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THE EARLY HISTORY OF CANADIAN BANKING

V

THE FIRST BANKS IN UPPER CANADA

THE close commercial dependence of the upper province upon the city of Montreal naturally led the merchants of Kingston, the chief correspondents in Upper Canada of the leading Montreal houses, to follow with special interest, and usually with practical imitation, the introduction of such new business methods or instruments as promised to facilitate the general commerce of the country. Thus, as we have seen, the attempt to establish a provincial bank in Lower Canada in 1808 was followed shortly afterwards by a similar attempt in Upper Canada, the initiative being taken by the Kingston merchants. The army bill experience, which was most characteristic and effective in the upper province, naturally left there a very strong impression as to the numerous beneficent virtues of a paper currency. The shrinkage in circulation which followed the withdrawal of the army bills and the disappearance of the ex-

changes and bullion which had redeemed them, was most severely felt in Upper Canada. It was the connection of Montreal with the Anglo-American settlements of the West, much more than any scarcity of money in French Lower Canada, which caused its merchants to seek so persistently the establishment of a bank.

In this matter the merchants of Kingston followed suit without waiting to know the practical outcome of the Montreal efforts. Early in 1817, after a considerable discussion of the matter and preliminary organization, the leading merchants and others of Kingston drew up a petition which was presented in the House of Assembly on March 3rd, and which is as follows :

"To the Honorable House of Assembly of the Province "of Upper Canada in Provincial Parliament assembled. The "memorial of the merchants and others of the town of Kings-"ton, respectfully sheweth: That your memorialists having "taken into consideration the great utility and advantage of "banks to a commercial people, which has been evinced "by the number which have been established in Eng-"land, and in the United States of America since the "Revolutionary War; and feeling the benefit which the "latter derive from the ready aid afforded by their banks, "to carry on their establishments and improvements in "their western territory, which, although of a much more "recent date, is in a more flourishing state than any part of this "Province, are of opinion that if found so beneficial in "those countries, they cannot fail of tending to the "prosperity of this Province. The want of such an estab-"lishment was severely felt before the war, and there is hardly "any doubt but that the same inconvenience will very shortly "occur, whereas a well regulated bank would obviate all these "difficulties by keeping up a circulating paper to meet every "public demand. Your memorialists therefore pray that your "honorable House will be pleased to pass an Act for their incor-"poration, and authorizing them to establish a Bank to be "called 'The Bank of Upper Canada,' having a capital of "£100,000, divided into 8,000 shares of $50 each share. And "your memorialists, as in duty bound, will ever pray.

"(Signed) THOS. MARKLAND, and others

"Kingston, January 20, 1817"

We observe that, in this petition, while general mention is made of the banks of England, yet the whole of the specific

reference is to the banks of the United States and the beneficial effects which they have had upon the progress of that country. We find also that a good deal of the currency of Upper Canada consisted, at this time, of American bank notes. This petition seems to have been very well received by the House of Assembly, which immediately proceeded to introduce the necessary bill. This bill passed without a division on March 27th, as "An Act to incorporate sundry persons under the "style and title of the President, Directors and Company of "the Bank of Upper Canada."

On April 1st, the legislative council returned the bill with a few minor amendments, which were at once agreed to by the lower house, and the Act was sent to the lieutenant-governor for the royal assent. This was, therefore, the first bank bill passed by a Canadian legislature, the Montreal Bank bill not passing until the following year.

The governor, however, considered it his duty to obtain the opinion of the home government on the expediency of authorizing the introduction of a banking system in Canada, and therefore reserved this first Canadian bank charter for the signification of His Majesty's pleasure. The legislature, doubtless being informed of the lieutenant-governor's intention, had, at the last moment, attached a rider to the Act providing that it should not be forfeited by reason of any non-user before January 1st, 1819. Whether from design or not, the pleasure of the home government was not made known until this date had passed. Then, after it had ceased to be of any value, His Majesty's assent to the bill was graciously accorded, hence it became necessary to have the Act passed a second time.

The Act of 1817 was the same as those afterwards passed to incorporate the Bank of Kingston and the Bank of Upper Canada, with the addition in the latter of article 3, authorizing the executive of the province to take shares in the stock of the bank. These Acts were an adaptation from the Lower Canada Bank Bill of 1808, and were probably copied from one of the bills introduced in the legislature of Lower Canada to incorporate the Bank of Montreal.

Before following up the re-enactment of the charter of the Bank of Upper Canada, some important intervening events must be recorded.

Seeing the favor with which the petition of the Kingston merchants had been received by the House of Assembly, that famous group of persons who filled the chief executive offices and other government positions at York, and who were known as "The Family Compact," seemed to have awakened to the fact that, despite their customary vigilance, here was something likely to go past them which might make a desirable addition to their already valuable collection of provincial good things. Hence, we find that on March 17th, while the bill to give expression to the Kingston petition was well under progress, another petition is presented to the legislature which runs as follows:—

"To the Honorable the Commons of Upper Canada "in Provincial Parliament assembled, the memorial of the "merchants and other respectable inhabitants of the "Home District humbly sheweth: That your memorial-"ists, seeing the many advantages enjoyed by other "countries from the establishment of banks, by means of "which the facility of mercantile transactions and the "interest of the public in general is greatly promoted, "as is evident from the rapidity with which all improve-"ments in the internal economy of countries are carried into "effect, where such depositories have been in operation. That "your memorialists in common with the inhabitants of the "province, experienced great inconvenience previous to the "issuing of the Army Bills, from the want of a circulating "medium; and like disadvantages will soon become oppressive "unless some such accommodation is established upon a secure "and permanent foundation. That a bank incorporated by "charter with a capital of £100,000, to be held in shares of "£12 10s. each, provincial currency, would be of the most bene-"ficial importance to the improvement of the Province, as well "in its agricultural as commercial progress, your memorial-"ists have every reason to believe and ground to hope. Where-"fore your memorialists pray that your Honorable House will "be pleased to take this very necessary and important public "measure into your anxious consideration, and pass an Act to "incorporate a body within this Province under the style and "title of 'The Upper Canada Banking Company' with a capi-"tal of £100,000, to be holden in shares of £12 10s., provincial "currency, each, under such regulations as your Honorable "House may deem wise and prudent. And, as in duty bound, "your memorialists will ever pray,

(Signed) JOHN STRACHAN, ALEX. WOOD and others"

York at that time was of little commercial importance, beyond what business centered in the financial operations of the government. Almost the only people of any financial standing were the leading members of the Family Compact, who controlled the spigot of government expenditure. The bank, therefore, which was petitioned for by the merchants and other respectable inhabitants of York, depended, as we shall see, very little upon the merchants, and very much upon the other respectable inhabitants. The legislature no doubt recognized this, and the York petition received no attention.

After waiting for about a year to learn the fate of their charter at the hands of the home government, the Kingston people seem to have concluded that no news was bad news, and that the Imperial government intended to kill the bill by what the Americans call a pocket veto. Hence a number of the original petitioners, with some others, resolved to follow the example of the Montreal merchants, and, in the meantime, establish the Bank of Upper Canada as a private corporation. They were no doubt encouraged in this resolution by the success of the Bank of Montreal, and by the movements on foot for the establishment of two other banks in Lower Canada upon the same model. The first public indication we have of the movement of the Kingston merchants is found in a letter in the Kingston *Gazette* of June 30, 1818, urging the establishment of a bank in Kingston. This letter is interesting as typical of the very confused ideas as to the functions of banks and paper money which were then current among the ordinary business men of Canada and the United States.

The writer refers to the fact that seven or eight years ago an unsuccessful and perhaps premature attempt was made to establish a bank in Kingston. Since that time, however, Kingston has grown rapidly, and the surrounding country has filled up. The greatness of Britain is attributed in a large measure to her banks. He estimates that the circulating medium of this province stands to the real estate and personal property, in the ratio of one to nine, and concludes (falsely enough) that only one-ninth of the wealth of the province is available for productive purposes. He refers also to the great natural resources of the colony, and the need for capital to

develop them. The establishing of a bank at Kingston, by collecting the dormant capital from all parts of the province, as also from Lower Canada and the United States, would increase the effective capital five fold. As a result vacant mill sites would be occupied, manufactories established, land cleared, toll bridges built, turnpike roads would be opened, and employment given to the numerous emigrants daily arriving. Finally, as in the case of most other writers on such subjects, he refers to the facilities afforded by the army bills, without which business could not have been carried on during the late war. But those bills are now nearly redeemed, and are already at a premium of five per cent. In this letter we have another example of the prevalent confusion between circulating medium and capital. Next week the *Gazette* contained the following notice :

"A meeting will be held at Moore's Coffee House on "Thursday evening next, at 8 o'clock, for the purpose of taking "into consideration the expediency of establishing a bank at "this place, where those who would wish to promote such an "establishment are invited to attend.

"Kingston, 1st July, 1818"

The following week appeared the articles of association of the Bank of Upper Canada. As already stated, these articles are almost identical with those of the other two banks being formed in Canada at the same time, the Bank of Canada and the Quebec Bank.

The leading features of these articles may be condensed as follows:—

Capital stock, £125,000 in shares of £25 each, payable in gold, silver, or Bank of Montreal bills, two per cent. to be paid when the whole of the stock is subscribed, and ten days' notice given, and six per cent. to the directors when they have been chosen, the remainder in calls of ten per cent. whenever the directors decide and after thirty days' notice. The bank shall not issue notes or make discounts until £10,000 shall be actually paid in. There are to be thirteen directors, chosen annually, and from their number shall be chosen a president and vice-president. The stock and property shall alone be responsible for the debts of the company, and all persons doing business with

the bank must do so on these terms. Every bond, bill, note, or depositor's bank-book shall state that payment is to be made only out of the joint funds of the company. Any number of stockholders not less than fifty, and together holding not less than 200 shares, or any seven of the directors may call a joint meeting of the stockholders. If the object of the meeting is to consider the removal of the president or a director for mal-administration, the person accused shall, from the time of the first notice, be suspended from the fulfilment of his duties. The cashier shall give a bond with two or more sureties for £10,000 for the faithful discharge of his duties, and every clerk a bond for whatever sum the directors may fix. The company shall not hold lands or tenements as investments, or hold mortgages, except as collateral security. The total amount of the debts of the company shall not exceed three times the amount of its paid up capital stock over and above a sum equal in amount to the deposits. The books, papers, correspondence and funds of the company shall at all times be subject to the inspection of the directors. The directors shall every year, at the joint meeting, lay before the stockholders for their information, an exact statement of the amount of the debts due to and by the company, specifying the bank notes in circulation, the amount of such debts as, in their opinion, are bad or doubtful, the amount of surplus or profit remaining after deducting losses and provision for dividends. The company shall not, directly or indirectly, deal in anything except bills of exchange, gold or silver bullion. The association shall continue twenty years and no longer, but the proprietors of two-thirds of the stock may dissolve the company at any previous time.

A number of those who had joined in the petition for the chartered bank did not take stock in this private banking company, but made alliance with the private banks of Montreal. Thus, we find the Bank of Montreal opening a branch in Kingston, on July 27th, as the following advertisement will indicate:

"The subscriber having been appointed agent for the Bank of
" Montreal, any sum required can be obtained at his office for
" good bills on Montreal or Quebec or for specie.

" THOMAS MARKLAND

" Kingston, 27th July, 1818"

Mr. Markland it was who headed the list for the first bank charter. From various sources we discover that Bank of Montreal notes enjoyed a considerable circulation in Upper Canada. After the Bank of Canada was founded it also established an agency at Kingston. Thus we find in the *Gazette* of October 13th, 1818, the following notice:—

"Bank of Canada. The subscriber being appointed agent "for the Bank of Canada, he will negotiate bank notes for bills "on Montreal, Quebec, or for specie.

WILLIAM MITCHELL

"Kingston, Oct. 13th, 1818"

Mr. Mitchell was also one of the petitioners for the chartered bank.

In the meantime the stock of the private Bank of Upper Canada was taken up pretty freely, and on the 27th of October the subscribers are requested to meet at Moore's Coffee House, on Tuesday, the 10th day of November next, at 6 o'clock in the evening, for the purpose of electing directors. On December 14th the stockholders of the bank are called upon for the first instalment of 8 per cent., being $8.00 on each share, to be paid on or before Monday, the 1st day of February next. On April 16th, 1819, appears the first advertisement indicating that the Bank of Upper Canada has opened its doors for business.

"Bank of Upper Canada. Director for the week, Neil "McLeod, Esq. Discount days, Wednesday in each week. "All notes offered for discount must be handed to the Cashier "on the day preceding the discount day.

"S. BARTLETT, Cashier"

It appears that, following Lower Canadian precedent, the various directors of the bank took duty for a week at a time. The following list gives twelve of the thirteen directors for the first year:—Benj. Whitney, President, Arch. Richmond, D. Washburn, C. A. Hagerman, M.P., John McLean, Sheriff, John Ferguson, P. Smythe, Neil McLeod, Henry Murney, T. S. Whittaker, Thos. Dalton, Smith Bartlett.

The bank seems to have flourished, and to have more than held its own in competition with the agencies of the other banks. Its notes evidently obtained circulation throughout the province, and even in Lower Canada, where the Bank of

Canada acted as agent for the redemption of its notes. The advertisement of a Montreal firm states that Bank of Upper Canada bills are taken at par.

