.
McDonald, Arthur	Bank of New Brunswick
McDougall, F.	Merchants Bank of Halifax
McDougall, Thomas	Quebec Bank
McEwen, A. E.	Bank of Ottawa
McGill, W.	Western Bank of Canada
McGowan, W. J.	Merchants Bank of Canada
McGregor, D.	Canadian Bank of Commerce
McGregor, George C.	Molsons Bank
McHarrie, R. C.	Canadian Bank of Commerce
McIsaacs, John A.	Merchants Bank of Halifax
McKane, John	Merchants Bank of Halifax
McKeand, D. L.	Bank of Hamilton
McKee, G. W.	Canadian Bank of Commerce
McKelland, R. A.	Union Bank of Canada
McLaggan, C. E.	Bank of Nova Scotia
McLaughlin, J. W.	Eastern Townships Bank
McLean, A. S.	Canadian Bank of Commerce
McLelland, E. J.	Merchants Bank of Canada
McLeod, J. A.	Bank of Nova Scotia
McMahon, J.	Molsons Bank
McMain, F. E. P.	Canadian Bank of Commerce
McMaster, T. G.	Canadian Bank of Commerce
McMichael, H. M.	Bank of British North America
McPhail, J. A.	Imperial Bank of Canada

McPherson, J. M. ....	Molsons Bank
McRae, A. D. ....	Union Bank of Halifax
Naftel, F. J. ....	Bank of Montreal
Napier, W. H. ....	Molsons Bank
Nay, J. W. ....	Canadian Bank of Commerce
Naylor, W. S. ....	Molsons Bank
Nelles, H. F. ....	Molsons Bank
Neeve, C. G. ....	Merchants Bank of Canada
Neeve, D. M. ....	Union Bank of Canada
Neeve, J. H. ....	Bank of Ottawa
Neville, C. D. ....	Bank of British North America
Niblett, E. R. ....	Bank of Hamilton
Nichol, John D. ....	Bank of Hamilton
Nicholls, W. G. ....	Molsons Bank
Nicoll, J. C. ....	Bank of British North America
Nisbet, T. W. ....	Canadian Bank of Commerce
Noble, C. J. ....	Canadian Bank of Commerce
Noel, H. V. ....	Quebec Bank
Nowers, W. H. ....	Merchants Bank of Canada
Nunns, A. L. ....	Imperial Bank of Canada
O'Grady, G. DeC. ....	Canadian Bank of Commerce
Olivier, E. P. ....	Eastern Townships Bank
Oliver, F. G. ....	Merchants Bank of Canada
Ord, A. B. ....	Traders' Bank of Canada
O'Reilly, H. H. ....	Bank of Hamilton
O'Reilly, H. R. ....	Canadian Bank of Commerce
Owens, Fred. R. ....	Molsons Bank
Owen, L. C. ....	Bank of Ottawa
Paddon, J. A. ....	Bank of Montreal
Palmer, W. B. ....	Canadian Bank of Commerce
Pambrun, W. H. ....	Banque d'Hochelaga
Park, D. R. ....	Merchants Bank of Halifax
Parker, E. G. ....	Bank of Ottawa
Parker, F. A. ....	Merchants Bank of Canada
Parkes, T. G. H. ....	Merchants Bank of Halifax
Parris, J. R. ....	Bank of Ottawa
Pashby, R. ....	Bank of Toronto
Paterson, J. C. ....	Merchants Bank of Canada
Paterson, N. ....	Imperial Bank of Canada
Patterson, A. B. ....	Merchants Bank of Canada
Patterson, G. B. ....	Molsons Bank
Patterson, L. Stewart ....	Eastern Townships Bank
Patton, F. L. ....	Union Bank of Canada
Pattullo, T. D. ....	Molsons Bank
Pease, Edson L. ....	Merchants Bank of Halifax
Peat, J. B. ....	Canadian Bank of Commerce
Pegram, W. H. ....	Bank of British Columbia
Peiler, H. L. ....	Bank of British North America
Pemberton, G. C. T. ....	Canadian Bank of Commerce
Penfold, J. ....	Bank of British North America

