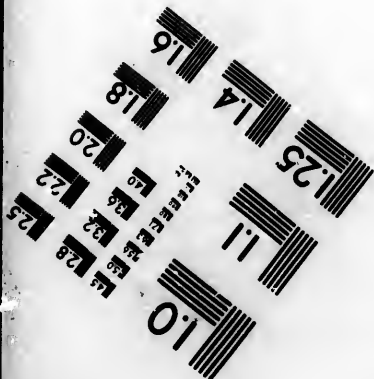
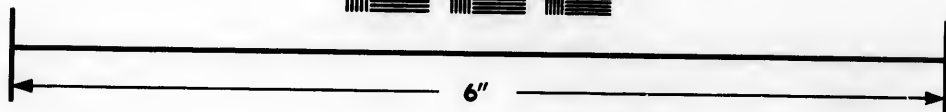
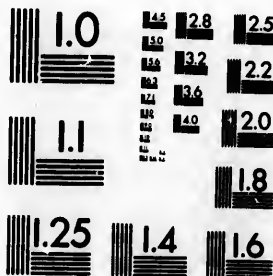


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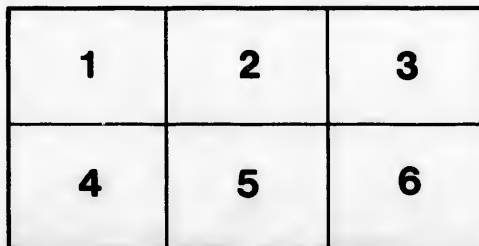
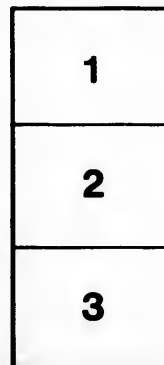
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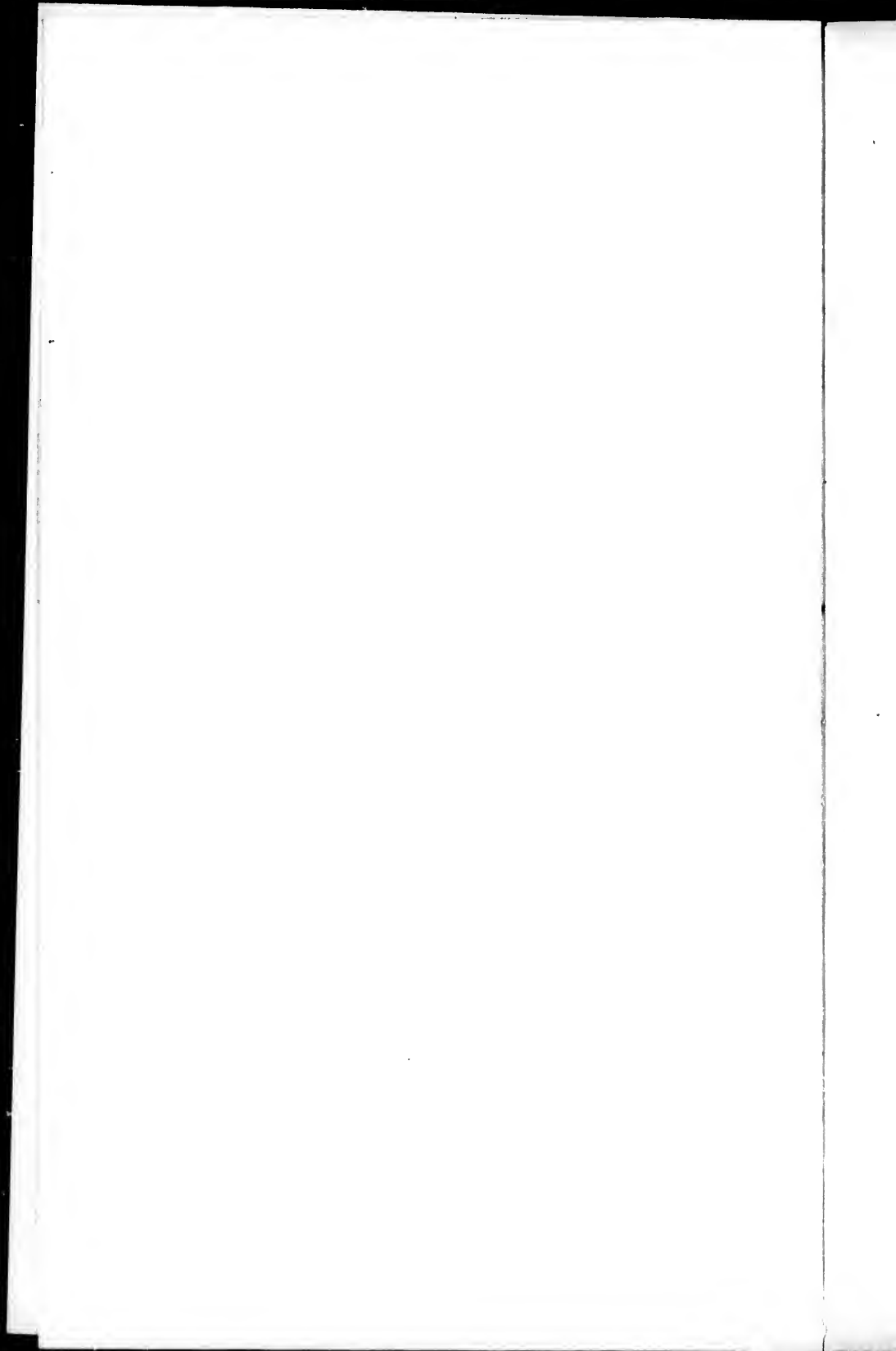
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AN
ENQUIRY
INTO THE
ORIGIN AND PRESENT SYSTEM
OF
COLONIAL BANKS,
AND THEIR
DANGEROUS EFFECTS.

With a Proposition
FOR
A NATIONAL BANK.



