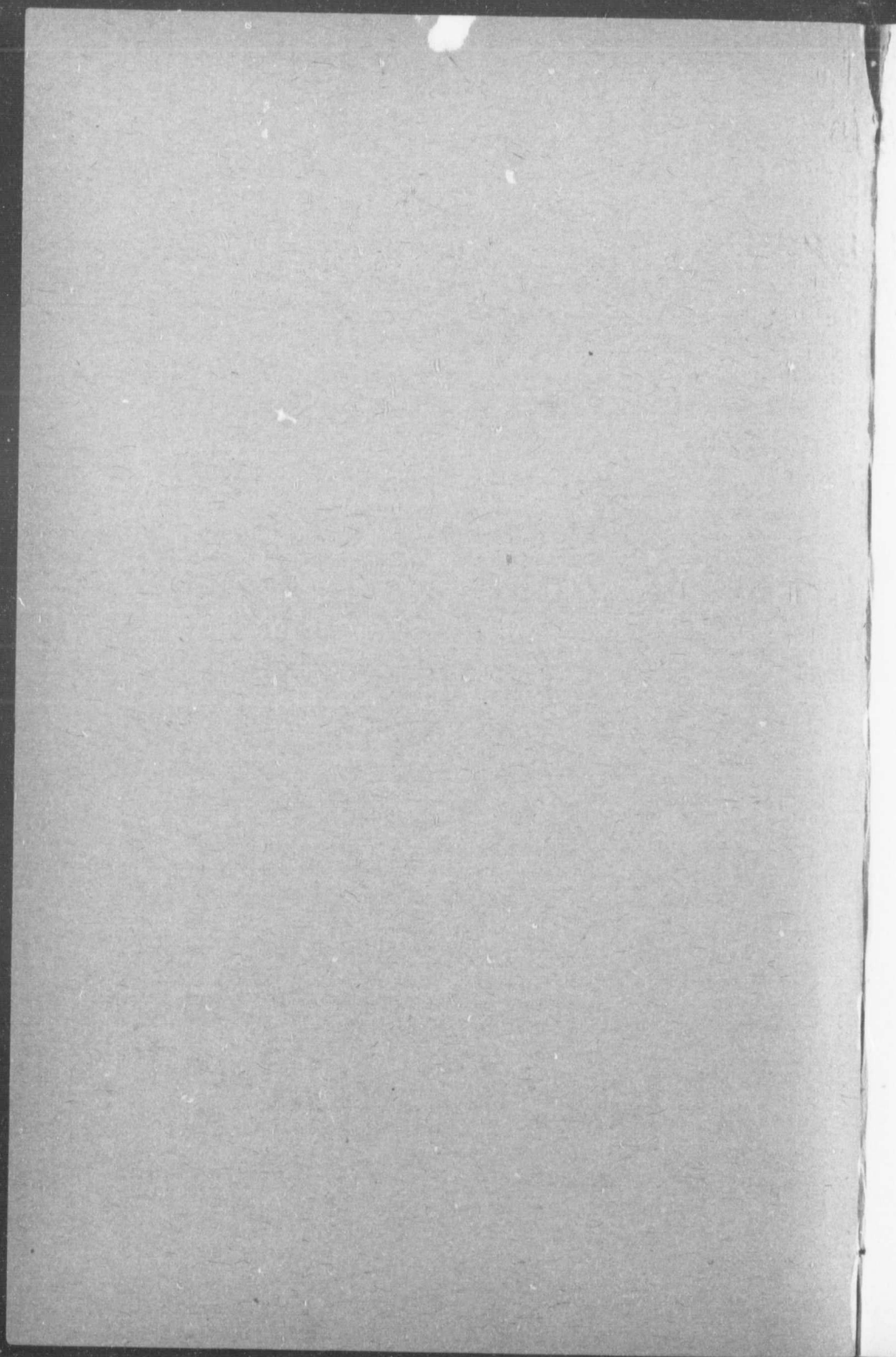


THE
HISTORY OF CANADIAN CURRENCY, BANKING
AND EXCHANGE

✓ PROSPERITY AND EXPANSION IN UPPER CANADA

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THE HISTORY OF CANADIAN CURRENCY, BANKING AND EXCHANGE*

V. PROSPERITY AND EXPANSION IN UPPER CANADA

THE general period of prosperity in America from 1829 to 1834, passing its zenith in 1832, naturally stimulated the business of banking in Upper Canada, where the enterprise and expansion of the Canadas chiefly centred. The mercantile activity of Quebec, and more especially of Montreal, continued to rest on three factors—the fur trade of the North-West, the trade with the Northern States, and the trade with Upper Canada. The last rapidly grew in volume and importance, while the first declined, and the second became diffused.