Having got this first bank in Upper Canada fairly into business we may leave it and return to the charter which so long awaited the declaration of His Majesty's pleasure. The first of January, 1819, having passed, and with it the validity of the Act to incorporate the Bank of Upper Canada, the parties interested were surprised to find that the Act was, after all, pleasing to His Majesty. The lieutenant-governor regrets to announce that the official expression of that pleasure had been unusually delayed. In a letter to Gouldburn, dated May 7th, 1819, lieutenant-governor Sir Peregrine Maitland refers to the situation in these terms:

"My Dear Sir,—I received from you by the last mail a "despatch which states that His Majesty's Privy Council "see no objection to certain bills passed in this Province "in 1817, the first of them entitled 'An Act to Incor- "porate Certain Persons under the Style and Title "of President, Directors and Company of the Bank of "Upper Canada.' Though the two years have expired, "and I cannot make the Act in question available, I "am very happy to be authorized to give the royal assent to a "similar bill which may be passed the next session. The "Province is over-run with American paper, and judging from "the connections of the persons who were about to open a bank "at Kingston, there was every reason to suppose that the evil "would be much increased. But a provincial bank will "crush it."

The latter part of this letter gives further confirmation to the fact, indicated from several other quarters, that American bank notes were then circulating to a considerable extent in Canada. The suspected tendency of the private Bank of Upper Canada to increase this circulation, has reference to the fact that the chief promoters of that bank were Americans, of the same type as those who started the Bank of Canada in Montreal, and who were especially interested in the trade between Canada and the United States. It was natural, therefore, that the Kingston bank should associate itself with the Bank of Canada.

The lieutenant-governor had intimated that the form of

a re-enactment of the charter of the Bank of Upper Canada would have to be gone through in order to make it available. Accordingly, on May 21st, 1819, the Kingston people once more called a meeting to consider the propriety of petitioning parliament at its next session for a renewal of the Act incorporating a banking company in this province. This movement, we find, was supported by most of those connected with the private Bank of Upper Canada in Kingston. As a result of this meeting a petition was drawn up and presented to the Legislature on June 12th. On June 16th the York people presented the same petition as before, asking to be incorporated as the Upper Canada Banking Company, this time signed by William Allan and twenty-two others. Mr. Allan was a rising member of the Family Compact. At that time he held three different offices, and was destined before long to become a still more important member of the fraternity under the title of The Honorable Wm. Allan. Again, however, the legislature took no notice of the York petition, but proceeded to re-enact the original bill in accordance with the Kingston petition and the speech from the throne. The Compact, however, was not in the habit of suffering its objects to be lightly defeated, otherwise it had never attained to the power which it then enjoyed, or improved its future opportunities. It at once adopted a new plan of campaign, as we shall presently see. The second bill chartering the Bank of Upper Canada passed the legislature on June 24th, yet not so unanimously as on the former occasion. In its later stages, strange to say, Mr. Robinson, of York, who had introduced the bill for the rival bank, now appears as the patron of the bill, while many of the eastern members, its former supporters, voted against it. The bill passed, however, by a majority of three, and was sent to the legislative council. On July 8th, Mr. Baldwin, the Master in Chancery, brings down from the legislative council the following message with reference to the bank bill :—

"MR. SPEAKER :—The Honorable the Legislative Council "requests a conference with the Commons House of Assembly "on the subject matter of a bill entitled 'An Act to incorporate "sundry persons under the style and title of the President, Di- "rectors and Company of The Bank of Upper Canada,' and have "appointed a committee of two of its members who will be

" ready to meet a committee of the Commons House of Assem-
" bly for that purpose in the Legislative Council Chamber at the
" rising of this House this day."

The conference took place, and the result, though strange enough in itself, had all the facility and despatch of a prearranged harmony. On the very same day, at the next sitting, Mr. Baldwin brings down the bill, sent up from the lower house, to incorporate the Bank of Upper Canada, which the legislative council has passed with some amendments, which amendments consisted simply in striking out the names of the Kingston merchants and others, and substituting the names of the members of the Family Compact and their friends, while the head office of the bank is changed from Kingston, not to York, be it observed, but to the "Seat of Government." There was some talk at that time of removing the seat of government from York, and the Compact naturally wished to be able to carry the bank with them. As a further evidence of prearranged harmony, Mr. Baldwin brings down along with these amendments, and as a solace to the Kingston people, a bill, already originated and passed by the legislative council, entitled "An Act to incorporate sundry per-
"sons under the style and title of the President, Directors and
"Company of the Bank of Kingston," which they recommend for adoption by the lower house. This bill was simply, with the omission of one article, a copy of the Act which the Compact was in process of capturing. As a final evidence of prearranged harmony, the majority of the lower house, under the leadership of Mr. Robinson, immediately accepted these astonishing amendments, passed the Act so amended, and read the Bank of Kingston bill a first time, all at one sitting.

But why, it may be asked, since the Compact was willing to allow Kingston to have a bank, did they not permit the Kingston people to keep their own bill, and why did not the Compact use its influence to have a new bill passed to establish the Banking Company of Upper Canada, for which they had petitioned the house just three weeks before? To which we might suggest the following answer: In the first place, their proffered bill to establish the Banking Company of Upper Canada had been already shoved aside, and it was evidently a bill to establish the Bank of Upper Canada, to which the gover-

nor seemed authorized to assent. In the second place we find that the bill for establishing the Bank of Upper Canada contained an important clause adapted from the Quebec bill of 1808, and ultimately from the charter of the first Bank of the United States, making it lawful for the governor or lieutenant-governor, or person administering the government of the province for the time being, to subscribe and hold in the capital stock of the said bank, for and on behalf of this Province, any number of shares therein not exceeding 2,000, the amount whereof the governor or lieutenant-governor, etc., is authorized to take out of the unappropriated monies which now remain in the hands of the Receiver-General for the future disposition of the parliament of the province. Whether this clause, which was not in the previous Act, was incorporated in this bill when it was first introduced to the House, or was added after the Compact became interested in it, I have not been able to exactly determine. What evidence there is would seem to indicate that it was added to the bill by its new friends. As the Compact usually controlled the executive of the province, with very limited responsibility to the legislature, it may be seen at a glance that a charter with such a clause in it would be to the Compact an extremely desirable possession, as practically the same persons would then have both the granting of the public money and the use of it all in their own hands.

Sir Peregrine Maitland was as yet new to his office, and had not been brought into that condition of personal sympathy and cordial co-operation with the purposes of the Compact which he afterwards exhibited.

When, therefore, the two bills came before the lieutenant-governor for his contribution of the royal assent, he evidently felt unable to sanction so considerable a departure from British methods as that indicated in the capture of the bill to incorporate the Bank of Upper Canada, hence, contrary to expectation, he reserved the captured bill for the signification of His Majesty's pleasure, and gave the royal assent to the substitute establishing the Bank of Kingston. The people of Kingston were naturally much astonished at the turn things had taken. But seeing that the captured bill had been reserved, and that

the one sanctioned was the only charter before the country, they made the best of the situation, and set to work to raise the necessary capital.

It was on July 12th, 1819, that the lieutenant-governor gave the royal assent to the bill establishing the Bank of Kingston. The Act was published in full in the Kingston *Chronicle* on July 23, and in the same issue of the paper a notice appeared calling a meeting of the inhabitants of the town and its vicinity for the purpose of adopting measures to carry the Act into effect. This meeting was evidently in favor of going on with the charter, and in the next issue of the *Chronicle* we have the following :

" Notice.—Books of subscription for the Bank of Kingston " will be opened at the directors' room of the Bank of Upper " Canada, on the 24th August next, and kept open each day " from the hour of 10 till 3 o'clock until further notice.

" Kingston, July 27th, 1819"

This notice indicates that there was no antagonism between the chartered bank and the existing Bank of Upper Canada. Two of the directors of the Bank of Upper Canada, Neil McLeod and Patrick Smyth, were among the petitioners for the Bank of Kingston. From the fact that the majority of the directors of the private Bank of Upper Canada were among the charter members in the bill which was captured by the York people, we may reasonably conclude that it was the intention of the private Bank of Upper Canada to unite itself with the provincial bank as soon as established.

By the third clause of the Act of incorporation of the Bank of Kingston the number of shares to be subscribed for in the first instance by any one individual was limited to eighty. Afterwards, if not all taken up, the number might be increased. Subscription books were to be opened on the 24th of August, and the *Chronicle*, referring to the fact, says that when the books were opened for subscriptions several individuals entered their names for the full number of shares allowed in the first instance. In the same article it is assumed that most of the stock will be taken up in Kingston, as it has the largest amount of capital in the province. It is pointed out that a bank-note currency is greatly needed in Upper Canada, as it will serve all

the purposes of provincial trade, and yet not be likely to drain away as specie does. This idea, as we have seen, was at that time as common as it was fallacious. The bank notes being redeemable in cash, if the nature of the provincial trade required money to be sent out of the country, bank notes would simply be converted and the bullion sent off. It was also held, with more reason, that these notes by affording a circulating medium for the western trade of the province would greatly increase it, yet if it tended to increase imports rather than exports, on which it could have little influence, it might simply be hastening the exit of metallic money, and this was, in a measure, the actual result.

The Kingston Bank charter provided for the opening of books of subscription in the towns of Niagara, York, Brockville, Amherstburg, Ancaster, Vittoria, Hamilton, (Cobourg) and Cornwall. It was expected in Kingston that stock would be taken in most of these places, and branches of the bank opened in a number of them.

In view of what followed we require to note particularly the economic condition of the province and of the neighboring States at this time. A great decline had taken place in the value of Canadian agricultural products, owing to the contraction at once of the home market furnished by the troops and other government employees, and of the British market, due to the introduction of very stringent corn laws in the interests of the British farmers. The United States was also undergoing the natural reaction from the war with England, and was especially suffering from the depression in international trade which followed the close of the long struggle in Europe, during which the United States had enjoyed an exceptionally favorable position. The British corn laws injured the American farmers also, and there followed throughout the United States a period of very severe commercial depression, during which metallic money became scarce and many banking institutions came to grief.

The Canadian trade with Britain was still greatly hampered by the remnants of her late colonial system and the navigation laws. The Americans, on the other hand, had obtained many relaxations of that policy in their favor owing to the necessities of the late European situation. As a consequence, the Ameri-

cans were able to supply Canada with many lines of colonial and foreign goods, especially those from China and the East and West Indies, cheaper than they could be had from British merchants. Hence, as in the case of Lower Canada, the money which left the Upper Province went largely to the United States; from Kingston it passed chiefly to Sackett's Harbor and Oswego.

At this time the Americans preferred silver to gold, as it was best suited to their trade with China, India, and the East generally, as also with the West Indies and South America.

A great part of the money sent from Britain to redeem the army bills was gold, hence silver in Canada first passed to a premium and soon left the country. About the beginning of 1820 it was reported that there was hardly any silver in circulation in Canada. Gold itself had passed to a premium of one per cent., while bills of exchange on London were at a premium of five per cent. in gold, or six per cent. in silver. Later on we find that the relations of the metals have changed. The new trade policy introduced by Huskisson made it more advantageous to the Canadians to deal with England, consequently gold came to be the metal most in demand for exchanges, and in 1822 we find that the banks are offering four per cent. premium on British gold and two and one half to three per cent. on other kinds of gold. For good bills of exchange on Britain the banks were willing to pay ten per cent. premium, while fifteen per cent. or over was charged by the banks for exchanges on Britain. These figures indicate how one-sided the foreign trade of Canada was at this time. At the same time it was obviously very profitable for the banks to undertake the work of exchange, especially where they could obtain control of the government bills or those of the leading importers. This, as we have seen, constituted the strength of the Bank of Montreal, as afterwards it was the mainstay of the Bank of Upper Canada at York.

Naturally this period of depression was particularly trying to the merchants of Canada, and especially to those in Kingston, who depended so largely on the general trade of the province in agricultural products, and had neither the advantages of the fur and timber trades of Montreal and Quebec, nor the patronage of the government as at York.

The expansion of Kingston during the first twenty years of the century had been rapid and encouraging. Credits to the various local merchants, to mill owners and grain dealers had been necessary and extensive, and for some time after 1812 had been very well discharged. When, therefore, the evil days of low prices and slow sale for agricultural products fell upon the province, accompanied by the rapid disappearance of the currency, these obligations could not be met with the same promptness. This was particularly disastrous to Kingston, where most of the credits centered, and which had been in a sense speculatively discounting its future. This brief outline of the situation will enable us the better to understand the currency and banking condition during the five or six years which followed 1819. In this period the collapse of the private Bank of Upper Canada occurred.

The expectation of the Kingston people that shares in their bank would be eagerly taken up by other Upper Canadian towns was doomed to disappointment. The truth is that as the outlying centres were the first to feel the pinch of the growing depression, they were already unable to find money for anything more than their present needs, if even for those. Hence they could not take shares in a bank requiring the various instalments to be paid in gold or silver. The minimum amount required to be subscribed before beginning business was £50,000 ($200,000), and of this £20,000 was required to be paid in. With very little assistance from without, and under the conditions of the time, this proved to be too much to be raised by the people of Kingston alone.

Meanwhile the unchartered Bank of Upper Canada was doing a very brisk business, all things considered much too brisk for safety. Just in proportion as specie left the country people sought assistance from the bank, and its directors did not recognize with sufficient clearness that the very condition of affairs which led to the calling out of its notes would make it difficult for its customers to meet their obligations to the bank.

Business conditions continuing to grow worse, much speculation was indulged in as to the best means of remedy. The opinion which prevailed was that the growing scarcity of money

was the tap root of the evil. Few went beyond that elementary observation to ask what might be the cause of the scarcity of money. We need not perhaps be too impatient in this matter with our predecessors, when we find that the average modern citizen, with so much additional experience available, commonly arrests his diagnosis at the same elementary point, and spends much of his time in seeking for or trying to apply the wrong remedy.