*“ Quid non mortalia pectora cogis
Auri sacra fames ”*

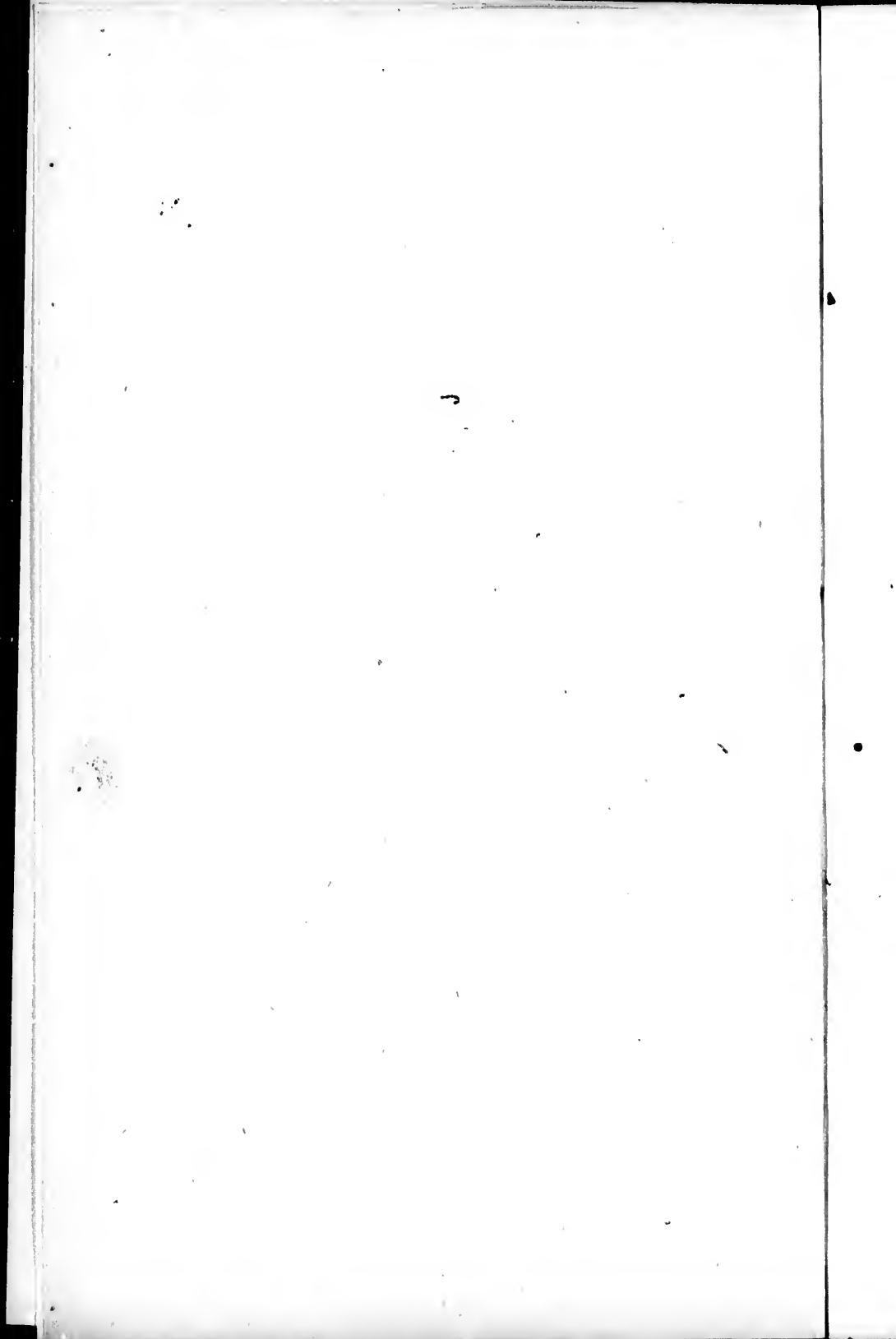
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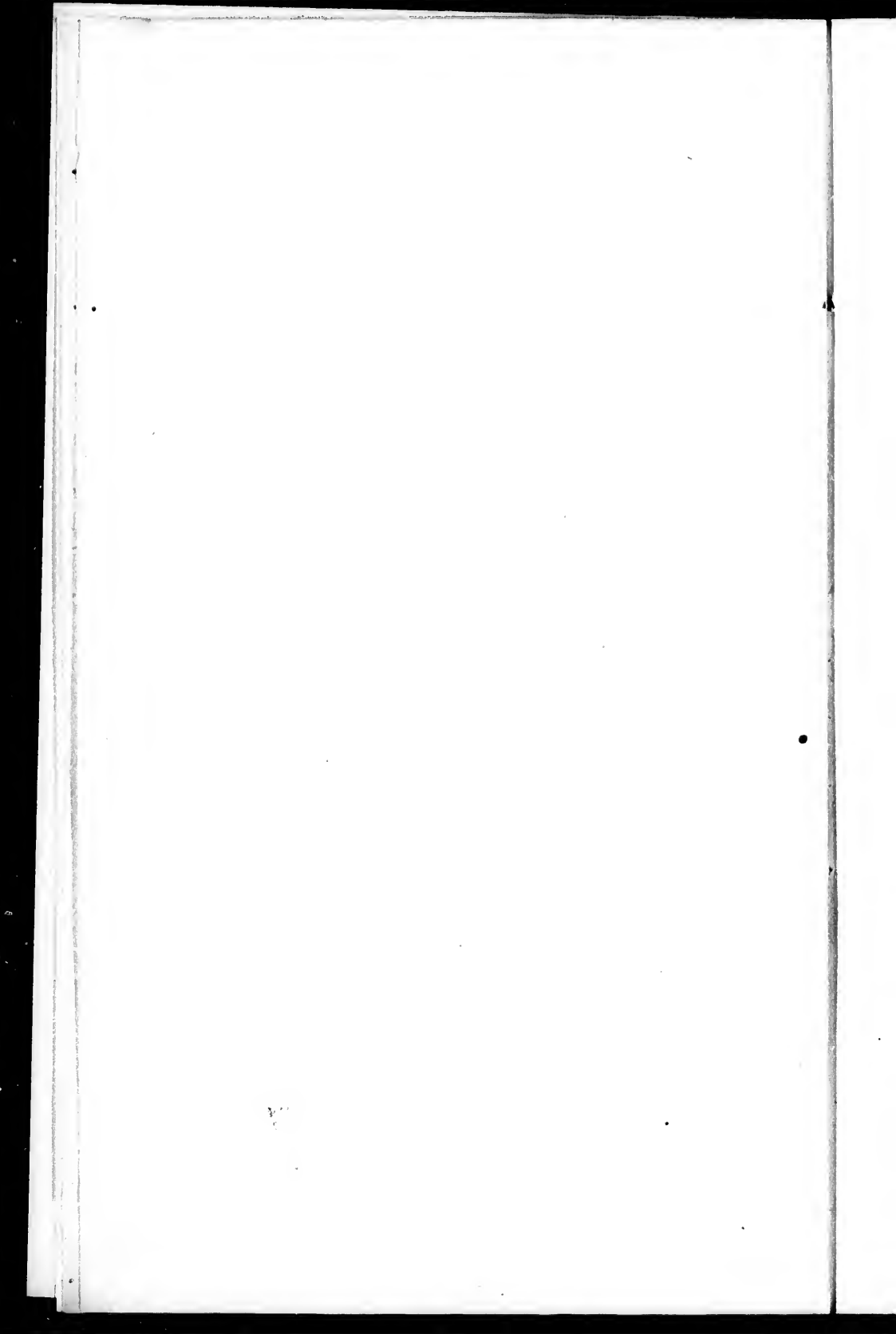
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TO THE PUBLIC.