The Bank of Upper Canada had a virtual monopoly of the domestic trade of the Western Province during the twenties. But it found that its extensive business with Montreal, where it had undertaken to redeem its notes, led to the necessity of continually sending specie there. This placed it in the same position with reference to Montreal as the bank of Montreal had occupied with reference to Quebec. The return stream of specie passing naturally towards the centre of import and customs collection, the Bank of Upper Canada found that its notes were used as a more convenient means of remittance than the sending of specie. Hence the bank resolved, in May, 1826, to discontinue, after June 1st, to redeem its notes in Montreal. The bank gave as its reason the inconvenience and loss which it had sustained owing to that practice.

In the meantime the bank was gradually calling in the remainder of its stock as the demands for accommodation increased. But as the tide of prosperity rose in the latter part

*Chief sources:

Dominion Archives, State Papers, Upper Canada.

Journals of the Assembly and Legislative Council, Upper Canada.

Statutes of Upper Canada.

Collection of Manuscript papers of S. P. Jarvis, in Toronto Public Library.

Kingston Chronicle, 1828-1832.

of 1829, the bank was unable to meet the rapidly expanding needs of the country, chiefly, it was said, because those who held its stock were unable to furnish the additional capital required. The Provincial Government itself had difficulty in meeting the calls upon it for its share of the stock. As the shareholders were receiving from twelve to fourteen per cent. on their capital, they naturally did not wish new stock to pass to outsiders, with the possibility of lower dividends and a lessened control on the directorate, which from the first had been safely lodged in the hands of the Family Compact. The power which the Compact derived from its control of the bank was fully recognized by its opponents, and efforts were already being made to break up this connection. It was recommended by the Committee on Finance, in 1829, that the Government should sell its stock in the bank, and apply the funds to public works. The advice, however, was not taken.

In 1829 the Bank of Montreal once more established a branch at Kingston, under the management of Mr. Dupuy, an officer of the bank from its foundation. At the same time it withdrew its agency from York. Kingston was selected partly to meet the growing demand for bank accommodation there, and partly to take advantage of the expenditure of the Imperial Government in connection with the Rideau canal. As a result of this move on the part of the Bank of Montreal, a bank war broke out between it and the Bank of Upper Canada. Each bank collected considerable quantities of the other's notes and then suddenly presented them for payment, with the result that kegs of specie, under special escort, were periodically travelling up and down between Montreal and York, at much risk and expense to the rival banks. However, they came to an agreement in the course of a year, and the Bank of Montreal agreed to act as agent for the Bank of Upper Canada in Montreal. The western bank instead of redeeming its notes in Montreal, issued drafts on that city. From the time of its refusal to redeem its notes in Montreal, the Bank of Upper Canada was subjected to much commercial criticism in its own Province. It is noteworthy that the discontent with the bank found expression chiefly in Kingston and Niagara, the two centres where its branches were located. The branch at Niagara was frequently in straits to meet the demands upon it owing to the

presentation of considerable quantities of notes from the United States. In Kingston and Niagara began also the agitation for new banks. In this matter, however, Kingston led the way.