When, in 1821, the first session of the 8th parliament opened at York, we get a glimpse of the nature of popular opinion on the subject. Mr. Stephen Conger and other inhabitants in the township of Hallowell, set the ball rolling by their petition to the House to do something towards supplying the country, especially the farmers, with money. The petition itself is not found in the Journals of the House, but the report of the committee to whom it was referred is given, and is so interesting with reference to several aspects of our subject, that I give a few extracts from it. It appears that the petition had asked for the issue of an inconvertible paper currency by the government, for the committee reports that they "find that to pass an "Act authorizing the emission of a paper currency which should "be a legal tender in satisfaction of executions, would be in "direct violation of the British statute 4 Geo. III, chap. 34, "which expressly prohibits the creation of paper bills of credit, "to form a legal tender by any Act of a colonial legislature." It appears, further, that the petitioners desired that the government, having provided itself with plenty of this legal tender paper, should open a loan office to furnish the farmers with money on the security of their lands. The better informed members of the committee recognized well enough what that would lead to, and declared that "a loan office established on "the principle stated in the petition would not ultimately afford "the relief desired. It would be dangerous in the present de-"pressed state of agriculture and commerce to afford so general "a facility to loans, which your committee fear would end in the "inevitable sacrifice of the landed property of most of those "persons who might be induced by it imprudently to seek relief "against present pressure, or embark in speculative enterprises "from too sanguine anticipations of the future. Your commit-

"tee further beg leave to express their conviction that a paper "currency issued without any provisions for its redemption by "payment in specie, but built merely on the credit of landed "security, must inevitably and immediately sink in value, and "to attempt to force it as a legal tender in cases of debts now "contracted, would be in reality to defraud individuals and "would ruin the credit of the country."

This is sufficient evidence that men of sound views were not wanting to check the populist ideas of those days. The committee, however, wished to impress upon the house "the "great embarrassment experienced throughout this province "for want of a circulating medium." Further, they declared that "almost all the money transactions of this province are "carried on through the means of the paper of a private bank "of this province, not established by charter, or by bills of "banks in Lower Canada, which it is obviously contrary to "good policy to suffer to continue."

As a result of this report and the discussion on it, the following resolutions were adopted by the House on April 6th:

"Resolved, that it is the opinion of this House, that the "establishment of a provincial bank under proper restrictions "would be beneficial to the country, by remedying the great "want of specie, by securing to ourselves whatever advantages "are to be derived from the issue of a paper currency, and by "establishing a circulating medium of known security, instead "of the paper of private banks, uncontrolled by charter or "legislative provisions, and which from its being rejected by "the public receivers, does not answer effectually all the pur-"poses of trade."

The second resolution runs thus:

"Resolved, that it is the opinion of this House, that a bill "should be brought in for establishing a provincial bank, the "corporation to consist of such persons as shall become stock-"holders under the provisions of the Act; the system to be as "similar as circumstances will permit to that contained in the "bill formerly passed for establishing a bank at Kingston, except "that to insure its going into operation, the amount of stock "and deposit, and consequently the paper to be issued, should "be reduced."

Evidently the people of Kingston were quite satisfied to accept a general Act of this nature providing for the establish-

ing of a provincial bank, the stock and management of which would be open on equal terms to all parties in the province. Hence they made no effort to have their charter amended to reduce the stock and deposit required before starting the bank.

In accordance with the second resolution a committee was appointed to draft a bill giving expression to the ideas therein contained. This was done, the title of the bill being : "An Act "to establish a Provincial Bank, under the style and title of "the President, Directors and Company of the Bank of Upper "Canada." The bill passed through all its stages, and received the royal assent on April 14th, 1821. Nevertheless it was doomed to perish still-born. To the astonishment of everyone there arrived from England a day or two afterwards the official expression of the royal assent to the Act of 1819, establishing the Bank of Upper Canada which had been captured from the Kingston people by the Family Compact. This of course had precedence of the Act just passed, and was duly proclaimed on April 21st.

As in the case of the Kingston Bank charter, the capital of the York Bank of Upper Canada was fixed at £200,000, of which £50,000 was required to be subscribed and £20,000 paid in before the bank could begin business. The government was authorized to subscribe for 2,000 shares, amounting to £25,000. As already pointed out, the promoters of the bank and the executive of the government were practically the same persons, hence, as was to be expected, the government at once subscribed for the whole of the 2,000 shares which it was permitted to take. This was itself half the minimum required. Yet it was found impossible to raise the other half. Some of the more solid and conservative members of the government disapproved of the whole movement, recognizing that there was no adequate capital or business at York to justify the existence of a bank there. Thus, the Hon. John McGill, the Receiver-General, whose knowledge of the economic condition of the country was superior to that of any of his colleagues, in writing to a friend at this time, 1821, says :—

"It is not yet ascertained whether there are sufficient sub-"scribers to the Upper Canada Bank to commence operations.

"My own opinion is that it will be a losing business, though I "have been dragged into subscribing more than was perhaps "prudent. I really cannot see what good business a bank can do "here. The Lower Canada bank, I am told, has not been able "to pay a dividend for the last year owing to bad debts."*

But Mr. McGill had some colleagues who were looking in quite another direction than ordinary business to make the bank pay.

When it was discovered that a sufficient amount of stock could not be disposed of to fit the charter, it was sought to make the charter fit the stock to be had. At the next session of the legislature, which was convened in November of the same year, the Attorney-General introduced a bill to amend the charter of the Bank of Upper Canada, which is usually referred to at this time, both in the journals and elsewhere, as the "York Bank." The bill passed through its various stages under the direction of the Attorney-General, and became law on January 17th, 1822. By this amendment the minimum deposit required was reduced from £20,000 to £10,000. Even then, however, and with the aid of the government shares, it was found impossible to raise the minimum.

In looking over, in the Toronto Public Library, the manuscript papers of Mr. Samuel P. Jarvis, one of the first stockholders of the bank, I find, among other interesting bits of information with reference to that institution, his receipts for the payment of the first five instalments on the capital stock subscribed. The first call was for 10 per cent., or £1 5s. per share, and the receipt for this is dated 1st March, 1822. The second is also for 10 per cent., and is dated 10th June, 1822. In July the bank began business, and the third call was not made until October, 1823. The bank, therefore, went into operation on 20 per cent. of its subscribed capital. In the end of 1823, after the payment of the third call for 5 per cent., the paid-up capital was reported at £10,640. Even assuming that the amount of subscribed capital was as great in 1822 as in 1823, if 25 per cent. of it amounted to £10,640, then 20 per cent. could not have exceeded £8,512, of which £5,000 represented the amount contributed by the government from the public funds, and £3,512 the whole

*This letter is given in "Toronto Past and Present."

amount contributed by the stockholders. But, as we find that the amount of subscribed capital was gradually increasing, we are justified in assuming that there was somewhat less stock taken up in 1822 than in 1823. Hence, when the bank began business, there must have been somewhat more than £1,500 of a deficiency in making up the minimum of paid-up capital required by the amended charter. How then was this deficiency made up? Mr. Geo. Hague, General Manager of the Merchants Bank, has told us on the authority of Mr. Boulton, that part of the funds needed to start the bank were advanced out of the Military Chest.

The directors of the bank as it went into operation were the following: Wm. Allan, Hon. Joseph Wells, Hon. and Rev. Dr. Strachan, Thos. Ridout, Chris. Widmer, Hon. John McGill, James Crooks, Wm. Proudfoot, Hon. J. H. Dunn, Henry J. Boulton, Hon. James Baby, George Munro, George Ridout, Hon. George Crookshanks, Hon. D. Cameron. Fifteen in all, of whom nine were either members of the Executive or Legislative Council, or held important offices under government, while most of the other six are found in similar positions a few years later. Thus, with the exercise of a great deal of ingenuity, and the contribution of a little capital on the part of its promoters, we find that notable institution, the Bank of Upper Canada, started on its interesting career.

Finding that the establishment of a provincial bank had been prevented by the proclamation of the royal assent to the Bank of Upper Canada at York, the Kingston people once more resumed their efforts to secure a chartered bank of their own; and from that time till the final passing of an Act in 1832, chartering the "Commercial Bank of the Midland District," there was an interesting conflict between the Family Compact at York and the commercial interests in the eastern part of the province, the details of which, however, bring us into a new epoch.

Meantime we have the failure of the private Bank of Upper Canada at Kingston—the particulars of which make rather a long story which cannot be narrated here.

ADAM SHORTT

QUEEN'S UNIVERSITY, Kingston

THE LEGISLATION OF 1897 SPECIALLY AFFECTING OR INTERESTING TO BANKS

IN accordance with my duty as counsel for the Canadian Bankers' Association, I examined from time to time as they appeared, the various bills, public and private, introduced into the parliament of Canada and the legislatures of the various provinces, during the sessions held in 1897. Very little appeared in any of the provinces, except Ontario and Quebec, which specially interested banks, or to which exception on their behalf required to be taken.

In the province of Quebec one bill was introduced relating to the assessment of certain properties and to the duty of certain bank officials with reference thereto. This bill was opposed by the Bankers' Association, as well as by other interests, and it failed to become law. In the Dominion parliament and in the Ontario legislature some important measures were passed; others which it was thought would prejudicially affect banks were introduced and successfully opposed, the bills being either thrown out or withdrawn, or so amended as to remove the objectionable features.

It is not proposed in this paper to deal with the measures which did not become law, but to refer to those which are now on the statute books.

FORGED AND UNAUTHORIZED ENDORSEMENTS

The most important of these will be dealt with first, and is here set out in full, viz :—

CHAP. 10

"AN ACT RESPECTING FORGED OR UNAUTHORIZED ENDORSEMENTS "OF BILLS

"*Assented to June 29th*, 1897

"Her Majesty, by and with the advice and consent of the Senate and "House of Commons of Canada, enacts as follows :—

"1. Subsection 2 of section 24 of *The Bills of Exchange Act*, 1890, as

"amended by section 4 of chapter 17 of the statutes of 1891 intituled 'An "Act to amend *The Bills of Exchange Act*, 1890,' is hereby repealed, and the "following subsections are substituted therefor:—

"2. If a bill bearing a forged or unauthorized endorsement is paid in "good faith and in the ordinary course of business, by or on behalf of the "drawee or acceptor, the person by whom or on whose behalf such payment "is made shall have the right to recover the amount so paid from the person "to whom it was so paid or from any endorser who has endorsed the bill "subsequently to the forged or unauthorized endorsement, provided that "notice of the endorsement being a forged or unauthorized endorsement is "given to each such subsequent endorser within the time and in the manner "hereinafter mentioned; and any such person or endorser from whom said "amount has been recovered shall have the like right of recovery against any "prior endorser subsequent to the forged or unauthorized endorsement.

"3. The notice of the endorsement being a forged or unauthorized en- "dorsement shall be given within a reasonable time after the person seeking "to recover the amount has acquired notice that the endorsement is forged "or unauthorized, and may be given in the same manner, and if sent by "post may be addressed in the same way, as notice of protest or dishonour "of a bill may be given or addressed under this Act."

In order that the full importance and meaning of this statute may be understood and appreciated it will be convenient to refer to the history of the law relating to forged or unauthorized endorsements, both in England and in Canada.

In England, before the Act 16-17 Vic. (1853), cap. 59, sec. 19, a banker paying a cheque to a holder whose title depended upon a forged or unauthorized endorsement could not under ordinary circumstances debit the customer with the payment. By the Act referred to the enactment which is now embodied in section 60 of the English Bills of Exchange Act, 1882, was made. That section is as follows:

"When a bill payable to order on demand is drawn on a "banker, and the banker on whom it is drawn pays the bill in "good faith, and in the ordinary course of business, it is not "incumbent on the banker to show that the endorsement of the "payee or any subsequent endorsement was made by or under "the authority of the person whose endorsement it purports to "be, and the banker is deemed to have paid the bill in due course, "although such endorsement has been forged or made without "authority."

The effect of this section has been held to be:

(*a*) That the banker who pays the cheque (which is a bill payable to order on demand) is protected, and can charge the amount against the customer.

(*b*) That the customer who draws the cheque is protected, the cheque having been paid.

(*c*) That the loss, which in the circumstances must fall upon one of three or more innocent parties, falls upon the person who alone of these could have contributed to the circumstances which occasioned the loss.

The leading case on the subject, and which declares the effect of the section, is *Charles v. Blackwell*, L.R., 2 C. P. D. (1887), p. 151. In that case G. K., an agent of G. & Co., the plaintiffs, having authority to sell goods for them, and to receive payment by cash or cheque, but not having authority to endorse cheques, received from the defendants, in payment for goods supplied, a cheque on their bankers, drawn payable to G. & Co. or order. G. K. endorsed it "G. & Co., per G. K., Agent." He received the money from the bankers and misappropriated it. The bankers returned the cheque to the defendants, and the amount was allowed in account by the defendants. It was held that the endorsement of the cheque by the agent without authority was within the enactment referred to (then sec. 19 of 16-17 Vic., cap. 59; now sec. 60 of the Bills of Exchange Act), and that, the bankers having in good faith and in the ordinary course of business paid the cheque, they were protected by the statute and were entitled to charge the amount against their customers, the drawers of the cheque and the defendants in the case, and that the cheque having been properly paid the plaintiffs could not maintain an action against the defendants either for the price of the goods or for the cheque. Cockburn, C.J., in the Court of Appeal, at p. 157, says:

"The enactment must have been intended to apply to both "forms of endorsement, to that purporting to be by procur- "ation as well as to that purporting to be the endorsement of "the payee."