IN dedicating the following pages to you, I follow only the dictates of reason; seeking as patrons, only those to whom the benefit may apply. Because I have concealed my name, it is not therefore to be suspected that I have concealed truth, or misrepresented circumstances. I have stated boldly and fairly, as much as I thought at present necessary to justify and extenuate any liberty which individuals may think I have taken with them, as connected with public bodies.

Its purpose is so hostile to the interest of many, that concealment will not be wondered at; but those who are disposed to attribute personal fear or opprobrium, as having the smallest share in it, will very much deceive themselves, and misrepresent it to others.



“THERE'S MONEY FOR TREE; IF YOU TARRY LONGER, I SHALL HAVE WORSE PAYMENT.”—SHAKESPEARE.

IN an age so fertile in political expedients, the advancement of science, and mercantile adventure, perhaps nothing is so likely to encourage or retard their various operations, as the well or ill-concerted measures of Banking Speculation.

To trace the different means by which, in barbarous times, commercial negotiations were conducted by barter, until convenience pointed out a less unweildy, or more manageable succedaneum; and which, in a more civilized era, the intercourse of nations transformed into the representative of capital, would be no difficult, though useless, task; nor is it easy to understand that, with all the facilities with which modern commerce is endued, or the several modes by which foreign transactions are promoted, and domestic arrangements assisted, that more liberality, or less chicanery, is associated.

The desire of gain, and individual aggrandizement, are too fatally interwoven in the human mind, by education and its accompanying refinements, to admit the precepts of moral philosophy, or stoical indifference; the juvenile mind, habituated to the parade of exterior splendour, languishes for equal display; and, prompted by competition, and the respect paid to wealth, is discontented until successful exertion enable the possessor to exceed all former magnificence. To promote genius, and foster talent—to be the munificent patron of arts, science, and manufactures—and to rival the ancients in the epicurean pleasures of exotic luxury, is the desired end and

happy termination of mercantile endeavour; "their palaces rise like exhalations, and their equipages blaze like meteors." For this, foreign shores are explored, and foreign markets ransacked; and the human species, toiling under a fervid sun, is bowed down almost below the humiliation of instinct, until the product of their exertion, too bulky or inconvenient for modern usage, is transmitted in the more eligible form of a bill of exchange. *See*

"Blest Paper credit! last and best supply
That lends corruption lighter wings to fly:
Gold, imp'd by thee, can compass harder things,
Can pocket states, can fetch and carry Kings.
A single leaf shall waft an army o'er,
Or ship off senates to some distant shore;
A leaf like Sibyl's, scatter to and fro,
Our fates and fortunes as the wind shall blow;
Pregnant with thousands, flits the scrap unseen,
And silent, sells a King, or buys a Queen"

I have been led into this digression, not from any wish to explain the speculative theory of financial regulations, or to investigate the good or ill that may result from facilities thus afforded to commerce; but from the very singular and unprecedented manner in which the Banks of this country issue their bills.

To the full development of the advantages, or disadvantages, of a Commercial Association, formed for the interest of few, at the risk of many, I may, without fear of censure, confess myself unequal, or unwilling; but the prominent qualities of which are so evident, and the effects so familiar and long observed, that it will not surprise, if some of the lineaments should excite attention, above the ordinary interest or suspicion that exceeds its usual boundary.

In analyzing such a combination of men, protected by real wealth, or imaginary millions, the public can be little interested in personal attack, or individual satire; and possibly, the serious nature of the subject, would preclude the happy illustration of either: but, as a public body, with whom the

interest of every one is assimilated, a few observations may not be deemed irrelevant, or enquiry superfluous.

In all the relations of ancient or modern jurisprudence, reciprocal contingency is necessary to constitute an absolute contract; and it will be difficult for the most ingenious sophistry of the present day, fruitful as it is, to pervert its meaning or evade its intention.

Opinions may be divided upon the abstract principles of a science, or the theoretical difficulties of legal speculation; but there can be no division, or misinterpretation, of a practice formed for the most beneficial purposes, and adhered to by every trading nation.