In 1829 the project of a new bank was being discussed by Kingston merchants and capitalists. Eventually a public meeting was held in the Court House on January 22nd, 1830, at which it was resolved that in the interest of commerce and agriculture it was expedient to establish a bank in Kingston, to be called the Midland District Bank, though it was also proposed to name it the Commercial and Agricultural Bank of Upper Canada. A committee was appointed to draw up rules and regulations for the proposed bank, to be submitted to another public meeting on February 3rd. On the appointed date the committee presented a very full report which throws considerable light upon the banking issues of the day. We find in it the usual references to the favorable situation of Kingston for the commerce and shipping of the Province, and its proximity to the extensive programme of Government works already entered upon and certain to extend over several years. These works, together with the military and naval establishments, will, it is declared, put into circulation at Kingston either British gold and silver, or bills on the British Treasury, either of which will be of obvious advantage to a banking establishment. They also confidently counted on the prospect of Kingston becoming the seat of Government. Owing to its close connection with the State of New York they expected an extensive exchange business, and an opening for the circulation of the bank's notes in the adjoining towns of the State. Again, since the Kingston merchants were now beginning to import directly from Britain, there would be a corresponding need for direct exchange with the mother country. Striking into another line, we have the familiar patriotic appeal to secure for the capitalists and people of Kingston the profits and advantages which were then going to outside banks in York and Montreal. Under existing conditions the paper offered for discount at the agency of the Bank of Upper Canada has to be sent to the head office at York for approval, involving a delay of ten days or more, and those who have to pass upon it there are often antagonistic to the interests of the merchants of Kingston. In

the case of the local branch of the Bank of Montreal, though there is no delay in getting discounts, yet, in addition to being a foreign bank the profits of which go out of the Province, the amount of capital set apart for local discounts is very limited, and instead of being under the management of a board of directors it is under the control of one man. Further, as neither bank undertakes to redeem its notes in Kingston those having payments to make in the United States must either pay in notes which are there at a discount, or go to the expense of sending the notes to York or Montreal and bringing back specie. Then, there is an attempt now being made by the supporters of the bank at York to obtain an act of the Legislature to compel all bank agencies to redeem the notes of their central banks. If that succeeds the branch of the Bank of Montreal will probably be withdrawn from Kingston, leaving in the hands of the Bank of Upper Canada a monopoly of the upper Province. The leading features to be embodied in the new charter are then given, and they show that they closely followed the charter of the Bank of Upper Canada. The report of the committee, which was representative of the best interests of the town, was adopted, and it was resolved to establish a new bank to be called the Commercial Bank of Upper Canada. A subscription book for stock was to be opened, petitions to both houses of the Legislature were to be prepared, and other suitable measures taken to promote the new enterprise. When the bill to charter the bank was introduced in the Assembly it was received with much favour, and it was even thought possible to flatter the wisdom and statesmanship of the upper house into passing the measure, notwithstanding the fact that the Council was mainly composed of the leading directors and stockholders of the Bank of Upper Canada. However, the expected happened. The bill easily passed the Assembly but was hopelessly lost in the Council, only three members voting for it.

The Bank of Upper Canada, though left with the field to itself for another year, had still to contend with increasing criticism and opposition from various quarters. The growing strength of the reform party made its criticism ever more troublesome to the members of the Family Compact. The Committee on Finance, when in 1829 it recommended the selling of the Government stock in the Bank of Upper Canada,

had said that, "The opinion is widely diffused that it is a political engine of dangerous power, unsuitable to be vested in the executive of so young a Province, in which unhappily political and party strife have, during the late administration, made up one half the business of life." The connection of the Government with the bank was indeed a great advantage to the party which controlled both Government and bank. The Government share in the bank being entirely in their hands, it enabled them, even with their limited means, to control absolutely the policy of the bank. While the connection of the bank with the Government secured to it the profits on all the Government business. The Government connection also lent to the bank a position of dignity and credit difficult of attainment by an ordinary company. Thus the double advantage of the political and financial connection gave to the Compact a position so strong and well entrenched as to appear to its opponents, as well as its defenders, well nigh impregnable. This serves to explain, in part at least, the persistent attacks of the reformers upon the management of the bank. Yet this was perhaps the least vulnerable side of the Compact from the point of view of dishonesty or corruption.