Pennington, Wm. J. G.....	Bank of British North America
Pennock, C. G.....	Bank of Ottawa
Pennock, H. P.....	Bank of Ottawa
Percival, W. F.....	Bank of Toronto
Peterson, F. J.....	Imperial Bank of Canada
Pethick, H. S.....	Bank of Nova Scotia
Phepoe, T. B.....	Molsons Bank
Philip, W.....	Imperial Bank of Canada
Phillips, E. S.....	Merchants Bank of Canada
Phillipotts, W. E.....	Bank of British North America
Phipps, A.....	Canadian Bank of Commerce
Piddington, Alfred.....	Quebec Bank
Pinkham, J.....	Imperial Bank of Canada
Pitblado, J.....	Bank of Nova Scotia
Pitt, Edward.....	Bank of Montreal
Plummer, J. H.....	Canadian Bank of Commerce
Plummer, Thomas.....	Bank of Montreal
Plunkett, S. J.....	Bank of Montreal
Polson, Hugh.....	Canadian Bank of Commerce
Pool, John.....	Traders Bank of Canada
Pottenger, F. W.....	Merchants Bank of Canada
Pottenger, John.....	Merchants Bank of Canada
Pratt, Edward C.....	Molsons Bank
Pratt, W. H.....	Molsons Bank
Prendergast, M. J. A.....	Banque d'Hochelaga
Price, F. E.....	Molsons Bank
Pringle, A. D.....	Merchants Bank of Canada
Pringle, John.....	Bank of Toronto
Pringle, W.....	Merchants Bank of Canada
Proctor, J. R.....	Union Bank of Canada
Pugh, Henry J.....	Union Bank of Canada
Putnam, Arthur G.....	Merchants Bank of Halifax
Pyke, John G.....	Canadian Bank of Commerce
Racey, E. F.....	Bank of British North America
Racey, W. R.....	Merchants Bank of Halifax
Rae, H. C.....	Canadian Bank of Commerce
Ramsay, Wm. M.....	Merchants Bank of Canada
Ransom, Wm. Bayley.....	Bank of British Columbia
Raymond, S. D.....	Imperial Bank of Canada
Read, Chas. N.....	Merchants Bank of Canada
Read, L. B.....	Merchants Bank of Halifax
Read, S. jr.....	Canadian Bank of Commerce
Reed, C. E. B.....	Molsons Bank
Reeve, R. F.....	Bank of Montreal
Reid, Geo. P.....	Standard Bank of Canada
Rennie, C. L.....	Western Bank of Canada
Reynolds, W. P.....	Molsons Bank
Rice, O. F.....	Imperial Bank of Canada
Richardson, H. A.....	Bank of Nova Scotia
Richardson, J. A.....	Imperial Bank of Canada
Richardson, Wm. S.....	Eastern Townships Bank
Richey, M. Henry.....	Peoples Bank of Halifax

Richey, M. S. L.....	Bank of Montreal
Ridout, A. H.....	Bank of Hamilton
Ridout, A. W.....	Canadian Bank of Commerce
Rimington, S. B.....	Molsons Bank
Robarts, A. W.....	Canadian Bank of Commerce
Roberts, E. C.....	Imperial Bank of Canada
Roberts, Wm.....	Canadian Bank of Commerce
Robertson, Alex.....	Bank of British North America
Robertson, A.....	Bank of Nova Scotia
Robertson, Blair.....	Bank of Nova Scotia
Robertson, D.....	Bank of British North America
Robertson, David.....	Bank of Ottawa
Robertson, W. J.....	Canadian Bank of Commerce
Robinson, G. Ludlow.....	Bank of New Brunswick
Robinson, Edward N.....	Eastern Townships Bank
Robinson, J. A.....	Merchants Bank of Canada
Robinson, P. C.....	Bank of Nova Scotia
Robinson, R. A.....	Bank of British North America
Robinson, W. H.....	Bank of Nova Scotia
Robinson, Wm. H.....	Eastern Townships Bank
Robson, C. A.....	Union Bank of Halifax
Ross, W. D.....	Bank of Nova Scotia
Rothwell, H. L.....	Canadian Bank of Commerce
Rowe, A. C.....	Bank of British North America
Rowley, A. H.....	Bank of Nova Scotia
Rowley, C. W.....	Canadian Bank of Commerce
Rowley, H. H.....	Bank of British North America
Rowley, O. R.....	Bank of British North America
Rudderham, H. E.....	Peoples Bank of Halifax
Rumsey, C. S.....	Traders Bank of Canada
Rumsey, Reginald A.....	Canadian Bank of Commerce
Russell, J. A.....	Halifax Banking Co
Rutherford, Jas. McG.....	Merchants Bank of Halifax
Sanson, D. M.....	Canadian Bank of Commerce
Saunders, E. M.....	Canadian Bank of Commerce
Schofield, Geo. A.....	Bank of New Brunswick
Scott, Robert C.....	Merchants Bank of Canada
Scott, T. O.....	Merchants Bank of Canada
Scott, W. B.....	Merchants Bank of Canada
Secord, H. C.....	Imperial Bank of Canada
Secord, H. C.....	Canadian Bank of Commerce
Sewell, H. F. D.....	Bank of British Columbia
Shaw, G. H.....	Quebec Bank
Shaw, Robert.....	Merchants Bank of Canada
Shepherd, D.....	Molsons Bank
Sherman, F. J.....	Merchants Bank of Halifax
Short, F. T.....	Bank of British North America
Short, H. H.....	Bank of Ottawa
Simpson, C. E. St. C.....	Canadian Bank of Commerce
Simpson D.....	Bank of British North America
Simpson, Douglas.....	Canadian Bank of Commerce
Skeaff, Jno. Stewart.....	Bank of Toronto