To prevent monopoly, and for the protection of the general interests of society, it has been the wisdom and practice of every government, to enact the severest penalties; and therefore, *the Parliament of Great Britain prohibits the Association of any number exceeding six, in any Firm, or Stock Company, unless incorporated by its authority: chartered, they become a legal body, invested with privileges and immunities, and from individual responsibility, from which the private trader is not exempt. Without this, the public would be ever liable to the fraudulent impositions of adventuring individuals, who with an ostentatious appearance of fictitious capital, might pillage the credulous, and by an invented prospectus of anticipated gains, induce the sanguine to hazard their hard-earned savings.*

Indeed, with all the caution which the wisest states could supply, too many and too fatal have been the schemes by which the designing have been enriched, partial fortunes raised upon general ruin, private faith forfeited, distress increased, and public confidence betrayed.

To hold out the prospect of domestic comfort, and the speedy acquisition of wealth, are subjects, however flattering, and illusory, that too hastily incline our reliance: the vivid colors with which imagination encourages hope, influences

our judgment, and easily persuades us into a realization of the schemes, that are projected by the cunning or promoted by the avaricious.

To prevent such combinations, has ever been the aim of the humane and the wise; to form and profit by them has equally attracted the attention of the aspiring, or abandoned; directed by selfish feeling, or unprincipled intention, they have been enabled to revel with impunity on the confidence of those whose folly or imprudence assisted their plans.

Fully to appreciate that which has been done, it will be necessary to call to our minds what there was to do, and the situation of these Provinces, when these establishments originated. War, which in other countries is so calamitous and desolating, was in this of a contrary tendency; particular losses and devastations no doubt occurred, but the general effect was the same: an influx of specie and an encrease of trade. It has ever been the case with colonies where the burthen of the war falls alone upon the mother country, and where the payment of troops affords such a ready circulation and inconsiderate expenditure.

Naturalists assure us that the human body is only capable of attaining a certain degree of muscular power, or health; and the impossibility of continuing long at that; the Constitution of every country is similarly circumstanced. Canada before the war was, as to its financial resources, in the most emaciated state of weakness and inability; with scarcely an interchange of specie, it was carrying on an immense traffic, remitting the produce of the country against the balance of trade, and virtually coming rich, by the most advantageous system of commerce, without the ordinary auxiliaries, of negotiable representation. But war quickly changed the state of her political health; invigorated by a population of daily expense and supply, her Imports received an impetus, which her internal trade kept pace with; by a transition, not unfrequent in mercantile fluctuation, she attained a stamina of real wealth unequalled by countries of greater importance, and exceeding the hopes of her most sanguine promoters. Improving every advantage of local circumstances, she invested her

capital and her credit, in the fallen manufactures of the mother country: their unexampled depression facilitated every arrangement for profitable purchase; and which the unprecedented nature of exchange, so favorable at that time for Canada, still more profitably enabled her to fulfil. Fortunate, for a while ambition and industry extended the empire of her trade, enterprize received additional ardour, avarice loosened its grasp; and with hopes sanctioned by prevalent success, risked its hoards in the confidence of participation. In this state of lucrative employment and plethoric success, the peace found us, the troops were sent home, establishments broken up, with stocks, that improvident calculation, or former prosperity, had too greatly enlarged. These unforeseen demands withdrawn, trade began to subside, and by degrees resumed its former level; the unexpected inundation of specie, necessity insensibly directed to its former channels. To this ill-proportioned extent of trade, the internal resources of the Colony were inadequate; liberal credit was given, and every effort used to perpetuate that which in itself was unnatural. The trading mania became epidemic; new establishments were formed upon the flattering retrospect of that which had been done; many, unfitted by their education and habits, embarked what they had amassed during the war; all parties became competitors in the extent of their outfit; and that which the limited capital was unable to do, the assistance of friends was engaged to accomplish.

From a competition thus excited which the population was unable to support, ill will was quickly engendered, jealousy pervaded the whole, prices were lowered, and each sacrificed his property in the hope of extending the ruin to his rivals. Without estimating the real cause of this unlooked-for depression, this contest was carrying on; the credit which had been extended to them, they as liberally extended to others—their ledgers became bulky by inconsiderate reliance, and nominal figures inflated their pages, without the reasonable dependence of a negotiable asset. Importunity from home induced general solicitation—necessity, rendered irritable by uncomplained-with-demands, and inability to pay, was content to devise means for actual security; mortgages were taken and lands

bought with an avidity that fear alone impelled ; balances were liquidated, and real value attached to almost imaginary acres. The merchant whose views are expanded with the extent of his trade; isolated from all petty distinction, takes a range of feeling, calculates upon the unhappy fluctuations of trade with merciful consideration, and relinquishes his claims with a commiseration proportioned to its risks. Unhappily for the country debtor, the country retailer is actuated by no such motives ; his views are bounded by the narrowness of his transactions, the multiplicity of small debts comprising the whole of his dependance ; the lenient acquittal which the liberality of the merchant induced him to give, only increases his cupidity, as it presents the nearer prospect of approaching ease. The law is then set to work, the most destructive engine of commercial defalcation, and just in the inverse proportion of the mercy they have experienced, are they themselves actuated ; valuable property is seized, and sold, at scarcely a consideration equal to the payment of the transfer, and circumstances might be related that exceed the oppression of a Star Chamber, or the rigor of an Inquisition

This general depreciation, so universally felt, and acknowledged, did not arise from any alteration in the internal capability of Colonial Revenue, but from circumstances remote and unexpected.