The Family Compact, with all its faults, cannot be said to have been consciously dishonest in its frank monopoly of power and profit. It simply believed what the constitution of the Province taught it to believe. According to the constitution an aristocracy of Church and State was absolutely necessary to keep the democratic tendencies of the masses in check. This aristocratic element to be effective must be predominant in the wealth and political power of the country. Hence, in jealously guarding their political power, and in using their positions and influence to promote their economic ascendancy, the members of the Compact may be said to have acted in good faith, however disastrous their action may have been for the country as a whole. However false their ideal, their morals were not necessarily corrupt. Thus, with all their anxiety to maintain the Bank of Upper Canada as a close preserve, there is no evidence that the directors and officers of the bank were other than strictly honourable and honest in all the details of the bank's operations.

Notwithstanding the high reputation of the bank among the business men of the Province, the more radical element

among the reformers steadily attacked the Compact's control of it. In June, 1830, McKenzie, Baldwin, Rolph, and others made a determined effort to have one or more of their party appointed on the board of directors, among the four representatives of the Government. They completely failed, however, some of the less ardent of their party showing a tendency to doubt their capacity to improve the management of the bank, however much they might sympathize with their criticism of the selfish and obstructive policy of the Compact. At the same time there appears to have been a movement on the part of some of the stockholders to effect a change in the directorate of the bank, but it was defeated.

Though balked for the time being by the power which controlled the Bank of Upper Canada, the people of the eastern portion of the Province were but little discouraged in their efforts to obtain a new bank. Not only did the Kingston people continue their agitation, but the merchants and others of Brockville, stimulated by the strong arguments of the Kingstonians and the steadily rising prosperity of the Province, conceived the idea of establishing a bank for the Johnstown District. They were undecided at first whether it should be a wholly new bank, or one connected with either the Bank of Upper Canada or the proposed new bank at Kingston. The Brockville project took definite shape on August 11th, 1830, when a public meeting was held at Wheeler's inn with Jonas Jones, the local member of the Legislature, as chairman. The resolutions passed at this meeting were to much the same effect as those adopted at Kingston, as far, at least, as concerned the need for such an institution and the difficulty and delay in getting accommodation from York. But the Brockville people expressed themselves as content to have an independent branch of the Bank of Upper Canada established in their town. This, it was expected, would serve the trade and agriculture of the four lower districts of the Province. Resolutions to this effect were forwarded to the directors of the Bank of Upper Canada, and a formal request made for the establishment of a branch at Brockville. However, the bank declined to consider their proposal.

Soon after this the Bank of Upper Canada undertook to remedy, as it supposed, the complaints of both Kingston and Brockville, by offering better accommodation for discounts at

Kingston. The method adopted was to establish a branch on much the same plan as that of the Bank of Montreal at Quebec, namely, by the appointment of a local board of directors with power to pass upon the paper offered for discount.

In selecting a board of directors for the Kingston branch, the Bank of Upper Canada evidently sought, and with considerable success, to enlist in its interest some of the strongest supporters of the proposed new bank. The new arrangement went into effect November 13th, 1830. The first board of directors consisted of Messrs. John Kirby, Thos. Turpin, John S. Cartwright, Wm. Wilson, Thos. Kirkpatrick, Donald Bethune and John Macaulay. Mr. Kirby was appointed chairman of the board and Mr. Macaulay remained cashier, combining this function with that of postmaster of the town.

This clever move, albeit somewhat belated, though it detached some important citizens from the project for a new bank, did not quench the interest of the majority of the merchants of Kingston. The movement had already gone too far to be lightly given up, and the latest action on the part of the Bank of Upper Canada simply gave the necessary flavour of opposition which was needed to insure success.

Within two weeks of the introduction of the new system by the York bank, a public meeting was called at the Court House on December 3rd, to consider the question of applying once more for a charter for a new bank. The meeting resulted in a unanimous determination to secure the desired bank. The necessary steps were taken to have a bill introduced and cared for in the Legislature, through the Solicitor General, C. A. Hagerman, in the Assembly, and the Hon. Geo. H. Markland in the Council. Those who took a leading part in the promotion of the bank were such prominent citizens as Thos. Markland, F. A. Harper, John Watkins, John Mowat, Geo. Mackenzie, Arch. McDonell, Jas. Macfarlane and Geo. W. Yarker.