At p. 158:

"But suppose the cheque to have been delivered in "payment to the payee, or to his authorized agent, the cheque "then operates as payment, and extinguishes the debt, subject "only to the condition that, if upon due presentment the "cheque is not paid, the original debt revives. But if the "cheque is stolen or lost by the payee, and, on its presentment "by a party into whose hands it has fallen, is paid before the "payee has had time to give notice of the loss to the banker, or "while he delays giving such notice, the loss must fall on him.

"He has taken the cheque in payment, and cannot call upon "his debtor for a second payment so long as the latter is in no "default as regards payment of a cheque on presentation. Such "is the practical effect of *Hansard v. Robinson* (7 B. & C. 90), "and *Crowe v. Clay* (9 Ex. 604: 23 L.J. Ex. 150), with refer- "ence to cheques payable to bearer, as practically all cheques "were payable before 16 & 17 Vic., c. 59. A cheque payable "to order, when taken in payment, operates like a cheque pay- "able to bearer, as payment till such time as default is made "by the drawee on presentment of the cheque. Unless, there- "fore, the payees are in a position to show such default, how "can they maintain an action in respect of the original debt?"

This enactment appears to have been adopted in Germany, Austria and Switzerland.

In 1890, when the Canadian Bills of Exchange Act was introduced by Sir John Thompson into the parliament of Canada, it contained a clause identical with section 60 of the English Act, but, for reasons which probably resulted from a misunderstanding of the effect of the section, the clause was struck out in committee, and the Act was passed without it.

In 1891, by cap. 17, sec. 4, the following sub-section was added to sec. 24 of the Bills of Exchange Act:

"If the drawee of a cheque bearing a forged endorsement "pays the amount thereof to a subsequent endorser, or to the "bearer thereof, he shall have all the rights of a holder in "due course for the recovery back of the amount so paid from "any endorser who has endorsed the same subsequent to the "forged endorsement, as well as his legal recourse against the "bearer thereof, as a transferrer by delivery, and any endorser "who has made such payment shall have the like right and "recourse against any antecedent endorser subsequent to the "forged endorsement; the whole, however, subject to the "provisions and limitations contained in the last preceding "sub-section."

It is believed that this provision was introduced by the late Minister of Justice, Sir John Thompson, because of the rejection by parliament of the clause corresponding to section 60 of the English Act, and because it was doubtful whether an acceptor or endorser would after payment have any remedy against endorsers subsequent to the forged endorsement.

The case of the *Bank of Liverpool v. the River Plate Bank*, L.R. 1896, 1 Q.B.D.7, decided in England last year, drew the

attention of the banks here to the risks which they ran in paying bills bearing a forged or unauthorized endorsement, and called for a close consideration of our statutory law on the subject. No case had arisen under the amendment of 1891, but an analysis of the addition to section 24 thereby made seemed to prove one of three things, viz :—(1) that it was either illusory and really no effectual remedy for the evil intended to be remedied, or (2) that it went entirely too far and might be the means of doing more injustice than justice, or (3) that the true meaning and effect of the section was so obscure that it was very difficult, if not impossible, to decide what it really did mean. The importance of the subject demanded that the attention of the government should be called to it. Accordingly, the position was explained to the Minister of Justice (Sir Oliver Mowat), with the result that he introduced and succeeded in having passed by parliament the enactment quoted at length above.

The old section will now be contrasted with the new, and the defects in the one and the merits in the other, shown.

(*a*) The old section applied only to a cheque. There was no reason why the enactment should have been confined to cheques. A cheque is, by section 72 of the Act, defined to be a bill of exchange drawn on a bank payable on demand. The enactment should have covered a bill of exchange, whether drawn on a bank or on any other institution or person, and should not have been confined to bills payable on demand ; a bill payable at or after sight, or after date, etc., should have been included.

(*b*) The old section was confined to the case of a forged endorsement. There was no reason why this should have been so. A forged endorsement does not in its result in any way differ from an unauthorized endorsement, and it will be observed that the English Act covers both.

(*c*) The clause declared that if the drawee of the cheque paid the amount, he should have all the rights of a holder in due course for the recovery back of the amount so paid from any endorser who had endorsed the same subsequent to the forged endorsement. It will be observed that the right to recover back was given if the drawee paid. No provision was made for recovery of any one except the drawee paid. The

English act contains the words "in good faith and in the ordinary course of business," and unless the payment be made in this way there should be no right to recover it back. If the "rights of a holder in due course," referred to, were merely the ordinary rights of a holder of a bill, they were confined to a remedy upon the bill itself against the prior endorsers.

Now, before the holder of a bill can sue a prior endorser, the bill must have been presented for payment on the day when due, and must have been dishonored, and notice of the dishonor must have been given within the time limited to the endorser sued. If the section meant this, then the bank paying the cheque was practically given no relief whatever, as the cheque was not dishonored, and in probably nine hundred and ninety-nine cases out of a thousand the forgery would not be discovered in time to enable notice to be sent to the endorser or person receiving the money. If this was the effect of the section, then it did not go far enough, and gave no practical relief. On the other hand, if the section intended to give the bank paying the cheque the right to recover back the amount from the endorser, etc., without giving notice within any limited time, then the section went too far, as under those circumstances a bank might delay making the claim right up to the time when the Statute of Limitations would afford a defence. This would be, of course, an injustice to the endorser.

The clause, however, wound up with these words,—"the "whole, however, subject to the provisions and limitations con-"tained in the last preceding sub-section." Turning to this "last preceding sub-section," which limits the right of the drawer of a cheque to recover from the bank the amount paid by the bank upon a forged endorsement, we find that the drawer has no right of action against the bank for recovery of the amount paid unless he gives notice in writing of the forgery to the bank within one year after he has acquired notice of such forgery. If, therefore, the concluding part of sub-section 2 meant that the bank had one year after acquiring notice of the forgery (and it probably did mean that) to notify the endorser of it, then the section went too far, as one year is entirely too long; notice in such case should be given promptly.

Turning now to the new section. It is framed so as to

cover a bill simply, whether it be payable on demand, at or after sight, etc., and whether it be drawn on a bank or otherwise. Section 88 of the Bills of Exchange Act provides that, with certain specified exceptions, the provisions of the Act relating to bills of exchange apply with the necessary modifications to promissory notes, and in applying those provisions the maker of a note shall be deemed to correspond with the acceptor of a bill and the first endorser of a note shall be deemed to correspond with the drawer of an accepted bill payable to the drawer's order. By section 72 a cheque is defined to be a bill of exchange drawn on a bank, payable on demand. The new section would therefore apply to a bill of exchange, a promissory note and a cheque. It is also framed to cover both a forged and unauthorized endorsement, and a payment to be recovered back must have been made in good faith and in the ordinary course of business. Section 89 of the Bills of Exchange Act declares that "a thing is deemed to be done in good faith within the "meaning of this Act where it is in fact done honestly, whether "it is done negligently or not." In this connection it will be interesting to note that section 79, which affords protection to a bank paying a crossed cheque, requires that the payment should be made "in good faith and without negligence." The difference is important. The old section in terms conferred the right of recovery back upon the drawee only. The new section confers the right upon the person by whom or on whose behalf the payment is made. "Person" under the Interpretation Act, includes "corporation," and, therefore, a bank. It is, of course, a common practice for customers to make their notes and acceptances payable at their bank, and the bank is justified in paying them out of funds at its customers' credit. In making such payment without the express approval of the customer in each case the bank certainly runs some risk of trouble with its customer, should it turn out that an endorsement has been forged or unauthorized; and, should the bank have paid the item and charged it to the customer's account overdrawn at the time, its right under the old section to recover back the money from the endorser would have been very doubtful. The new section, however, makes the right clear, as it is

given to the person by whom or on whose behalf the payment is made, so that the claim for repayment might be made either by the bank which made the payment or by its customer on whose behalf the payment was made. It will be observed that the old section gave the "rights of a holder in due course" for the recovery back of the amount paid from any endorser. These rights, whatever they may have been, were not given as against the person who had received the money but who had not endorsed. The old section did, however, assume to give to the drawee "his legal recourse against the drawer as transferrer by delivery," but, as this "legal recourse" was not defined, the section really did not advance the position of the drawee in this respect. The new section confers the right to recover back the amount from the person to whom it was paid, or from any endorser subsequent to the forged or unauthorized endorsement. Neither the old section nor the new section assumes to confer any rights against an intermediate holder who may have transferred the bill but who had not endorsed it. Notice of the forgery or unauthorized endorsement must be sent to each endorser subsequent thereto within a reasonable time after the person seeking to recover the amount has acquired notice of the forged or unauthorized endorsement. It will be observed that the notice must be sent to each subsequent endorser, and not only to the endorser against whom the claim is intended to be made. It will also be observed that the notice must be given within a reasonable time after knowledge of the forgery, etc. It was thought better to leave the time indefinite in this way. It would be a question of fact for the tribunal to decide under the circumstances of the particular case, whether notice had been given within a reasonable time. If a fixed time were limited by the Act, it might prove either too short or too long, and thus do injustice in particular cases.

There are other provisions of the Bills of Exchange Act providing for things being done within a reasonable time, so that the principle is already established by the Act; for instance: sub-section 3 of section 36 declares that a bill payable on demand is deemed to be overdue when it appears on the face of it to have been in circulation for an unreasonable length of time, what is an unreasonable length of time for this purpose

being declared to be a question of fact. Sub-section 2 of section 45 declares that presentment of a bill payable on demand must be made within a reasonable time after its issue in order to render the drawer liable, and within a reasonable time after its endorsement in order to render the endorser liable, and the section declares that in determining what is a reasonable time regard shall be had to the nature of the bill, the usage of trade with regard to similar bills, and the facts of the particular case. A similar provision is contained in section 40 with respect to presentation for acceptance or negotiation of a bill payable at or after sight. Section 44, sub-section 3, declares that when the drawer or endorser of a bill receives notice of qualified acceptance he must express his dissent to the holder within a reasonable time, &c.

The new section also makes a definite provision with respect to the manner of giving notice, and adopts the provisions of the Act with respect to notice of protest or dishonor.

It will be observed that the enactment does not affect the rights or position of the drawer or endorsers prior to the forged or unauthorized endorsement, they being in no way responsible for the forgery or want of authority. As a loss must be suffered by some innocent party on account of the forgery, it is only right that the loss should fall upon him who by his negligence, want of caution or failure to enquire, was imposed on, and who had it entirely within his power to protect himself at the time of acquiring the bill. These remarks apply to the first endorser after the forged or unauthorized endorsement and to each subsequent endorser, but they do not apply to the acceptor, who has no option when the bill is presented for payment, but to pay it or let it go to protest; he has no time to make any enquiries about the endorsement, and in the majority of cases has no means of doing so even if he had time, and, if he acts in good faith and in the ordinary course of business in paying the bill, he above all others of the innocent parties should not suffer, provided that after acquiring knowledge of the forgery, etc., he acts promptly. It is, of course, out of the question to think that an acceptor would allow his bill to go to protest with all the consequent results upon his credit, etc., unless he was sure that the person presenting the bill had no title to it; he

should only be required to act in good faith, and in the ordinary course of business. An acceptor must, when the bill is presented at the proper time, then and there either pay or decline to pay. In strict law he would not have any further time than was necessary to examine the bill itself and the endorsements on it.

COMPANIES' BORROWING POWERS

The next Act passed by the Dominion Parliament, of most importance to banks, is as follows:—

"CHAP. 27

"AN ACT TO AMEND THE COMPANIES' ACT

"*Assented to June 29th*, 1897

"Her Majesty, by and with the advice and consent of the Senate and "House of Commons of Canada, enacts as follows:

"1. Section 37 of *The Companies' Act* is hereby amended by striking out "the following words at the end thereof, 'But the limitation made by this "section shall not apply to commercial paper discounted by the Company';— "and by substituting therefor the following words—'Provided always that the "limitations and restrictions on the borrowing powers of the Company con- "tained in this section shall not apply to or include moneys borrowed by the "Company on bills of exchange or promissory notes drawn, made, accepted, "or endorsed by the Company.'

"2. This Act shall be read as part of *The Companies' Act*, and the "provisions hereof shall apply and extend to all existing companies to which "the provisions of *The Companies Act* are applicable."

Section 37 of The Companies' Act was as follows:

"37. The directors may, when authorized by a by-law for that purpose, "passed and approved of by the votes of shareholders, representing at least "two-thirds in value of the subscribed stock of the company represented at "a special general meeting duly called for considering the by-law:

"(*a*) Borrow money upon the credit of the company and issue bonds, "debentures or other securities for any sums borrowed, at such prices as are "deemed necessary or expedient; but no such debentures shall be for a less "sum than one hundred dollars;

"(*b*) Hypothecate or pledge the real or personal property of the com- "pany to secure any sums borrowed by the company;

"But the amount borrowed shall not, at any time, be greater than "seventy-five per cent. of the actual paid-up stock of the company: but the "limitation made by this section shall not apply to commercial paper dis- "counted by the company. 40 V., c. 43, s. 85."