The war had given a character to the minds and manners of the inhabitants, little to be calculated upon in a country hitherto so foreign from its influence. The peaceable retirement of a people for thirty or forty years, with the full recollection of the American struggles, had biassed the opinions and dispositions of the rising population. Unaccustomed to the gaiety of a camp, its alternate relaxations and fatigue, they had been instructed only in the laborious employment of agricultural exertion, and the superfluous product of their industry was exchanged for such comforts as domestic labour could not ensure, or foreign climes alone afford. That which before was only to be attained by slow and painful degrees, was now as quickly to be gained by a few hours of more profitable exertion in the service of the Government. The transportation of stores, the improvement of forts and fortifications, readily

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supplied all those wants, for which, before, so many hours were necessary. Agricultural pursuits were neglected, or abandoned, and the dependence which had formerly attached itself to it, as the permanent interest of the individual, and the country, was now superseded by the facilities which those various means afforded. The rise or fall in provisions was little felt in a country where labour could be so very profitably employed; cattle were sold, because their value was enhanced, without computation upon their more advantageous increase, or the prospect of renewal. With a perfect reliance upon the continuation of these adventitious circumstances, in which prosperity was smiling in the midst of desolation and carnage, the war suddenly ended; nor was its termination greeted with the joy with which peace generally hails her votaries; for that which, at its commencement, had teemed with all the horrors of imaginary and real danger, had now gathered strength from the surrounding objects of protection and safety; every one, directed by different views of ambition or gain, was desirous of obtaining some emolument from war, politics, or merchandize. Drained of its internal means of actual subsistence, the war had left nothing in their place but specie, which for the two or three following years went to the United States, in payment of those necessaries which their occupation; during the war, had prevented the attainment of. A general deficiency of means pervaded all ranks, every link in the great chain of commercial responsibility was, in some measure, affected; with heavy balances in their favor, it was yet impossible to make their remittances. In this stagnation, which had all the effect of bankruptcy, it became necessary to devise some means to arrest the spreading insolvency.

It is the characteristic merit of the intelligent merchant, to act upon pressing emergency with a promptness of decision and resource, equal to the nature and extent of the occasion. In this his character assimilates with that of the statesman, in the ability it calls forth, in identifying his interest, even with those resources which his invention supplies; and in making those very efforts which necessity compels him to adopt, towards the extrication of his difficulties, subservient to profit.

The mind, habituated to the review of transactions in all

their bearings, and to an estimate of their events, however remote, is apt to judge with precision and correctness, and can grasp the varied extremes of mercantile termination. Emboldened by conscious rectitude of intention—by sanguine calculations—by courage and confidence in the latent powers of his mind, or in those resources which ability and skill seldom fail to produce; few circumstances appal him, he improves every favorable opportunity, and ultimately, perhaps advantageously, retires from a concern in which ruin seemed inevitable.

In this dilemma of increasing ruin, necessity supplied the place of wit, genius, and ability; a general concurrence of sentiment, or coincidence of circumstances, induced the same effort, all eyes were directed to the means of parrying the impending danger; nor will it excite the astonishment of the financial speculatist that a Bank was instituted, which so amply unites the auxiliaries and support of mercantile foundation, capital, and profit.

These Establishments perhaps exceed, in their application and success, all the endeavours of ancient or modern science. In vain may Mathematics and Philosophy attempt the quadrature of the circle; perpetual motion, or an everlasting lamp; even the boasted power of transmuting metals, falls short, very short, of the attainments of these Alchemic associations. In the fabulous history of the Phœnix, classical fiction assigns its generation to the ashes of its predecessor; what veneration, then, should that art excite, which can raise splendid monuments of colonial greatness, of corinthian decoration—of circulating wealth, with less foundation—that can realize the visionary showers of Danae, and exceed the possession of Pactolian sands

The successful dawning of one Bank, has given encouragement to others, until imagination may anticipate infinity. La Chambre asserts that plants grow in such abundance in Egypt that they are forced to throw sand upon them, to prevent them choking one another; and to take as much pains to hinder their growth, as in other countries to cultivate it. It may be as difficult, possibly, to devise means to repress the rising exuberance of these exotics, when once they have taken root.

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These reflections may appear bold and unfounded, probably to the superficial observer: to the tradesman, whose unbounded confidence gives uninterrupted currency to their spurious issue; and to others, who have associated their names upon the real, or implied honour of their projectors. An association may become corrupt, without its origin having been venal; and I am far from intending to attribute dishonourable motives to any one concerned. But, an enquiry into the effects of such a system, cannot be conducted by ceremonious or partial investigation.

The difficulties that impede the progress of commerce will, with many, palliate the introduction of any means that may promise durability or support; and, separated from the consideration of its ultimate tendency, may give it unqualified sanction and assistance, while, probably, those whose interests and property are most likely to be prejudiced, are the last to whom conviction may occur, or its consequences appear.

In the present view of the subject, it may not be necessary to remark upon the impolicy of allowing a combination, that may be destructive of general confidence; and of nurturing a power that may attain a political ascendancy, inconsistent with the welfare of the country. Although candour may claim the acknowledgment, that there are few instances of public bodies betraying the interests of their country; yet, in times so jealous of the preponderations of power, it may not be unreasonable to observe, that the excess of power in the people was as fatal to Athens, as that of the prince was to Persia. But throwing the political danger quite out of the question, I would only wish, in the present discussion, to draw the attention to such consequences as may arise, not only to commerce in general, but to the individual security of every man in this Colony.

In a country like Canada, so free of political restraints of every description, of legislative interference, and religious intolerance, it may create some astonishment, that any objection should be urged against institutions that have become popular and approved; against associations that apparently combine private advantage with public convenience. But however

flattering the testimony of private advancement may be, those measures must be practically wrong, which engraft *individual aggrandizement* only upon *general ruin*: nor can a more favorable construction be put upon a speculation, *that claims every advantage of profit, and every indemnity from loss.* With a constitution thus founded, what guarantee have the creditors from inconsiderate speculation, from losing transactions or private speculation.

Confidence in the honor and prudence of the directors, may do much to facilitate their currency, but cannot establish permanent security; it may extend, but cannot prevent the ruin.