Mr. John S. Cartwright, who was afterwards to be so prominently connected with the new bank, but who had been detached in the meantime by the tactics of the Bank of Upper Canada, was present at the meeting. He proposed a series of resolutions which had for their object to petition the Legislature for an increase in the stock of the Bank of Upper Canada with a view to having a more important and independent branch of

that bank established in Kingston, with a capital of £50,000, in lieu of the proposed new bank. But, as the meeting was evidently unsympathetic towards this proposal, the resolutions were withdrawn. The following week a meeting was called by the local directors of the Bank of Upper Canada, at which Mr. Cartwright's resolutions had a better hearing. The first resolution, to the effect that the Bank of Upper Canada had given general satisfaction to the public and that the establishing of branches in the eastern and western parts of the Province would be a public benefit, was carried. The second resolution was to the effect that were a branch of the Bank of Upper Canada established in Kingston it would render unnecessary another chartered bank. This led to a warm discussion, and the supporters of the new bank being in the majority, the resolution was lost and the meeting adjourned. The directors of the branch bank and a few of their friends then met in the office of Mr. J. S. Cartwright and passed in peace and quietness their full list of resolutions. In addition to those already mentioned, were others to the effect that a branch of the Bank of Upper Canada should be established at Kingston with a capital of at least £50,000 and with authority to issue its own notes, redeemable in specie, and otherwise conduct a business similar to that of the parent institution. The directors of this enlarged branch were to hold at least twenty shares and be residents of Kingston. In case the charter of the Bank of Upper Canada should be amended to admit of this enlargement, the new stock should not be open to those who at present held twenty shares or upwards in the original stock, until subscription books had been opened in Kingston, Bath, Belleville and Hallowell, for the space of ten weeks. Arrangements were made for petitioning the Legislature and sending copies of the resolutions to the directors of the Bank of Upper Canada to secure their co-operation. Before the company dispersed £7,000 were subscribed toward the proposed branch bank.

With the leading citizens of Kingston so thoroughly alive to the necessity for increased banking accommodation, yet strongly divided as to the best means of accomplishing that object, it may be imagined that the local interest in the question was not permitted to flag. Gradually the neighbouring towns, and indeed the whole of the eastern portion of the Province,

became stirred up over the matter. Eventually the question became the subject of much discussion in the trading centres of Lower Canada and northern New York State, as well as the western portions of Upper Canada. As interest in the subject widened, the example of Kingston in seeking a local banking institution was followed in various parts of the Province, until in the end it seemed as though every town in Upper Canada were aspiring to the dignity of possessing an independent bank.

The majority of the merchants of Kingston and the neighbouring towns evidently favoured the plan of a new and independent bank, and worked to that end. Before the close of the year 1830, stock to the extent of £20,000 had been subscribed in Kingston, £3,000 in Perth, and about £1,000 in Bath; while, in addition to expected contributions from other towns in the district, subscriptions were looked for in many other parts of the Province, in New York State and Lower Canada, as soon as the charter had been obtained.

The people of Brockville, having been refused a local branch of the Bank of Upper Canada, were seriously discussing the proposal to establish an independent bank of their own.

The tactics of the Bank of Upper Canada, and the action of its supporters in the Legislative and Executive Councils, had convinced the majority of the people that it was the intention of that institution to maintain a monopoly of the banking business of the Province at all hazards. Some felt, however, that there was reasonable ground for the rejection of the first bill to establish the Kingston bank, inasmuch as the people of the eastern portion of the Province had not had an opportunity of distinctly indicating their views on the subject. But now that the matter had been discussed for more than a year, and there could be no longer a question as to the opinion of the great majority of the people, it was thought that the Council would not incur the odium of rejecting a second time a bill to charter the new bank, if it came up with a good majority from the Assembly. Much interest, therefore, attached to the second presentation of the matter to the Legislature.

In January, 1831, the petition for a charter for the Commercial Bank of Upper Canada was presented to the Assembly and referred to a committee. It went through its various stages

with little opposition and on the 4th of February passed the House of Assembly by a large majority.