Skelton, Arthur C.....	Bank of British North America
Skey, A. H.....	Bank of Hamilton
Skey, Wm. Russell .....	Molsons Bank
Sloane, W. P.....	Quebec Bank
Smith, Alex.....	Merchants Bank of Canada
Smith, Arthur G.....	Union Bank of Canada
Smith, A. M.....	Merchants Bank of Canada
Smith, Chas. C.....	Quebec Bank
Smith, Chas. Graham.....	Eastern Townships Bank
Smith, Edward F.....	Merchants Bank of Halifax
Smith, Fred W.....	Union Bank of Canada
Smith, J. E. ....	Union Bank of Halifax
Smith Lyndon .....	Merchants Bank of Canada
Smith, W. Oliver .....	Merchants Bank of Canada
Smith, Wm.....	Merchants Bank of Canada
Smith, Wm. H.....	Ontario Bank
Smith, W. Thomson.....	Traders Bank of Canada
Smythe, J. W. H. ....	Canadian Bank of Commerce
Snyder, L. P. ....	Traders Bank of Canada
Soutar, Fred .....	Bank of British Columbia
Spain, A. B.....	Bank of Ottawa
Spencer, W. A. ....	Merchants Bank of Halifax
Spink, G. A.....	Merchants Bank of Halifax
Sproat, Jno.....	Bank of Hamilton
Spurden, J. W. ....	People's Bank of New Brunswick
Standly, P. ....	Imperial Bank of Canada
Stanger, E. ....	Bank of British North America
Stavert, W. E.....	Bank of Nova Scotia
Steele, E. K.....	Imperial Bank of Canada
Steeves, A. A.....	Merchants Bank of Halifax
Stephens, W. S.....	Molsons Bank
Stevenson, H. H. ....	Molsons Bank
Stevenson, P. C.....	Canadian Bank of Commerce
Stewart, D. M. ....	Canadian Bank of Commerce
Stewart, Malcolm .....	Bank of British Columbia
Stidston, J. H.....	Imperial Bank of Canada.
Stikeman, H .....	Bank of British North America
Stork, C. M.....	Canadian Bank of Commerce
Stow, H. F.....	Bank of British North America
Strachan, A.....	Molsons Bank
Strachan, James.....	Canadian Bank of Commerce
Strathy, E. W.....	Traders Bank of Canada
Strathy, Frank W.....	Union Bank of Canada
Strathy, H. S.....	Traders' Bank of Canada
Strathy, J. A.....	Bank of Toronto
Strathy, Stuart .....	Traders Bank of Canada
Strathy, W. W.....	Standard Bank of Canada
Strickland, C. N. S.....	Union Bank of Halifax
Strong, F. W.....	Merchants Bank of Canada
Swaisland, G. W. ....	Molsons Bank
Swan, H.....	Bank of Ottawa
Swinford, A. ....	Bank of Ottawa
Sylvestre, C. A. ....	Banque d'Hochelega

St. Mars, H. ....	Banque du Peuple
Taillon, A. A. ....	Banque Nationale
Tait, T. J. ....	Union Bank of Canada
Tapper, W. H. ....	Bank of Nova Scotia
Tate, J. M. ....	Canadian Bank of Commerce
Tate, L. E. ....	Molsons Bank
Taylor, F. W. ....	Bank of Montreal
Taylor, Geo. A. ....	Merchants Bank of Halifax
Taylor, J. ....	Bank of British North America
Taylor, Jas. G. ....	Halifax Banking Co.
Taylor, R. F. ....	Merchants Bank of Canada
Taylor, W. H. Norton. ....	Bank of Montreal
Tessier, O. ....	Banque d'Hochelega
Thomas, F. Wolferstan ....	Molsons Bank
Thomas, R. Wolferstan ....	Bank of British North America
Thompson, J. E. ....	Canadian Bank of Commerce
Thompson, L. P. ....	Merchants Bank of Canada
Thomson, A. H. ....	Canadian Bank of Commerce
Thomson, G. A. ....	Halifax Banking Co.
Thomson, H. A. ....	Molsons Bank
Thomson, Wm. ....	Bank of Nova Scotia
Thomson, W. H. ....	Imperial Bank of Canada
Thorne, E. L. ....	Union Bank of Halifax
Thornton, A. S. ....	Canadian Bank of Commerce
Tofield, H. A. ....	Merchants Bank of Canada
Tovey, H. D. ....	Molsons Bank
Torrance, W. B. ....	Merchants Bank of Halifax
Townshend, A. S. ....	Halifax Banking Co.
Trainer, John ....	Merchants Bank of Halifax
Travers, W. R. ....	Merchants Bank of Canada
Trepannier, T. ....	Banque d'Hochelega
Trigge, A. St. L. ....	Canadian Bank of Commerce
Tupper, W. S. ....	Merchants Bank of Halifax
Turnbull, J. ....	Bank of Hamilton
Turnbull, T. M. ....	Canadian Bank of Commerce
Van Dusen, F. E. ....	Molsons Bank
Van Felson, A. B. ....	Quebec Bank
Vibert, Philip. ....	Union Bank of Canada
Wade, W. N. ....	Imperial Bank of Canada
Waddell, J. B. ....	Union Bank of Canada
Wadsworth, W. R. ....	Bank of Toronto
Wainwright, J. R. ....	Molsons Bank
Wainwright, G. C. ....	Bank of Ottawa
Walcot, C. W. ....	Merchants Bank of Canada
Walker, B. E. ....	Canadian Bank of Commerce
Walker, H. B. ....	Canadian Bank of Commerce
Walker, J. ....	Quebec Bank
Wallace, H. N. ....	Halifax Banking Co.
Wallace, Jas. B. ....	Merchants Bank of Canada
Wallace, Wm. ....	Molsons Bank