If the "Joint funds of the Association" be the only security upon which public confidence is grounded, or which the claimant can pursue, the boasted security of the Colonial Banks may terminate in an hour, may be terminated now. The expense of public buildings, the organization of the establishment, or losses, may have exhausted those very funds upon which their issue is founded; the deprecation of exchange, the fall in bullion, the failure of agents, and the unfortunate termination of justifiable risks, may at any time innocently consume every shilling of their original capital. Their discounts (their only source of profit while exchange is at par) must be attended with all the common hazards of trade; and every mercantile failure will affect the validity of their security. With all the circumspection that the most rigid caution can direct, and with every scrutiny as to the responsibility of indorsements, yet the Banking system invariably raises a train of accommodation paper that will baffle their utmost vigilance. The temporary wants of merchants, will induce temporary accommodation; names will be lent for mutual assistance, until a chain will be formed of such reciprocal dependence, that the fracture of one link will involve the whole in one common ruin. The bona fide transactions even, of the most respectable houses, depending upon a continuance of confidence, may sustain inconvenience that it may not be in their power afterwards to repair; the caprice of a President or Director, arrayed in all the power, without the symbols, of the ancient Dictator, may figuratively apply the axe to commercial credit. Prepossession, prejudice, or

private patronage, may influence or reject the discount of bills; collision of interest, or even party feeling, is able to stab the credit of the private trader, and militate against those very principles that the Banks are intended to support. In the systems of Banking, however conducted, two objects must necessarily present themselves—the one comprising their own profits, as the object of the institution; and the other the benefits which are proposed to arise to the public: and yet, however remote these objects may appear, they are indissolubly connected.

The profits of the Institution are only to be attained by the fortunate adventures of the Bank; public confidence can alone promote it, it is inseparable from its well-doing. In return for this confidence reposed, it is but just to expect that their Associations shall not be founded in *fraud or evasion*—that they shall not justify as a *Public Body* what they would *scorn to own as Individuals*—that the amount of the capital *advertised* shall be the real and *actual sum subscribed*—that *no private collusion, or secret understanding*, shall enable them “to keep the word of promise to our ear, and break it to our hope.”—In fact that the untarnished character which, as individuals, they sustain, shall be the standard upon which they will regulate their proceedings; and that the circulation of their Paper shall be wise and cautionary.

The profitable circulation of Bank Paper can only be in the proportion which their fictitious issue may bear to the real amount of the funds reserved; that is to say, in the proportion to which their fictitious circulation may be extended, without endangering any call or run upon their dormant funds. The difficulties and expenses of replacing specie are such, that the line of transactions which shall touch the reserved fund, will be the line beyond which they cannot profitably extend their trade, and every negotiation which shall be extended beyond that line, must be attended with actual and increasing loss. It must be clear that if their issue be only the representative of their real capital, no profit can possibly accrue, unless they calculate upon the losses of their Notes by sea, land, or fire. Upon the principles which Adam Smith has laid down, the domestic commerce of the country must be the boundary of

their transactions, nor can the profitable application of fictitious issue be extended beyond the real amount of what actual gold and silver would be in the country, without the assistance of these auxiliaries. "The commerce and industry of a country, however, it must be acknowledged, though they may be somewhat augmented, cannot be altogether so secure when they are thus, as it were, suspended upon the Dædalion wings of paper money, as when they travel about upon the solid ground of gold and silver." Over and above the accidents to which they are exposed from the unskilfulness of the conductors of this paper money, they are liable to several others, from which no skill or prudence of the conductors can guard them." The experience of all Europe has proved that the circulation of paper money has invariably tended to make the circulation of real money more scarce, and ultimately to banish it entirely. Those who argue or imagine that the issue of any certain sum of paper money is an actual addition to the sum in circulation, argue upon premises that are in themselves false, and can by no means justify such a conclusion. The issue of £100,000 of paper money, for example, does not add £100,000 more to the circulation of the country; it has decidedly the contrary effect, as it banishes the exact amount of gold and silver. As paper money is not adapted to the purposes of foreign commerce, it cannot be applied to it. No subtilty of reasoning would induce the Chinaman to exchange a chest of tea or a bale of silks for a ship-load of these flimsy commodities; and the London merchant, although he might willingly give credit, would want something more than the vaunted "*Joint funds of the Association*," in security. He would require private character and the "green fields" as collaterals for his confidence. He would ridicule, as impossible, the *credulity which could ground any faith upon such more than Mahometan Imposture.*

The circulation of paper money must, therefore, be circumscribed, and limited only to the local uses and negotiations of domestic commerce. £100,000 of paper money, by answering as the medium of home trade, will allow the merchants to export £100,000 of gold and silver, which was the before existing medium to foreign commerce: it does not come in addition to the capital of the country; it only fills up the vacuum which the egression of the £100,000 of specie oc-

casions. It is upon the home trade, therefore, only, upon which any Bank can advantageously calculate upon the extension of their issue. If any sum beyond that is circulated, it immediately is brought back to the Bank, to be exchanged for money of more general application. This would occasion the constant payment of specie, and would be accompanied with constant loss.

In a country like Great Britain, where the success of manufactures constitutes a great portion of her political wealth, the Banking system has no doubt been peculiarly advantageous. The purchase of the raw materials of foreign countries, setting aside her foreign wars, would naturally and profitably exhaust her specie; but the manufacture and exportation of those raw materials, would as naturally bring back her specie. Then, the substitution of paper money, *differently, in truth, founded* from the Colonial Banks, might be beneficially used, in enabling the manufacturer to convert those raw materials for a foreign market. In Canada, however, where manufactures form no part of her political wealth, and where a machine for cutting a few nails bounds her utmost power and capability; it may be a problem not very difficult of solution, whether more than one Bank can be profitably conducted? But it certainly must be self-evident, that *this one Bank* should be upon the most *permanent* and *solid* foundation.

If, as it has been satisfactorily proved, that the introduction of paper money lessens the circulation of real coin, the smaller the notes in which that paper currency is, the more evident will that scarcity appear, as it will hardly be necessary to keep specie even for the purposes of change. In America, where the Banking system caused so great a scarcity of specie, small and smaller notes were issued to remedy the increasing inconvenience. The remedy was found only to assist the cause; and so successfully co-operated with it, that Bank paper was in general circulation almost as low as its most nominal coin; certainly as low as three cents, the thirty-third fraction of a dollar. Even to the present writing three-cents promissory notes are in circulation.