In the chief debate on the bill much light was thrown upon the attitude of the representative interests of the day towards banking in general and the special function of banks in the Province. Among the popular, or reform party, there was a general feeling that the freedom from liability was a dangerous feature in the bank charters of the time. Again, there was an evident desire on the part of those engaged in trade to have banking accommodation placed within their reach in the various parts of the Province. Hence several members were anxious to know whether the new bank would undertake to establish branches in such districts as required them. Here there emerged something of the same difference of opinion as had shown itself in Kingston. The more conservative element favoured the establishment of district branches of the Bank of Upper Canada. But the majority, distrusting the power behind the Bank of Upper Canada, were in favour of an institution that would be free from its control. Attorney General Boulton, chief representative of the Compact in the Assembly, made several characteristic speeches against the bill and in defence of the monopoly of the Bank of Upper Canada. Competition, he said, might be well enough in other matters but was fatal to the business of banking, since it tended to weaken credit. To establish another bank would impair the credit of the Bank of Upper Canada without corresponding benefit to the country. He represented the Bank of Upper Canada as the best in the world, and pointed out in particular its alleged superiority to the Bank of Montreal. The directors of the latter were mainly merchants interested in actual trade, and, in accordance with the laws of human nature, they naturally assisted one another and oppressed rival merchants. The directors of the Bank of Upper Canada, on the contrary, were mainly Legislative Councillors, having no special interest in trade and therefore perfectly impartial with reference to those who sought accommodation. Next, with a brush of the deepest blue, he pictured the condition of the United States as the result of multiplying banks, and trusted that this country would never have to face so certain a commercial ruin as awaited that republic. Finally, he issued a veiled warning of the inevitable fate that must overtake any new bank which attempted to gain

a footing in opposition to such a powerful institution as the Bank of Upper Canada. And here he appealed once more to the inexorable laws of human nature, whose workings, he had claimed, must cause merchant directors to crush merchant customers as in the operations of the Bank of Montreal. This spectral forecast was afterwards of much benefit to the critics of the Bank of Upper Canada.

Mr. Bidwell, in a very temperate speech admitted the stability and good management of the Bank of Upper Canada, but dwelt on the dangers to the liberty of the country in the monopoly of that institution and the beneficial check which a rival bank would impose upon it. Personally he would like to see the Scotch system of banking introduced into Canada, with greater responsibility on the part of the stockholders. But, as a different system had been introduced here, he would support the present bill.

Solicitor General Hagerman, replying to a second outburst on the part of the Attorney General, referred to the experience of other countries, especially England, Scotland and the United States, to show that merchants might very well manage banks, and that it was a very important part of the function of banks to assist merchants in their trade, and not merely farmers, as the Attorney General had maintained.

Mr. McKenzie brought up to the House a wheel-barrow load of documents, and obliterated all landmarks in a deluge of talk for six hours. He opposed the bill, or at best called for its amendment, not, as may be imagined, in the interest of the Bank of Upper Canada, but because it was fashioned too closely in the image of that institution. When the vote was taken Mr. Boulton found that almost his only supporters were his dearest enemies, the ultra radicals. He had more consistent backing elsewhere however.

Though a number of the wiser heads in the Legislative Council, especially the Hon. Mr. Markland and the Hon. Dr. Strachan, recognized that more was to be lost than gained in opposing the convictions of the moderate party in the country, yet the majority of the Council, always more distinguished for courage than for wisdom, were determined to maintain the monopoly of the Bank of Upper Canada. As a result the bill was lost, but it was recognized by many who had anything but love for the radicals, that they were the chief gainers by the outcome.

During the same session, a bill was introduced to authorize an increase in the stock of the Bank of Upper Canada, but the Assembly returned the compliment of the Compact by declining to pass the measure.

With the country and the Assembly so strongly in their favour, the promoters of the Commercial Bank, while greatly chagrined at the failure to obtain a charter, were by no means discouraged by their second rebuff at the hands of the Council. Immediately after the fate of the bill was made known, a public meeting was called at Kingston, at which vigorous resolutions were passed condemning the action of the Council and expressing determination to continue the agitation in favour of the desired object. One of their resolutions expressed the determination that, should the bill be again rejected by the Council, they would directly petition His Majesty to grant the bank a royal charter. Another resolution declared the injustice and danger to the liberties of the Province, of permitting an increase of the stock of the Bank of Upper Canada until another bank had been regularly established. What was feared was just what Attorney General Boulton had vaguely threatened, that the Bank of Upper Canada, even with its present power, and more especially if strengthened with additional stock, would immediately attack any new bank and endeavour to wreck it before it had gained an established footing. Having defined their position, the promoters of the Commercial Bank kept up a quiet propaganda while awaiting the next session of the Legislature.