Grave differences of opinion among lawyers existed as to the effect of the concluding words of this section. Some were of opinion that commercial paper discounted by the company meant only paper which could be considered commercial in the hands of the company, and did not include notes made by the

company itself. If it were not for the express power granted by the section with respect to borrowing, and the express limitation with respect to the amount to be borrowed, a trading company incorporated under the Act would doubtless have implied power to borrow money without limitation of amount, but as the express power to borrow with an express limitation upon it excluded any implied power which might otherwise have existed, it was thought that the company could not evade the positive terms of the section by going through the form of discounting its own note when it could not borrow the money directly by way of overdrawn account, or in some other manner not involving the form of discounting its own note. Others were of opinion that the commercial paper referred to in the section included all negotiable paper, whether made by the company or not, and they thought that the company could borrow to an unlimited extent by discounting its own notes.

Representations were made to the government some years ago on this subject, with a view of having the doubts arising under the section removed, and clear power given to the companies to borrow without limitation, it being represented that the amount of the actual paid-up stock of a trading company has no real connection with the amount which it may require to borrow in carrying on its business. It was not, however, until this year that any amendment was proposed by the government. The amendment might have been made more comprehensive in its terms, but it will probably work out all right in practice. In terms the amendment covers only moneys borrowed by the company on bills or notes; it does not in terms cover moneys borrowed by overdrawn account, or upon other securities than bills or notes. The exact effect of this may some day come up for decision. In the meantime it would be well for banks making advances to companies incorporated under the Dominion Companies' Act to see that bills or notes are taken therefor at the time of the advance.

The Ontario Joint Stock Companies' Act does not contain the same limitation with respect to borrowing powers. A company under that Act, if authorized by by-law passed by the directors and sanctioned by a vote of not less than two-thirds in value of the shareholders present in person or by proxy at a

general meeting of the company duly called for considering the subject of the by-law, may borrow money to an unlimited amount, unless the by-law limit the amount to be borrowed.

INTEREST

The next Act of importance is as follows:

"CHAP. 8

"AN ACT RESPECTING INTEREST

"*Assented to 29th June*, 1897

"Her Majesty, by and with the advice and consent of the Senate and "House of Commons of Canada, enacts as follows:—

"1. This Act may be cited as *The Interest Act*, 1897.

"2. Whenever any interest is, by the terms of any written or printed "contract and whether under seal or not, made payable at a rate or percent- "age per day, week, month, or at any rate or percentage for any period less "than a year, no interest exceeding the rate or percentage of six per cent. *per "annum* shall be chargeable, payable or recoverable on any part of the prin- "cipal money unless the contract contains an express statement of the yearly "rate or percentage of interest to which such other rate or percentage is "equivalent.

"3. If any sum is paid on account of any interest not chargeable, pay- "able, or recoverable under the last preceding section, such sum may be "recovered back or deducted from any principal or interest payable under "such contract.

"4. This Act shall not apply to mortgages on real estate."

It was first introduced into the Senate by the Minister of Justice, and it appears from the debate during its progress through that house, that the Minister's reasons for asking legislation on the subject were because a case had been brought to his notice where a borrower had signed an agreement to pay a per diem rate of interest, which amounted to an exorbitant rate per annum, but which per annum rate did not appear upon the face of the agreement. The case came up in court, but the judge was unable to give the borrower any relief. Considerable agitation for legislation to prevent a recurrence of such a transaction arose, and representations were made to the government on the subject. The bill, as first introduced, contained an express prohibition against taking interest at higher than a certain fixed rate, but in committee the Minister, who in the meantime had received representations against the bill as introduced from the Bankers' Association and others, proposed

amendments, which were made, and the Act was passed as above. It seems sufficiently clear in its terms to require no special explanation.

SAVINGS BANKS IN QUEBEC

The only other Act passed by the Parliament of Canada requiring notice here is Chapter 9, entitled "An Act to amend "an Act respecting certain Savings Banks in the Province of "Quebec." It was introduced in the Senate towards the closing days of the session, and when first presented contained provisions of a character which the banks thought objectionable. Representations were made to the Senate on behalf of the Association, with the result that the objectionable features were eliminated. The Act, as passed, enlarges to an extent not considered objectionable, the powers of Savings Banks in the province of Quebec, respecting the investment of their moneys.

JOINT STOCK COMPANIES

In the province of Ontario one of the most important statutes passed is that relating to joint stock companies incorporated by letters patent. It takes the place of and consolidates the various Acts previously in force. The Act, which contains one hundred and five sections, is too long to be reviewed here. It is largely a consolidation of the previous laws, but contains some marked differences, most of which will doubtless be found to be improvements.

Section 104, however, deserves special notice. It provides that every company not incorporated by or under the authority of an Act of the legislature of Ontario, which prior to the 1st of November, 1897, carries on business in Ontario, having gain for its purpose or object, for the carrying on of which a company might be incorporated under the Act, shall on or before the 1st day of November, 1897, make out and transmit to the Provincial Secretary a statement under oath, showing the corporate name of the company, how it was incorporated, where the head office is, the amount of authorized capital stock and subscribed or issued stock, and the amount paid up thereon, and the nature of each kind of business which the company is

empowered to carry on, and what kinds are carried on in Ontario. Penalties are imposed if a company makes default in complying with the provisions of the section. The far-reaching nature of this section is probably hardly appreciated, and it would be well for banks to instruct their various agents in the province of Ontario to make its provisions known to those acting for companies doing business with the bank, and which have not been incorporated by or under the authority of an Act of the legislature of Ontario. The section does not apply to railway companies, insurance companies or loan companies, but it would apply to almost every other kind of company having gain for its purpose or object, carrying on business in Ontario, and for the carrying on of which business a company might be incorporated under the provincial Act. For instance, it would include companies incorporated (*a*) in Great Britain, (*b*) by the Dominion of Canada, (*c*) by any of the provinces of Canada before confederation, (*d*) by any of the provinces of Canada (except Ontario) since confederation, (*e*) by any foreign country.

MUNICIPAL SCHOOL ACCOUNTS

Owing to the difficulties, which of late years have manifested themselves with reference to the keeping and auditing of Municipal and School accounts, and to the losses which have arisen on account of the defalcations of certain treasurers, an Act was passed entitled "An Act to make better provision for keeping and auditing Municipal and School Accounts." The Act is declared not to apply to cities with a population of over fifteen thousand. Section 20 chiefly interests banks, and is as follows:—

"20. The manager or other person in charge of the business of every "chartered bank or private bank or company in which the treasurer of any "municipality or school board deposits moneys and keeps an account as "such treasurer, shall truly state the balance in the hands of the bank or "company or charged to the treasurer at any time when required so to do by "a member of the council or school board; and shall, on or before the fourth "day of the months of January, April, July and October in every year, make "up and deliver or send by registered letter to the head of the municipality "or chairman of the school board, as the case may be, a statement in writ-"ing signed by such manager or person in charge, showing the balance of "such treasurer's account at the close of business on the last day of the "preceding month, and the head of the municipality or chairman shall cause "the same to be read at the next regular meeting of the council or school "board held thereafter."

Penalties are provided for default in complying with the provisions of the Act, the fine being not less than five dollars nor more than twenty dollars, and costs.

Representations were made to the government on behalf of the banks with a view to modifying the imperative provisions of the section, and making the penalty for non-compliance accrue only if the information or statement required by the section were not given after a written request for it, thus showing that the default was intentional, and not the result of forgetfulness or oversight. The government, however, declined to alter the provisions of the section as it now stands.

WAGES AND ESTATES OF DECEASED PERSONS

The next Act requiring notice is "An Act respecting Wages and the Estates of Deceased Persons." This Act extends the present provisions of the law giving a preference for wages in case of an assignment for creditors, and provides that in the administration of the estate of a deceased person any person in the employment of the deceased at the time of his death or within one month prior thereto, shall be entitled to a salary or wages, not exceeding three months thereof, in priority to the claims of general creditors.

MARRIED WOMEN

Certain legislation of importance was passed with respect to the liability of married women upon contracts. This subject has had the attention of legislatures in most countries for many years past. Statutes have been enacted, evidently intended by those framing them to accomplish the result of enabling a married woman to enter into contracts as freely as if she were unmarried, and to give to those holding claims against her the right to recover those claims from any separate estate which she had or might acquire. Owing, however, partly to the difficulty and intricacy of the subject and partly to an apparent distaste on the part of the courts to construe the enactments in such manner as to give to the legislation the effect which was probably intended, the law was not, in Ontario at least, in a

satisfactory condition up to this year. By the legislation of last session the law seems to have been placed upon a satisfactory and permanent basis. Hitherto, in order that a married woman might be made liable upon a contract entered into by her, so that her separate property might be reached under the judgment, it was necessary to prove that at the time of entering into the contract she was possessed of some separate property; it was not sufficient to show that at the time the action was brought against her she had separate estate. If, however, she were possessed of separate estate at the time of making the contract, judgment could be recovered against her, and estate acquired at any time subsequently could be made available. The result of this was that a married woman without any property might incur an indebtedness of say $1,000; she might the next day acquire separate property worth $100,000, and yet it could not be made available for the $1,000; whereas, if she were possessed of separate property to the extent of say $100, her future acquired property could be made available for the whole amount. This was, of course, an anomaly, resulting from the peculiar wording of previous legislation, and from the decisions of the courts thereon. Now, however, every contract entered into by a married woman, otherwise than as an agent, binds her separate property, which at the time of making the contract she was entitled to, or which thereafter she should become entitled to, and it is not necessary to prove that she had as a fact any separate property when entering into the contract. The statute is as follows:

"CHAP. 22

"AN ACT TO AMEND THE MARRIED WOMEN'S PROPERTY ACT

"Her Majesty, by and with the advice and consent of the Legislative "Assembly of the Province of Ontario, enacts as follows:—

"1.—(1) Every contract hereafter entered into by a married woman, "otherwise than as an agent:

"(*a*) Shall be deemed to be a contract entered into by her with respect "to and to bind her separate property whether she is or is not in fact "possessed of or entitled to any separate property at the time when she enters "into such contract, and it shall not be necessary in any proceeding to prove "that she had as a fact any separate property at the time when such contract "was entered into, or subsequently;

"(*b*) Shall bind all separate property which she may at the time or "thereafter possess or be entitled to; and

" (*c*) Shall also be enforceable by process of law against all property " which she may thereafter while discovert possess or be entitled to;

" (2) Nothing in this section contained shall render available to satisfy " any liability or obligation arising out of such contract any separate property " which she is restrained from anticipating."

Sub-section (*c*) was inserted so as to make clear a creditor's right to make available any property which might become the property of a woman after her husband's death.

OTHER ACTS

The Acts respecting Insurance were consolidated; also the Acts respecting Building Societies and other Loan Corporations, but no new provisions requiring special notice were enacted.

Z. A. LASH

WHY CANADA IS AGAINST BIMETALLISM.*

THE southern boundary of Canada and the northern boundary of the United States run together from the Atlantic to the Pacific Ocean for about 3,850 miles. Elsewhere, except in the north, where it meets Alaska, Canada is bounded only by oceans. It is the source from which the United States must procure many of the products of nature, especially those which grow only, or grow best, in a northern climate. On the other hand, because of the greater development of manufactures in the United States, and because they grow certain products which cannot be produced in Canada, the latter country must always buy largely from them. Although Canada, in common with almost all other countries, settles the final balance of its trading and financial operations in London, the more immediate clearing city for such operations in the case of both Canada and the United States is New York. If Canada requires to pay London in excess of the bills which are being created by Canadian shipments to Great Britain, or to other countries which settle through London, it buys the bills for such excess in New York. If Canada has more exchange on London than is required by her importers, the surplus is sold in New York. Gold coin is occasionally shipped back and forth between Canada and New York; but this is a less frequent method of settlement than by bills on London. Some of the Canadian banks have branches in New York, Chicago and other cities of the United States, and both the grain crops of the west and the cotton crops of the south depend largely on these banks for money with which to buy and transport them, while the foreign exchange market of New York would lose one of its most important features were the Canadian banks to withdraw their agencies from that city. Such being the intimate trading and

*Pamphlet No. 26 of the *Gold Standard Defence Association*.

financial relations between the United States and Canada, I wish to explain why Canada maintains so easily its position as a gold-standard country, and why its great and wealthy neighbour, the United States, also a gold-standard country, has been repeatedly threatened with the degradation of its standard from gold to silver.

When the provinces of British North America entered into the Confederation known as the Dominion of Canada, they resigned their powers in the matters of banking and currency, and these were assumed by the Federal government. There is, therefore, no conflict of authority on these subjects between the Federal and provincial governments. When the Confederation known as the United States was formed, the original States were anxious to retain as far as possible their sovereign powers. They therefore conferred upon the Federal jurisdiction certain defined powers only, including the power to stamp metal as money. All powers not thus specially conferred on the Federal jurisdiction remained with the States, and under this balance of power the States have the right to create banks. The Federal government also has power to create a bank as it has to create any business corporation; but, with the exception of the two semi-state institutions, called in each case the "Bank of the United States," the Federal government did not attempt to exercise this power until driven to do so by the exigencies of the war. In the United States since the war both Federal and State governments have continued to create banks, and neither is likely to surrender this power.