To such an extent was the swindling speculations of Banking Companies carried, that, in 1722, the Exchange was at that time, from 130 to 1100 per cent against some of their Banks; and to this day, scarcely any one of them is at par—terrible coincidence, and fatal proximity! Some of the Banks in Scotland, even long since that period, to enable themselves to profit upon their fictitious issue, inserted a clause in their notes, making them payable on demand, or six months after, with legal interest at the option of the Bank. Human assurance had not at *that time* attained the acme of its elevation; otherwise, *they* might have rivalled the *Canada Banks*, in the *original stipulation* of—*Out of the Joint Funds* of the Association, and *no other*. The Government of Great Britain *then* interfered, and terminated *their* fraudulent proceedings. The paper currency of the Banks of Canada, brings to my recollection what I have read somewhere of the currency of Malta. The common people were there paid in a copper coin, called a piece of four tarins, equivalent, in *ideal* value, to about eight-pence of our money, but intrinsically, not worth more than about two farthings. To render *this coin* more current, public confidence *was*, as it *now is*, *necessary*. It was stamped with this motto: “Non æs, sed fides;” of no real value, but confidence is every thing. Can the Banks of Canada, founded as they are, say more?

Against these positions it may probably be urged, that the Directors would keep their discounts within the limits of prudence, and thereby not endanger their Capital Stock. But it will be equally easy to foresee, that if the whole of the original funds of the Association are yet in their coffers, and that their discounts are only to that extent, their transactions could only be neutral; that is, they would gain no more upon the fictitious issue, than they would lose by not employing the dormant capital; that, therefore, they must issue just twice the amount of the “Joint Funds of the Association,” exclusively of an amount to cover the expenses of the Establishment, before they can make a half-yearly dividend of three per cent above the ordinary interest of the country, while the Principal is secured in one case, and in danger in the other. Now, taking the expenses of the first year at the moderate rate of six thousand pounds, it will require the pro-

fitable issue of one hundred thousand pounds, exceeding the amount of the joint funds, before they can divide one shilling more than common interest among the stockholders. Estimating the capital of any Bank at £250,000, it must necessarily enforce the constant issue of £350,000, without the allowance of one shilling for bad debts, to keep the Company only neutral in their transactions, and solvent in their capital: so that the constant issue of £600,000 can only obtain common interest for the original capital risked, and a bonus or premium of three per cent half-yearly. Calculating the risk of debt at five shillings only per cent, the perpetual issue of £600,000 will not give thirty shillings per cent upon the original capital, above common interest. But the dangers and fluctuations of mercantile responsibility, preclude the possibility of fixing any particular or definitive per centage, that will, in perilous times, average the losses in trade. And taking sixty days as the common period of discounted bills, it will require the annual risk of *three million, six hundred thousands pounds* having been incurred: to gain what? less than one and a half per cent above the usual interest! Computing the risk of debt at one and a half per cent, it would only require five years to reduce the establishment to absolute and irretrievable bankruptcy. Now let me ask, where is the merchant who would not willingly give one and a half per cent, even five per cent in this country, to guarantee every risk of debt. These observations could not apply, if the private property of the Stockholder were pledged in security for the transactions of the Banks. Deprived of this, the notes of the Banks are not upon the same footing of responsibility with the paper of the private merchant, or the Country Banker in England. The forgery of their paper is prevented by the severest punishment due to crime, that of death; whilst upon these Banks, forgeries may be carried on to any extent, with scarcely a penal statute to interfere with them: a misdemeanor is the most that can possibly be made of them.

These calculations and remarks can only locally apply to the Banking system of this country, where, perhaps; upon the present routine of Government, no sources are open for the profitable application of capital, but that of discounting bills. In England, Government transactions furnish different means:

loans, Exchequer bills, India bonds, and various other sources, offer perfect and permanent security for the profitable application of capital, and an instantaneous resource in case of emergency. Therefore, not depending upon discounts alone, the Bank of England regulates its discounts according to the scarcity or plentifulness of those more solid securities, and would, if they could consistently, decline most private paper; added to which, they have a Commission of £450 per million, as Agents for the public funds, and £805 per million on new loans, which assists towards the expenses of the establishment.

Hitherto we have viewed the Banks in their most favorable aspect; on the contrary, suppose, instead of the whole of their projected capital being in the coffers, that they should have only 40 or 50 per cent upon it, the remaining 50 or 60 per cent might, I think, in case of any alarm, or pressing need, be considered nearly nominal; some, no doubt, might bring forward their quota, but many, from inability or fear, would be prevented. Still, however, prudence might limit their issue, or however limited their real capital, it would require the issue of the £100,000 to pay the expenses.

Supposing any of these circumstances, imagine a run upon one of the Banks, either from private pique, or the jealousy and opposite interests of other Banks, it will be difficult to understand what method of calculation, or finance, can render stable such fluctuating and precarious Establishments.

But what will the strenuous advocates of these Institutions say in defence of the folly or imprudence upon which these Banks are erected, and upon which the only security of the Stockholder depends; upon the folly that could publish a statement of circumstances likely to endanger their property, or the imprudence that knowingly must do so. For however the Banks may advertise, even upon their own Notes, that they will only pay out of "*the Joint funds of the Association,*" and no other, I maintain, that their *liability is inevitable*, and it must be in the knowledge of every well read Barrister that such a limit is *impossible*.

Unchartered, they are nothing but a Public Stock Company, trading like any other firm, and, consequently, liable to every risk, in common with the lowest trader; the property of every individual Stock-holder subject to the last shilling for the engagements of the Bank, and his person to imprisonment, upon the suspension of specie payment.

Such a candid and plain statement may occasion some alarm to those who have innocently lent their names, and may as innocently fall victims to it. No one will question the equity of the case, but it is the law of the Realm, and it should be known.