In the meantime the reformers were following up their attacks upon the Bank of Upper Canada during the sessions of 1830 and 1831. They were particularly anxious that the bank should furnish a more detailed account of its business than the few items required by statute. In the session of 1830 the bank had flatly refused to furnish additional details. But its opponents managed to have some of its officers called before a committee of the Assembly, and by close cross-questioning they were made to yield a very considerable amount of excellent material for the construction of attacks upon the political relations of the bank. The *Colonial Advocate* and other papers of that stamp made free use of this data.

Reference has already been made to the attempt of the Bank of Upper Canada to obtain an addition to its capital

stock. It was in January, 1831, that the bank petitioned the Legislature for the necessary amendment to its charter. The petition was to be referred to a committee of members specially favourable to the bank, but the radical element demanded to have Messrs. McKenzie and Perry put upon the committee. After much fencing and several direct trials of strength, a compromise was effected and Mr. Perry was put upon the committee. The attitude of the more radical element was represented by Mr. McKenzie in his statement, that, if the committee reported a bill in favour of the bank, he would use his utmost influence to have the bill defeated, and should he not succeed in that, or in his next effort to prevent the Governor from sanctioning it, he would personally go to England and endeavour to get the British Government to disallow the Act. That this was no empty threat on McKenzie's part was proved by after events.

In connection with the revived question of fuller returns on the part of the bank, a communication addressed to Mr. Jarvis, the member for York, and intended for the House, was sent by the Hon. Wm. Allan, president of the Bank of Upper Canada. In this he states that while the bank is prepared to furnish a more detailed account of its affairs than had been hitherto supplied, yet they were averse to having the officers of the bank called before a committee of the House and questioned, as was the case the previous session. However, they do not wish this concession of fuller information to be taken as a precedent, since they cannot undertake to furnish more information than their charter calls for without the consent of the stockholders.

As illustrating the great practical importance of the questions at issue during this period, we have concrete evidence of the prosperity of the Province in general, and the Bank of Upper Canada in particular, in the following reports of the Bank from 1829 to 1831. The shillings and pence are omitted:

| | 1829 | 1830 | 1831 |
|----------------------------------|----------|----------|----------|
| Funds and property | £ 55,007 | £ 32,883 | £ 22,333 |
| Capital stock paid in..... | 72,410 | 77,462 | 100,000 |
| Debts due to bank (discounts) .. | 169,088 | 214,045 | 260,577 |
| Debts due by Bank (deposits) .. | 47,792 | 38,303 | 33,621 |
| Bank notes in circulation | 121,623 | 156,296 | 187,039 |
| Specie in the vault..... | 24,559 | 33,134 | 42,664 |

Of the first item about £6,500 represented the property of the Bank. It is evident, therefore, that the amount of capital invested in funds was being steadily withdrawn and devoted to discounts which had greatly increased in two years. Again, the deposits of the public with the bank had considerably declined, notwithstanding the increasing arrival of new settlers, many of them with more or less capital, which was usually temporarily deposited with the Bank of Upper Canada. The decline in deposits indicates the enlarging opportunities for investment. Almost the whole of the capital fund and note issue of the Bank was invested in discounts in 1831, leaving but a slender foundation in funds and specie to support the large floating business of the Bank. As it stood, the institution was ill prepared to meet a crisis, since everything depended upon the solvency of its debtors. However, for the time being its profits were large and its reputation high.

With the approach of another session of the Legislature, interest in the banking question, which had lagged somewhat during the summer, began to revive. The supporters of the Commercial Bank found the opposition in the Assembly practically confined to a few of the ultra radicals who, though not very coherent in their views, were evidently in favour of some kind of free banking. The idea was certainly growing in the country that banking facilities were the key to all prosperity, and that each centre of trade should have its own bank. This idea was propagated by the general scarcity of money, coupled with the policy adopted by the Bank of Upper Canada. Had the Commercial Bank been earlier admitted to a share in the field, and the two banks undertaken to establish branches in the leading towns in their respective districts, this exaggerated notion of the functions of a bank would doubtless have been corrected and some of the resulting evils avoided.