BANKING AND CURRENCY IN THE UNITED STATES

The first bank charters granted in the old province of Canada about 1820, were copied largely from that of the Bank of the United States, and until 1832 the banking systems in the two countries did not differ materially. Neither government had yet issued notes as money, and both left the creation of paper money to the banks, who were of course supposed to redeem in gold. In both countries banks were developing systems of branches, although the granting of charters by the several States instead of by the Federal government tended

to make the banks in the United States local in character instead of national, and the majority of these banks had no branches. There was, however, in the United States one bank, the semi-state institution, called the Bank of the United States, which transcended in importance all others. Its relations to the government on the one hand and to the mercantile community on the other were not very different from those of the Bank of England or the Bank of France. It issued notes, had branches in the chief cities through which it effected a reasonably satisfactory distribution of loanable capital, dealt largely in foreign exchange, borrowed money abroad when necessary to increase its loans at home, and acted as banker for the government. These were days when the commerce and land settlement of the country were fraught with unusual financial risks. Instead, however, of patiently studying the difficulties and gradually improving the system, the Bank of the United States became a political issue, and in 1832 President Jackson refused to renew its charter. The Bank of the United States continued to exist for some years under a State charter, but the Federal government, in pursuance of its policy, transferred its banking business, then very considerable in consequence of payments for land, to various State banks. The government, however, found before many years that these State banks, individually weak as to capital, were not satisfactory as bankers, and the idea of the government becoming its own banker, as far as possible, took shape in the present Treasury system. For many years after this period such banks, working under State laws, as endeavored to establish systems of branches were met with great animosity by the politicians who reflected the popular feeling that large banks were dangerous to the public welfare. Naturally the branch system did not thrive, and when the war broke out the inland banking business of the country was being done by a vast array of State banks individually weak as to capital, and having little power to cohere for any large financial transaction, while the foreign banking business was mainly carried on by private bankers.

Had the legislators of the United States carefully matured the system with which they began, there would have been in

existence at the outbreak of the war in 1861 great banks of international importance able to procure loans abroad and otherwise serve the government financially. But because there were no banks adequate to the situation, and because of the peculiar treasury system, the government, for the first time in its history, resorted to the issue of promissory notes intended to circulate as money. The first issue of these notes was payable on demand in coin, and was so redeemed, but suspension of specie payments followed within a few months, and the government began a series of experiments in paper money of which the existing residuum is that body of notes sometimes called " war legal-tenders " or " greenbacks," and amounting to about $346,000,000.

In order to aid in floating its bonds the Federal government in 1863 and 1864 passed Acts creating the national banking system, notwithstanding the strong opposition of the banks working under State laws; and in 1865, in order to make the new Acts effective for the purpose of the Federal government, a tax of 10 per cent. was levied upon the circulation of any bank notes other than National Bank notes—that is, upon the notes of banks working under State laws. Under this system any national bank, upon depositing United States government bonds with the Treasury, may issue notes, nominally the promises to pay of the bank, but of uniform design, guaranteed by the government, and possessing such qualities as currency that redemption by the particular bank of issue is practically not required. Thus the circulation of notes by the State banks was brought to an end, and there were practically no bank note issues left in the United States, the so-called " bank notes " of the National Banks being merely an enlargement of the paper issue of the Federal government. In this manner a nation at one time accepting the sound principle that the function of the government regarding currency was merely to certify to the weight and fineness of gold, silver, and other coined money, and that all credit instruments intended to pass as money should be issued by banks who would, by the circumstances of their business, be always able to issue enough, and yet, by the fact of daily redemption, be unable to keep in circulation too much, had now passed to the most dangerous of all theories regarding

currency. Thus the United States had accepted the theory that it was a proper exercise of power by a government to enforce by law the passage of any instrument as money, and while some only sought to excuse such action by the necessities of the war, others were ready to argue that the power to issue paper money should be enjoyed only by the government.*

PRESENT RESPONSIBILITIES OF THE UNITED STATES TREASURY

By following the incorrect principles above stated the United States treasury now stands deeply involved. The

*NOTE by the author on the subsequent course of events:

At the end of the war it was found that the debt of the Federal government exceeded $2,800,000,000, of which only about $1,100,000,000 was funded, while of the remaining $1,700,000,000 as much as $1,540,000,000 was in treasury notes, and of these $684,000,000 were a legal tender. In this year, 1865, Secretary McCulloch and the House of Representatives both expressed the view that the issue of legal tender notes was a measure only justified by war, and that the currency should be contracted "with a view to as early a redemption of specie payments as the business interests of the country will permit." Some contraction followed, but in 1868 this course was arrested owing presumably to opposite views.

In 1869 (March 18th) a bill was passed "to strengthen the public credit." It pledged the public to pay in coin or its equivalent all obligations except where it was stipulated that payments might be made in "lawful money." It did not, however, pass, without strong opposition. In the preceding presidential election the Democratic party had pledged itself to the principle of paying *all* public debts in paper, and in pursuance of this policy Mr. Garrett Davis, seconded by Mr. Bayard, offered the following amendment: "That the just and equitable measure of the obligation of the United States upon their outstanding bonds, is the value at the time in gold and silver coin of the paper currency advanced and paid to the government on these bonds."

Again, in the 42nd Congress, which met in December, 1871, it was urged that a government as strong as the United States could issue fiat money enough to stimulate every industry, while violent prejudice was expressed to the national banks. The sounder element once more urged the resumption of specie payment at the earliest possible time.

Then followed the panic of 1873, and as a consequence when the 43rd Congress met there were more supporters of fiat money than ever. The amount of legal tender notes outstanding was $356,000,000, and in opposition to the policy of gradual redemption, the two Houses agreed upon a bill increasing the issue of legal tenders to $400,000.000, and increasing the limit for the aggregate of national bank notes by $56,000,000, so that altogether the paper currency might be increased by $100,000,000. No further reduction of the legal tenders was to be permitted. President Grant in a recent message had gone even further than this in the direction of inflation, but he now saw reason to change his mind and the bill was vetoed. This victory for sound money was followed in December, 1874, and in January. 1875, by the passage in both Houses of the "Act for the resumption of specie payments," which resumption was to take place in 1879.

At the time this seemed to be the end of a long fight between sound

issues for the redemption of which in gold the government is directly or indirectly responsible were at 1st December, 1896, as follows :—

Legal tenders authorized during the war	$346,681,016
Silver certificates issued under the Bland Act, which are legal tender for payments to the government	367,903,504
Legal tender notes issued for silver purchased under the Sherman Act	121,677,280
United States National Bank notes	235,398,890
Total	$1,071,660,690

From this it would be fair to deduct from one hundred to one hundred and fifty millions of dollars for cash held in the treasury.

Against this mass of paper money the Treasury is supposed to maintain a gold reserve of $100,000,000, but by repeated experience in recent years it has been seen that it cannot do this comfortably when trade relations make it necessary

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money and inflation, but the defeated politicians did not accept it as such. In the Presidential election of 1876 the leading issue was again the currency. Much doubt was expressed by the Democratic party as to the wisdom of the Resumption Act, while the Republicans reiterated the pledge contained in the Act, "to strengthen the public credit" already referred to, by stating in their platform that this "must be fulfilled by continuous and steady pro- "gress to specie payments." The most important legislation of the 45th Congress was the Act for the coinage of silver dollars. Some proposed that this should be at the ratio of 15½ to 1; others that the old parity in use in the United States of 16 to 1 should be observed. Mr. Boutwell strongly opposed making silver a legal tender, and thought that the United States should wait until action by European nations in favor of bimetallism had been secured. Others took an even stronger position, and doubted the possibility of establishing a double standard, urging that silver should be used only as subsidiary money. In his message of the 3rd December, 1877, President Hayes said; "If the United States had the "undoubted right to pay its bonds in silver coin, the little benefit from that "process would be greatly over-balanced by the injurious effect of such pay- "ments if made or proposed against the honest convictions of the public "creditors." Secretary Sherman in his annual report, about the same time, wrote as follows: "As the government exacts in payment for bonds their full "face in coin, it is not anticipated that any future legislation of Congress or "any action of any department of the government will sanction or tolerate "the redemption of the principal of these bonds, or the payment of the inter- "est thereon, in coin of less value than the coin authorized by law at the "time of their issue, being gold coin." But in opposition to the views of President Hayes and Secretary Sherman, Senator Stanley Matthews moved a concurrent resolution in the Senate, declaring that "all bonds of the United "States are payable in silver dollars of 412½ grains, and that to restore such "dollars as a full legal tender for this purpose, is not in violation of public "faith, or the rights of the creditor." A motion to refer this subject to the

that the country should ship gold. It is abundantly clear that the currency of the country cannot be placed on a sound basis until the government redeems at least a portion of the above paper issues, and until a new banking system is devised which will permit the issue by the banks of notes against their general estate—that is, not secured by the actual pledge of government or other bonds, and subject to daily redemption, so that the ebb and flow of the aggregate of such notes shall adjust itself automatically to the requirements of trade.

BANKING AND CURRENCY IN CANADA

When in 1792 the merchants of the chief city in Canada endeavored to establish a bank under legislative authority, they proposed that it should transact the business "usually done by similar establishments"—viz., to receive deposits,

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Committee of the Judiciary was defeated, and the resolution was passed by both Senate and House of Representatives, and proclaimed 28th January, 1878.

In November, 1877, at an extra session the House of Representatives passed a bill, offered by Mr. Bland, for the free coinage of silver dollars of 412½ grains, such silver dollars to be a full legal tender for all debts public and private. The bill was reported to the Senate in December, when Mr. Allison proposed an amendment to the effect that the coinage of dollars of 412½ grains be authorized to the extent of not less than $2,000,000, nor more than $4,000,000 per month, the seigniorage on all such coinage to be retained by the treasury. All efforts to increase the number of grains in the silver dollar, or to limit the legal-tender quality of silver as to amount, or otherwise to limit the operation of the bill, were rejected, and the Senate bill was accepted by the House of Representatives. Mr. Bland expressed his willingness to await an opportunity of passing a measure for free coinage at a later time, indicating the close connection between free silver and unlimited paper money by also saying, "If we cannot do that, I am in favor of issuing paper enough to stuff down the bondholders until they are sick." The President vetoed the bill on the 28th February, 1878, but it immediately secured the required vote to pass it over his veto, and thus the well-known Bland-Allison Silver Bill became law.

The results of this unfortunate concession to unsound opinion, made just before the resumption of specie payments, it is unnecessary to enlarge upon here. The Sherman Act was suspended in 1893, under the pressure of a great commercial panic. In the Presidential election of November, 1896, one of the great political parties adopted as a plank in its platform substantially what was contained in the resolution which Mr. Bland induced the House of Representatives to pass in 1878, that is, that the United States should coin unlimited quantities of silver at the ratio of 16 to 1, without awaiting the co-operation of any other nation. As we have seen, the party advocating sounder views has been elected, and there is reason to hope that the agitation for the unlimited coinage of silver in the United States will not again reach serious proportions.

issue notes, discount bills, and keep cash accounts with customers. It was further proposed to open branches "to extend "the operations of the bank to every part of the two provinces "(now known as Quebec and Ontario) where an agent may be "judged necessary." Although there was at the time no law preventing the issue by private individuals of notes for circulation as money, the legislature refused to grant such powers to an incorporated bank. No charters were actually granted to joint-stock banks until 1820, but the two principles of (1) a note issue against the general estate of the bank—that is, not specially secured—and (2) systems of branches for the gathering and distributing of loanable capital, were recognized; and the new joint-stock banks soon opened branches and took their position in the business world as institutions having a national instead of a local character. It has been already stated that much of the detail in these first charters was copied from that of the Bank of the United States, and it is interesting to note that many of these features are retained in the present Act, unaltered except as to the phraseology by which they are described. In the early days, owing to the poverty of the country, and to inexperience, banking was subject to many vicissitudes, and the British authorities frequently sought to interfere. Although such suggestions were rarely accepted at the moment, they were often the cause of improved legislation at some later time, but we doubtless owe to the proposals of Lord Sydenham, referred to hereafter, the one serious blemish in our currency system.

In 1850, as a result of dissatisfaction in some portions of Western Canada with the facilities extended by the banks, a measure usually called the Free Banking Act was passed. Under it a bank might be organized with a very small capital, and might issue notes based upon the security of the bonds of the provincial government. This was an imitation of the National Bank system of the State of New York, from which also the banking system of the United States was largely copied. The old banks in Canada were not, however, forced to adopt the new system, and, as it was unsound in principle, it never gained headway, and in a few years came to an end. Lord Sydenham, as Governor-General in 1841 of the united provinces of Lower

and Upper Canada, had suggested a provincial Bank of Issue, the right to issue notes by the chartered banks to be cancelled, and suitable remuneration to be paid therefor. This was rejected by the people, and a similar proposal made in 1860 met the same fate. In 1866, however, owing to the pressure of the finances of the provincial government, an Act was passed authorizing the issue by the provincial government of notes payable in specie, and to be a legal tender to an amount not exceeding eight million dollars.

In 1867 the two provinces comprising Old Canada, together with the provinces of Nova Scotia and New Brunswick, were confederated as the Dominion of Canada. The new Federal government unfortunately did not abandon the issue of legal-tender notes. At the present time the maximum issue permitted of notes partially covered by specie is $20,000,000, and for all issues in excess gold must be held. Of the $21,600,000 outstanding at 31st October, 1896, $8,200,000 are in the shape of notes of denominations smaller than five dollars, bank issues being forbidden for such denominations. The remainder of the issue is mainly in notes of very large denominations held by the banks. The gold held by the Treasury Department at this date amounted to $10,000,000, nearly 50 per cent. upon the entire issue, or nearly 75 per cent. upon the large issues. The large issues are practically the only notes on which redemption in gold is from time to time required. The banking legislation in Nova Scotia and New Brunswick previous to confederation offered no difficulty to the adoption in 1870 of a General Banking Act, following the lines of the system in use in Old Canada. Under the new system the charter of each bank is renewed for periods of ten years, all charters expiring at the same time. The banks all work under the General Banking Act, and at the Parliamentary session immediately before the charters expire this Act is re-enacted with such improvement as time has demonstrated to be necessary.