However well founded these observations may be, and courtesy will acquit me of intentionally misrepresenting, yet the very nature of their promise to pay may lead to an extent of litigation little to be suspected, and difficult to be guarded against. Upon any embarrassment or insolvency occurring, the answer would be—the Funds of the Association are exhausted, and we promised to pay out of no other: our liability is therefore discharged, we have nothing more to do with the Bank. We have faithfully discharged our trust and are exonerated.—It would be for the creditor to prove that their Funds were not exhausted; no Court of Justice could examine their books, and it might take the most active Accomptant a year before he could ascertain the solvency or insolvency of the Bank—the proper or improper appropriation of their funds. And after all the Court might differ in the construction of an Act of Parliament, or a Jury give a verdict contrary to Law, and the direction of the judge. But suppose a culprit brought before a judge, charged with embezzling or stealing a certain amount in these notes; the Law makes a capital felony of any theft to a certain value, *with what justice could he pronounce sentence of death, without first ascertaining the value of these notes; to do which would it not be necessary to ascertain the solvency of the Bank. Otherwise a man might suffer death to-day for that which, properly investigated, may have been of no value six months ago, or which may terminate before publication should have ceased.*

Without any enquiry into circumstances that may never occur, or exaggeration of their effects, it may not be improper

to take a cursory glance at the inconvenience only that may result to the merchant, from any illiberal conduct of the Banks.

It must be well known to every commercial house of any standing, with what difficulties England was menaced in the years 1797 and 8. The Bank of England, fearful of events, restricted, and at last discontinued their discounts. It was for the wisdom and prescience of Mr. Pitt to foresee in a moment the ruinous effects of such a system, and with a liberality as judicious as requisite to prevent them. He found the embarrassments which endangered credit arose in a great degree from the temporary cessation of discounts, owing to the failure of speculating individuals, without property, by which many merchants of the greatest respectability, deprived of their customary resource, could not bring forward their commodities to answer their engagements. His interference, as original as successful, soon extricated the merchants from the threatening danger. Aware that the welfare of the merchants constituted the welfare of the State, Government came forward with those means which the Bank refused, and but for this England might yet have to lament the fatal results of that period.

Without any melancholy anticipations of similar recurrences in this country, it may be well, perhaps, for all parties to pause upon the brink of the precipice, and to consider if, with the present transitory means of extending their trade, they may not, with a reliance upon such mutable assistance, in some degree be undermining their actual security; and whether the public, without arraigning their too easy credulity in giving currency to their notes, be not in danger of losing by a confidence so liable to depreciation and Bankruptcy?

Without any personal or invidious application of these circumstances, History, which brings all ages together, sufficiently advertises us of our danger; and the period of 1718 is an exemplification too unfortunate to encourage hope, or allay suspicion. The rise and fall of the South Sea and Mississippi schemes, not more chimerical in their institution, were pro-

noted by many as sanguine in their faith—and their failure desolated England, France, and Germany, with poverty and wretchedness. Those bubbles burst, opulent families were, in an instant, reduced to beggary, every class felt, in some degree, their mournful effects, and were plunged in the abyss of ruin. With such examples before our eyes, and the corroboration of many of the same nature in America, will it be wondered if the present Establishments afford matter for serious contemplation and alarm. Accustomed to speculation in individuals, caution is suspended, and every Association that will promise an increase of fortune will be congratulated with omens of partial approbation.

Against the tide of these prevailing yet destructive associations, some influence is necessary which the pen may point out, but cannot command. In vain may genius deplore the results that may be foreseen, and the powers of declamation return impotent and exhausted, the concurrence of opinion may silence the orator—conviction be opiated by interest—and even party spirit be lulled in security, or turned from its point to retain unanimity for other measures.

If the comprehensive minds of Mr. Fox and Mr. Burke, in their India Bill, could see sufficient to direct an enquiry in the House of Commons upon the affairs of the East India Company, with how much more justice may Legislative interference be exerted in this country. Party zeal betrayed them into an indiscretion, that even the persuasive eloquence of their appeal could not combat. They advocated oppressive and unconstitutional measures against chartered rights, purchased and sanctioned by Parliament, where the property of the Stockholders could not be proved to be in any danger. With regard to the Banks in this country, unprejudiced reason can draw no parallel.

It therefore only remains for some impartial member of the present Parliament to do his duty. The general interests and safety of the public, demand this sacrifice of private feeling. The House ought to order a Committee of Inspectors, or Auditors of their Accounts; or *enjoin, beyond future altercation, the responsibility of the Directors and Stockholders to all the*

engagements of the Banks. Either of these methods would give an honourable guarantee to all the transactions, and the prospect of firm and permanent security. This attention the importance of the subject demands, and it is to be hoped, some independent member will be found to promote *these* plans, or to devise *others*, for the security of the country.

To point out the defects of any undertaking is so easy, that ridicule is most justly attached to endeavours directed to no other end; but to promote enquiries solely for the public good, incautious zeal may be allowed to plead for indulgence, be tolerated if not encouraged. To attempt the reformation of an evil, by the substitution of a solid good, ought not to provoke criticism, or awaken censure. Against perils so conspicuous, my design is not to create fear, but to propose an antidote.

To remedy every evil, and to ensure lasting benefit and success to these Provinces, nothing now remains, but for the Government to establish a National Bank—the profits to be only locally applied, in removing obstructed navigation, forwarding new settlements, internal improvement, and civil polity. Thus this country might be benefited, and the mother country, in time, be relieved of some of her burthen.

To digest so important a plan, would require much time and thought, as well as greater talents than the writer can boast; or could vanity suggest that he were equal to it, there are many weighty reasons for his declining it. An attempt to settle an affair of such national concern, would, in any private person, be too invidious a task, and might expose him to much censure. A plan of this sort must be the joint product of some of the ablest heads, whose characters might give such authority, and whose power, such sanction to what they proposed, as to abash prejudice, silence envy, and disarm ridicule.

The future Historian of this Colony would say, “The success of it was entirely owing to the zealous endeavours of—— Here, my Lord, is a blank! The name of that Governor who shall fill it up, will be more memorable in future times than that of Mæcenas. His be the honor; let the Colony reap the benefit! His grave will have a living monument!”

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