Wallace, R. G. ....	Bank of Nova Scotia
Wallace, W. J. ....	Bank of Montreal
Wallace, W. S. ....	Bank of Hamilton
Wallace, R. R. ....	Bank of Montreal
Walsh Ed. ....	Merchants Bank of Halifax
Wanzer, H. P. ....	Bank of Hamilton
Ward, E. E. ....	Molsons Bank
Ward, Frank B. ....	Bank of British Columbia
Ward, W. C. ....	Bank of British Columbia
Warren, E. D. ....	Western Bank of Canada
Waterbury, W. B. ....	Merchants Bank of Canada
Waters, D. ....	Bank of Nova Scotia
Watson, H. M. ....	Bank of Hamilton
Watson, Jas. ....	Traders Bank of Canada
Watson, W. W. ....	Bank of Nova Scotia
Waud, E. W. ....	Molsons Bank
Waud, B. H. ....	Molsons Bank
Webb, E. E. ....	Union Bank of Canada
Wedd, G. M. ....	Canadian Bank of Commerce
Weelands, E. ....	Molsons Bank
Weir, W. ....	Banque Ville Marie
Weir, W. A. ....	Imperial Bank of Canada
Wemyss, J. M. ....	Imperial Bank of Canada
West, S. J. ....	Merchants Bank of Canada
Wethey, C. H. ....	Imperial Bank of Canada
White, Chas. ....	Imperial Bank of Canada
White, G. A. ....	People's Bank of Halifax
Whitely, A. L. ....	Imperial Bank of Canada
Wickson, Arthur ....	Merchants Bank of Canada
Wilkie, D. R. ....	Imperial Bank of Canada
Williams, A. E. ....	Bank of Nova Scotia
Williams, H. F. ....	Eastern Townships Bank
Williams, R. S. ....	Canadian Bank of Commerce
Williams, Thos. ....	Bank of Toronto
Willis, John L. ....	Traders Bank of Canada
Willmott, J. S. ....	Merchants Bank of Canada
Wilson, Alex. ....	Bank of Nova Scotia
Wilson, Geo. ....	Imperial Bank of Canada
Wilson, G. M. ....	Merchants Bank of Canada
Wilson, H. B. ....	Molsons Bank
Wilson, J. H. ....	Imperial Bank of Canada
Winlow, F. J. ....	Traders' Bank of Canada
Winslow, E. P. ....	Bank of Montreal
Winslow, F. E. ....	Bank of Montreal
Winter, G. H. ....	Bank of British North America
Wood, H. H. ....	Imperial Bank of Canada
Wood, J. W. H. ....	Canadian Bank of Commerce
Woolcombe, F. ....	Union Bank of Canada
Woodill, R. A. ....	Peoples' Bank of Halifax
Worthington, H. S. ....	Molsons Bank
Wrenshall, C. M. ....	Merchants Bank of Canada
Wright, R. C. ....	Union Bank of Halifax
Würtele, Carl F. ....	Quebec Bank

Würtele, H. N.....	Merchants Bank of Canada
Wyld, O. A.....	Bank of British Columbia
Yarwood, C. St. G.....	Canadian Bank of Commerce
Yeo, Leoman.....	Bank of Nova Scotia
Young, J. E.....	Imperial Bank of Canada
Young, Thomas.....	Bank of Ottawa
Young, W. C.....	Merchants Bank of Canada