The features with which we are mainly concerned are the note issue and the branch banking. A Canadian bank is permitted to issue notes intended for circulation as money, in denominations of five dollars and upwards, to the extent of its paid-up and unimpaired capital. No securities are specially pledged for such

issues. In the event of the insolvency of a bank each shareholder is liable for the debts of the bank to the extent of a sum equal to the face value of his shares. This is generally called the double liability. The note issues of a bank are a first lien upon all the assets of a bank, including this double liability, and prior to any lien of the federal or of a provincial government. To avoid a discount on notes in circulation at a point remote from the establishments of the issuing bank, every bank must arrange for the redemption of its notes in certain designated cities of commercial importance throughout Canada. And to avoid discount at the moment of a bank's suspension, or thereafter, because of doubt as to the sufficiency of the assets for this particular liability, the banks as a whole maintain in the hands of the Government a fund equal to 5 per cent. of the aggregate of notes in circulation, upon which drafts may be made if the assets of the failed bank are insufficient. The notes of a failed bank carry interest at 6 per cent. per annum from the date of suspension until the receiver advertises his ability to redeem. Had these features always been in force the past history of the country shows that no holder of a Canadian bank note would ever have suffered loss, and the people understand the security afforded so well that the note of a suspended bank passes without difficulty. The aggregate capital of the Canadian banks at present is about $61,700,000; the highest circulation during the past year was $36,300,000, and the lowest $29,400,000. It will therefore be seen that should an unusual expansion of the currency beyond the maximum named be suddenly required—a thing only theoretically possible in Canada—there is a reserve power to issue of about 70 per cent. It will also be observed that about 23 per cent. more notes are required to do the business in the active or crop-moving period of the year as compared with the dullest period. The average circulation for the past year was 50·76 per cent. of the paid-up capital. Not only was the required circulation supplied with perfect ease, but, what is of equal importance, it was forced out of circulation immediately it was not required.

The emission and redemption of these notes, the absorption of bank deposits and the making of bank advances, is effected in Canada by 37 banks with about 500 branches. There

is nothing new in this to the European mind, and it is introduced here only to mark the contrast with the United States. The result of the branch system is that the loanable capital is directly gathered where it can be found and directly lent where it is required. The rate to the borrower is neither subject to violent fluctuations because of panic nor to widely varying rates for geographical reasons, and the borrower with good security is able to borrow at fair rates, while the note issues afford a circulation both elastic and secure.

WHY CANADA IS NOT TROUBLED WITH A BIMETALLIC AGITATION

In conclusion, I wish to emphasize the following points:

a. The agitation in the United States in favor of the unlimited coinage of silver is simply the form in which the discontent with existing conditions is expressed by those who do not understand currency and banking problems. They see that something is wrong, and accept the suggested remedy largely because nothing else is proposed. The general fall in prices and the demonetization of silver have been used as arguments for the unlimited coinage of silver; but had the suggested remedy been unlimited fiat paper money, quite as valid arguments would doubtless have been urged.

b. Existing conditions regarding currency and banking in the United States are wrong, mainly because in the past politicians have regarded popular or untrained opinion. Had the legislators of the United States followed the old maxim, "hold fast that which is good," and as the time passed endeavored to make the good they possessed better, they would now have had a system of banking and currency not essentially different from those of England, France, Germany, Scotland and Canada. But the violent policy of Jackson led to the Treasury system, the ruin of branch banking, and the survival only of the weak State banks; and these conditions caused the issue during the war of non-interest bearing notes for use as money, which was followed by an agitation for fiat paper money, and later by an agitation lasting for twenty years, for the free coinage of silver.

c. Had the early banking methods been retained, and improved from time to time, there would now exist in the United

States many large banking institutions with branches, creating an automatic flow of loanable capital from the points where bank deposits accumulate to the points where loans are most required. There would also exist a paper currency issued only by banks, redeemable in gold, and capable of just the measure of expansion and contraction in the volume necessary for the comfort of trade. With an equitable rate of interest to the borrower, and a suitable and elastic currency, the silver-miners could never have caught the ear of the discontented.

d. The history of banking in Canada shows that a country may have a paper currency supported by a very slight percentage of gold provided the other reasons for its issuance are sound. During the seventy-five years of its existence, except for a few months in a time of rebellion (1837), the bank-note currency of Canada has always been redeemable in gold. With a sound and elastic currency, and a banking system which ensures an equitable rate for borrowed money, Canada naturally has practically no public discussion on the question of bimetallism except in the case of the few who imagine that they find a connection between the general fall in prices and the so-called demonetization of silver.

B. E. WALKER

THE FORESTRY QUESTION IN NORTH AMERICA

FOR a period of at least two centuries in the early history of North America trees were looked upon as the natural enemies of progress, to be cut down and destroyed in the speediest and most effectual way possible. And this was natural enough since a clearing had to be made in the primeval forest before the cereals and fruits necessary for civilized man could be grown. This process, however, has gone on at an accelerated pace from year to year in the ordinary process of settlement, until at last it seems to have dawned on a number of people who have given the matter consideration, that it has gone too far, and that its continuance must result in seriously impairing the fertility of large areas of land now under cultivation. So widespread has this feeling become of late that the closing years of the nineteenth century are witnessing a renaissance of forestry. The uses of forests in the general economy of a country are being studied as never before, and schools of forestry are being established in various countries, founded on those which have existed for many years in Germany and France to the great benefit of both countries. Forest influences on climate, rainfall, soil, etc., are attracting much attention, and the general opinion seems to be that their influence is highly beneficial, but a considerable time must elapse and close investigation be continued before a definite opinion can be pronounced. Enough, however, has been gathered from the most casual observation to show that the cutting away of timber on mountain slopes and about the head waters of rivers is highly injurious. Col. Fred. Bailey, R.E., university lecturer and director of the Indian Forest School, in his introduction to a course of forestry lectures, published in Edinburgh (1892), speaking of his observations made during a visit to the Southern French Alps, remarks : " Not only the trees and shrubs, but also the grass had

disappeared, so that the surface is no longer bound together by roots, and when the heavy semi-tropical rain falls directly upon it, the soil, and subsequently the loose rock, slip down into the valley below. The water, charged with these substances, runs off with great rapidity and suddenly fills the torrent beds. These latter soon become deepened by the 'scour,' when their sides, deprived of support, fall in, and the effect of this action going on throughout the whole system of water-courses which traverse the mountain sides, is that, over enormous areas, the upper strata of the soil, with its fields, houses, and even villages, are borne down into the valleys, and the whole region, which presents to the eye little but a series of black marl, has an extremely desolate appearance. But the damage does not stop there, for the debris is carried down to the comparatively level valleys and open country below, where it is deposited over fields, roads, railways and villages, thus doing an enormous amount of harm."

The evil consequences of deforesting certain districts of the country have become so evident to many people in the United States, that different States have not only appointed commissions of enquiry, but are moving towards establishing forest reserves, and acquiring for purposes of afforestation, areas of cut over and burnt over lands. But the most notable action was that taken by the government of the United States when, on February 15th, 1896, Mr. Hoke Smith, Secretary of the Interior, addressed to Prof. Wolcott Gibbs, President of the National Academy of Science, Newport, R.I., a letter requesting "an investigation and report of your honorable body, as is provided in the Act incorporating the National Academy, and by Article 5, Section 5, of its constitution, upon the inauguration of a national forest policy for the forested lands of the United States." The investigation was undertaken by seven members of the Academy, and their report was sent to Mr. Cornelius N. Bliss, Secretary of the Interior, May 1st, 1897. It would be difficult to speak in proper terms of the efficient manner in which this work was accomplished. In the opening chapters of their report they discuss "The Conservation of Forests," treating of the forest administration in foreign countries with the object of showing, in the light of history and practical experience,

what it means to go too far in any country in cutting down the forests, and they show that the danger line has been passed in the United States. They urge that the preservation of the forests of North America is essential for the profitable and permanent occupation of the country. So impressed were the committee by their investigation through the Western States and Territories, with the importance of forest reservation, that they recommended that, in addition to the 17,500,000 acres established prior to 1894, thirteen additional forest reserves should be provided for, with a total area of 21,378,840 acres, roughly estimated. This recommendation was immediately adopted by the Cleveland administration, but the legislation in the matter has been suspended, and the bills proposed by the committee have not yet passed into law.

The report sets forth the terrible devastation which has been going on in the public forests of the United States, except the few under military rule where detachments of troops are employed. Forest fires and nomadic sheep husbandry are the two main causes of the destruction of these western forests. "Fires are particularly destructive to the forests of western North America. They are composed almost exclusively of highly resinous trees, which, when they grow beyond the influence of the moisture-laden air currents from the Pacific, ignite easily, and burning fiercely on the surface, are quickly killed, while the flames sweep forward, leaving standing behind them the dead, although unconsumed, trunks to furnish materials for later conflagrations and to intensify the heat."

Fires are often commenced by prospectors in search of minerals, who do not hesitate to fire the forests in order to lay bare the rocks to help their search. Illegal cutting of the unreserved forest lands of the public domain has also been a source of great loss to the nation. The record of waste and maladministration covered by the report is appalling, and calls for the early attention of the people and government.

While the report is most valuable, it is limited in its scope, by the instruction of the secretary, to the forested lands of the public domain, which lie in the western territory. A cognate question, and one equally interesting, is that pertaining to forestry problems in the older States. In

these States various commissions have been appointed within recent years to consider the matter, and some of them are buying back territory which had passed out of their hands, and establishing forest reserves in a limited way. The policy of the different States has been to sell the lands, and allow the purchasers to cut down the forests at their pleasure, so that now the New England States, with the exception of Maine, and the great central States like New York, Pennsylvania, Ohio, and Indiana, have largely to depend on other localities for their merchantable timber. The mixed forests of hardwood and coniferous trees in New York State have all been cut long ago, except in a region in the Adirondack Mountains, and even Michigan, with formerly such a marvellous growth of the much-prized white pine, is now bare of timber. Cutting timber in Michigan commenced over half a century ago, and when the contiguous prairie States were in the course of settlement, the timber was lavishly cut for their use. This went on at an increasing rate until 1880, when the tremendous development of the treeless States west of the Mississippi, the building of railways, etc., which ensued, in a few years swept nearly the whole of the vast reserves of Michigan into its vortex, until there is now not a single mill on the east coast of the Michigan peninsula with sufficient white pine to keep it running. The wholesale cutting of the timber has left many sections treeless wastes without any provision for reforesting, and the State is powerless to commence any scheme of reforesting without buying back the lands. The rapidity with which this State was denuded of its magnificent forests of white pine can be understood when it is stated that the cut of timber increased from 788,318,000 ft. in 1878 to 1,413,631,089 ft. in 1890, and decreased to 513,585,298 in 1896, of which 265,234,314 was from Canadian logs. No doubt large fortunes were made by the owners of pine stumpage during this era, but wasteful methods obtained, and now there is nothing left in many localities but idle mills and dilapidated towns and villages. In some districts it is a melancholy sight to see old mills and tramways falling from decay, whereas, if conservative methods had been followed, the forests could have been reproduced, and the industry continued, to the great benefit of the State. It is now estimated by experts that there is no more white pine timber in the

State than, at the rate of cutting in the halcyon days of the eighties, would suffice for one year's work. There is no doubt still a considerable quantity of hemlock and the hardwoods, but the old days of profitable work for the employees, and great fortunes for the owners, are gone for ever. There are large sections of this State where white pine, had it been preserved, and a proper system of forestry maintained, would be the most profitable thing the soil could produce, but it is now a question what to do with the sand flats and gravel ridges. It will involve many years of great care and labor before these regions can be reforested. The only two States where a considerable quantity of the invaluable white pine remains are Wisconsin and Minnesota, and they are fast sharing the fate of Michigan. No doubt there still remain to the United States great forests of coniferous trees in the south, but they are far from northern centres of trade, and lack the unsurpassed qualities of the white pine of the north. Besides, their products will be largely required for the new development going on in the southern and southwestern States of the Union, so that a timber famine may be almost said to be within sight of the once magnificently timbered northern tier of States. What this means in questions of climatology, and the denudation of soil carried down by floods every year to the Gulf of Mexico, is only beginning to be dimly discerned by the inhabitants of these regions.

Turning to the Dominion of Canada, we find that the same system of cutting timber as in the United States has hitherto prevailed, with some notable exceptions. The older portions of the Dominion have followed the example of the United States. In the early history of the country trees were looked upon by the settler as an encumbrance. The hardwoods in Ontario and Quebec were cut down and burned, while the white pine was cut in a wasteful manner, and marketed either as square timber in Great Britain or as sawn lumber in the United States. In the valley of the St. Lawrence river marketable timber has disappeared (except spruce, which has recently come into demand for pulp), and the main industry of cutting white pine is carried on near the sources of the Ottawa river and its tributaries. The industry is still in a flourishing condition, but lumbermen are beginning to be concerned about

the future supply of logs, and forestry questions are being discussed. In older Ontario along the Upper St. Lawrence, and on the shores of lakes Ontario and Erie, with their tributary streams, fine forests of mixed white pine, maple, oak, elm, etc., once stood in their primeval grandeur. This section of Ontario, stretching from the mouth of the Ottawa river to Cabot's Head, on the Bruce peninsula, is one of the most favored parts of North America for topography, soil and climate, and sustains a well-to-do, industrious population. It was all thickly timbered, but a strenuous warfare has been waged against the trees. Mr. Thos. Southworth, Clerk of Forestry for Ontario, in his second valuable report issued this year, gives some instructive statistics as to the proportion of woodland to total acreage in the old settled counties, and dwells upon the fact that the farmers have not hitherto shown a proper appreciation of the desirability of replanting. In the county of Middlesex, in the western district, the total acreage is 757,522, with 153,825 reported as woodland, or 20.3 per cent.; the county of York, in the central district, comprises 536,621 acres, with 38,040 woodland, or 7.1 per cent.; in the east, Frontenac has 673,561 acres, with 81,662 woodland, or 12.1 per cent. The percentage of woodland in France is 17, in Germany 26, Spain 7, Holland 7, British Isles 4.