When the session opened, in the latter part of 1831, in addition to the petitions for a charter for the Commercial Bank, and for the extension of the capital stock of the Bank of Upper Canada, there was another from the District of Niagara for the establishing of a banking company at St. Catharines. This was symptomatic of the rising cry for new banks, soon to become so strong.

The Commercial Bank bill passed the Assembly with only

a few radicals dissenting. In the Council, the majority, convinced at last of the futility of their opposition to the popular will, contented itself with a few verbal amendments and the changing of the name to that of the Commercial Bank of the Midland District. A few of the councillors had consistently opposed the bill, and the day following its passage in the council the Hon. Wm. Allan, President of the Bank of Upper Canada, entered his formal dissent, on the ground that to charter another bank was to lessen the value of all the bank notes in the Province, and on the further ground, that having once granted a charter to one additional bank, others could not be denied. It does not seem to have occurred to him that his own action had largely contributed to bring about the very prospect which he feared. The bill to increase the capital of the Bank of Upper Canada also passed both Houses of the Legislature and both Acts became law.

The charter of the Commercial Bank differed in no essential features from the amended charter of the Bank of Upper Canada, except that it had no connection with the Government. Its stock was fixed at £100,000 in shares of £25 each. The bank might begin business when £40,000 had been subscribed and £10,000 paid in. As usual the debts of the bank, over and above the cash then deposited in the bank, were permitted to extend to three times the amount of the paid-up capital. The bank had authority to establish branches in any part of the Province, and the charter was extended to June 1st, 1856. In the case of both banks a new and enlarged form for returns to the Government was prescribed. On the side of liabilities, information was required as to the amount of capital stock paid in, the amount of notes in circulation of \$5 and upwards and under \$5, and of any bills or notes bearing interest. Also balances due to other banks; deposits bearing interest, and those not bearing interest, and, finally, the total amount of liabilities. On the side of resources, particulars were required as to the amount of specie on hand; real estate; notes of other banks; balances due from other banks, amount of all other debts due to the bank, and lastly, the total amount of the resources of the bank. Other particulars required were the rate and amount of the last dividend, the amount of reserved profits after declaring the last dividend, and the amount of debts to the bank overdue and considered doubtful.

It has already been stated that there was a decided objection on the part of the supporters of the Commercial Bank to an increase in the stock of the Bank of Upper Canada until the Commercial Bank had been well established. As a concession to this feeling a clause had been introduced into the Act increasing the stock of the Bank of Upper Canada from £100,000 to £200,000, requiring that the books of subscription to the new stock should not be opened for at least six months after the passing of the act. This gave the Commercial Bank six months within which to secure subscriptions before the stock of its rival came into the market. However, the country had become so convinced of the unlimited benefits and profits to be obtained from banking, that there was no lack of subscriptions for the stock of both banks.

The first board of directors of the Commercial Bank was elected on March 15th, 1832, and consisted of John Strange, Geo. W. Yarker, John Mowat, J. S. Cartwright, D. J. Smith, J. Marks, Robt. Drummond, A. Truax, J. G. Parker, and John Watkins. On the following day at a meeting of the directors, Mr. John S. Cartwright was elected president, and A. F. Harper was appointed cashier. The first instalment of ten per cent. on the subscribed stock was called in on April 1st, and a second instalment of the same amount on June 15th, after which the bank went into operation.

In the meantime the Bank of Upper Canada was advertising that subscriptions to its new stock would be received after August 1st, and, in addition to the usual dividend of eight per cent., a bonus of at least another eight per cent. was promised for the current year. As a result the new stock, amounting to £100,000, was considerably over-subscribed in a very short time. The effect of competition upon the Bank of Upper Canada was wonderfully stimulating, and, under the influence of a highly speculative mood on the part of the people, a new and feverish development in banking took place in Upper Canada, which, however, with its consequences will require another paper.

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