The forestry problem in Ontario and around the basin of the Great Lakes is altogether different to that presented in Central North America, or the Mississippi river valley, with its great tributaries draining a vast area with no natural reservoirs. The Mississippi valley is subject to alarming floods, and millions of tons of the soil are scoured away every year. In Canada, in the neighborhood of the lakes the drainage area is much smaller. About Lake Superior, for example, the height of land is nowhere at any great distance from its shores, and the lake is almost surrounded by rivers flowing to the north and west. The Great Lakes form natural reservoirs, which by their immense area prevent the rush of spring freshets, and maintain a more equal flow the year round, so that the question of forestry in Canada is not so pressing, although still of great importance, and may be considered more from its economic standpoint. If the farmers could only be educated to plant every hill and hillside of their farms, and all their waste corners, with

trees, it would not only be a source of income better than any other, but would be of immense advantage to the country generally, and there would then remain only the question of that great ridge of hill country known as the Laurentian Range, stretching from near Ottawa to Rat Portage. It is on this ridge in the basin of the Ottawa river, and on the Georgian Bay and its tributaries, that the merchantable white pine is now cut. It may be looked upon as a fortunate thing for Canada that the policy of the government has not been the same as in the United States, where the land was sold and the timber with it. The right only to cut the timber under license on Crown lands was the law and custom before Confederation, and has been continued by the different provinces since that time, so that the provincial governments are in a position where they could commence at once to reforest cut-over lands. Almost all the white pine of the Dominion stands in this district, which in many places is of a particularly broken and hilly aspect. A considerable portion of it has been sold for settlement, and prosperous farmers are living within its limits in Ontario, back of the counties of Hastings, Peterboro', Victoria, and also in Muskoka, Nipissing and Algoma districts, but the great bulk of the country is still within the control of the government. According to a return laid before the provincial assembly in 1893, Ontario had under license to lumbermen 21,000 square miles of pine lands, and 24,410 square miles of such lands estimated as unsold, this being exclusive of 89,000 square miles north of the height of land which has little pine but a large quantity of spruce. In this great area under license, as the timber is cut some of the land passes into the hands of settlers, but a large proportion is not fit for settlement, and it has suffered the fate of being burnt over, leaving an unsightly wilderness of dead trees and charred stumps.

If the average lumberman were asked what should be done with this area of rocky and broken land after fire has passed over it, his answer probably would be that it is useless. On these lands a crop of young poplar, birch, and other deciduous trees useless for the lumberman, immediately springs up, but closer investigation shows that after the poplar, etc., has covered the ground, young pine principally, but also spruce and other conifers, appear, and having the shade afforded by

the previous growth and also the open air, the exact conditions for reproducing a valuable pine forest are fulfilled. There commences then a struggle for existence amongst the new growth which can only end in one way: by the conifers, in such favorable circumstances, asserting their superiority, and finally killing out the growth which sheltered their young life and provided the conditions under which they could grow into valuable forest trees. In districts where the fire has been kept away pine forests in all stages of growth can be seen, a perfect object lesson to any student of forestry. To preserve this young pine a strict system of fire protection is necessary, and it is here that the wisdom and foresight of the Ontario government has shown itself. A system of fire ranging has been established, which only requires to be enlarged and brought under strict discipline to be perfectly effective.

The rate of growth of young pine has been variously estimated, but under ordinary circumstances in Ontario, it is safe to say that a 10-inch butt log can be grown in 40 years, when it would attain a market value. After 40 years it will probably grow at the rate of 2 inches in ten years, making it 12 inches at 50 years, and the rate of increase in diameter would still further lessen as the tree got older; at 65 years it would produce a butt log of 14 inches, and two others, giving 180 feet from the tree. After the age of 65 years the tree will grow at the rate of $3\frac{1}{2}$ or 4 per cent. per annum. As to what an acre will bear under proper forestry regulations, there is first to be considered what quantity of logs fit to be cut it will sustain which are in a position to earn interest by their growth, and also have a sufficient quantity of young pine coming forward to take their place when cut down. Without saying what it is possible for a forest to produce, any practical woodsman will agree that 100 logs per acre would be a moderate amount in a thrifty forest, averaging say 80 feet per log, or 8000 feet per acre, which at $3\frac{1}{2}$ per cent. average growth, would only be 280 feet board measure. This seems ridiculously small when compared with $59\frac{1}{2}$ cubic feet given as the annual increase in a New Hampshire forest by the United States Division of Forestry. But what does an increase of 280 feet mean ?

It means 70 cents per acre per annum,* and if two-thirds only of a township be taken as fit for cultivation, leaving one-third for rock and water, the result is: 15,360 acres at 70 cents = an increase of $10,752 per township per annum. The net revenue derived from German Crown forests, after paying all expenses (which were over 50 per cent. of the net product), was in 1893, $1.33 per acre.

Under ordinary circumstances and natural conditions the increase in the growth of young pine trees standing side by side may be extremely variable. It sometimes happens that a tree begins life under such unfavorable auspices that it only increases its diameter one inch in twenty-five or thirty years; when suddenly, by some forest event, favorable circumstances supervene and a new growth commences, showing an increase in diameter of one inch in it may be every four or five years. In a second growth pine or mixed forest a common sight is a clump of vigorous trees with their bushy crowns at the full height of the forest, making the normal growth, and interspersed with them here and there a poor relation, stunted in his growth, denied his fair share of nourishment, living in the shadow of the others, not making a quarter of their progress, struggling upwards, but finally dying in the attempt. A veritable struggle for existence is going on in every forest, the poorer varieties and the weaklings of the dominant species all keeping up the fight with great tenacity but sad economic waste.

The question of economy in sylviculture calls for the closest investigation. A profitable means of utilizing the saw mills' bye-product as well as the varieties of timber not suitable for lumber, and the thinnings, has yet to be found. In Germany and France by reason of their dense population the coppice can be thinned out and sold with profit to the operator, but in Canada with the great area and sparse population of the forest country the case is very different, and if reforestation is to be undertaken on a wealth-producing basis, provision must be made for cutting out the less valuable and superfluous growth from time to time, and giving it a value either through cheap chemical reduction to pulp or otherwise.

*At the rate of $2.50 per thousand feet B.M.

The most valuable tree in all the region spoken of is, of course, the white pine, which for lightness, strength and durability has no equal. For climatic reasons apparently it extends only a short distance beyond the northern height of land, but within its own area it is supreme, and may be seen growing either in the crevices of the rocks, on the wind-swept hill-top, or in the fertile valley. Its winged seed is easy of dissemination, and it is more desirable that proper receptive conditions for the seed should be cultivated than that young seedlings should be replanted (which would entail great and unnecessary expense) unless in some exceptional localities. The tree is rather irregular in its production of cones (the present being a seed year of great promise), but that it has such powers of reproduction over wide areas is a fact of great significance to the people of Canada.

The Ontario government have set apart as a government reserve the Algonquin Park, having an area of 1,109,383 acres. This is a step in the right direction. It should be followed up by a strict examination of all timbered territory, and all the land fit only for forest growth should be placed in the same position, with proper restrictions as to cutting, and a complete system of fire ranging. The forestry question for Ontario at least would then be solved, and by-and-bye an immense income would be poured into the coffers of the province.

Canadians are still unable to grasp the significance of their heritage. They have, north of the height of land in Ontario and Quebec, a still unbroken wilderness covered mainly with spruce fit for the saw and pulp mill. As the world's supply of sawn lumber and pulp wood decreases, the shores of the Hudson Bay and Labrador will resound with the hum of machinery, and the world's supply of spruce timber will be sent forth from that northern country; and as spruce reproduces itself quickly, it will, with good judgment and the institution of a proper forestry policy, forever remain a mine of wealth to the country.

September, 1897 JOHN BERTRAM

MEMORANDUM AS TO THE COST OF COLLECTING CASH ITEMS, SIGHT DRAFTS AND BILLS DISCOUNTED

AT a meeting of the Executive Council of the Association held in Montreal in April last a memorandum was submitted by one of the banks covering an estimate of the cost of making collections, taking into account interest, postage and other expenses. It was recommended that copies of this memorandum should be printed for distribution among the banks, preparatory to a full discussion of the subject at a later date, and that a *précis* should be printed in the JOURNAL. This latter is now given following:

GENERAL NOTES

In the schedules given below, respecting the cost of collecting items, the only considerations dealt with are interest and the actual out-of-pocket expenses, such as postage and collection charges. No account has been taken of the important bearing which the questions of labor, stationery, and risks involved, have upon the matter, to cover which it will be necessary to impose such additional charges as, in the judgment of the manager, will compensate therefor. It is not possible to state positively what the actual average cost of collecting individual items is, but the following estimates will probably be accurate enough for all practical purposes:

INTEREST

a. One day's interest, at least, is lost on all cheques cashed drawn on a bank's own branches.

b. Two or three days' interest is lost on cheques cashed drawn on other banks and payable at Clearing House points.

c. Two or three days' interest is lost on cheques cashed drawn on other banks payable at points where the remitting bank has a branch.

d. Four or five days' interest is lost on cheques cashed for which a draft is remitted in settlement.

The average time for which a bank loses interest on cheques cashed may therefore be put at three days. On a cheque for $100 this would amount, at 6%, to .05c.

POSTAGE

The average postage paid in connection with a cheque drawn on an out-of-town point may be estimated at .02c., taking into account, (1) that the postage on letters containing such cheques is divisible on an average among several items, and (2) that postage has frequently to be paid on the remittance in return. This latter may be regarded as a charge in connection with such a cheque, as its owner renders free service of the same kind in return.

CHARGE FOR COLLECTION

The usual rate paid by banks to one another for collecting items is $\frac{1}{10}$ of 1%, minimum 10c. Many banks have arrangements under which they are able to collect at par at certain points, but as these banks are required to reciprocate without charge, or to give some other equivalent, the cost of collecting in such cases is not annulled but simply paid in another way. A certain proportion of all demand cash items (varying according to the size of the bank), would, of course, be payable at the bank's own branches, and no commission would be paid for collecting.

DISTANCE

The examples and estimates herein apply only to places which are distant from each other not more than say 24 hours by rail, i.e., where items can be presented not later than the morning of the second day following their encashment.

In all other cases, such, for instance, as between points in Ontario and the maritime provinces and vice versa, and between points in Ontario or Quebec, and Manitoba or British Columbia and vice versa, etc., allowance must be made for the length of time the items are likely to be outstanding.

SUMMARY OF AVERAGE COST OF COLLECTING DEMAND ITEMS

	Item $100	Item $400
Loss of Interest (3 days)	.05	.20
Postage	.02	.02
Charge for collection	.10	.40
Total	.17	.62
On basis of charge to customer of 1/8% (min. 15c.) there would be an actual loss of	.02	.12
On basis of charge of 3/16% (min. 20c) there would be a profit of	.03	.13
On basis of charge of 1/4% (min. 25c.) there would be a profit of	.08	.38

SIGHT DRAFTS AND BILLS DISCOUNTED

The figures already referred to as representing the cost of postage and charge for collecting are applicable also in the case of sight drafts and bills discounted, although the average cost of collection is somewhat greater than in the case of cheques, for the reason that a greater proportion of cheques cashed are payable at places where the bank has a branch, than is the case with sight drafts and discounted bills. A variation is necessary, however, in the figures representing interest. The average loss of time in receiving returns for a sight draft can be put at about eight days (Sunday intervening), viz., two days from date of encashment until presentation, two days in which drawee may hold, three days of grace, one to two days for returns to be received.

The average loss of time in receiving returns for a discounted bill may be put at about two days, as interest is always received up to date of payment.

SUMMARY OF AVERAGE COST OF COLLECTING SIGHT ITEMS AND BILLS DISCOUNTED

Item, $100	Sight	Disc'd Bill
Loss of interest (8 days)	.13	
Loss of interest (2 days)		.03
Postage	.02	.02
Charge for collection	.10	.10
Total	.25	.15

ITEM, $100	SIGHT	DISC'D BILL
On basis of charge to customer of 1/8% (min. 15c.) the result would be a loss of	.10	(Neither loss nor gain)
On basis of charge to customer of 1/16% (min. 20c.) the result would be a loss of	.05 (gain)	.05
On basis of charge to customer of 1/4% (min. 25c.) the result would be	(neither loss nor gain.)	(gain) .10

It will be seen that while a charge to customers of 1/4% (minimum 25c.) produces a moderate profit for a discounted bill, there is no margin at all for a sight draft, and the charge for the latter should really be 1/4% plus interest from date of encashment until payment is received. As the item of interest plays such an important part in the cost of collection of a sight draft, it follows that the smaller the amount of the item under $100 the greater is the profit where a minimum charge is adhered to.

The fact should also be kept in mind that, as a rule, there is a great deal more trouble and labor involved in handling sight items than is the case with cheques and discounted bills.

THE SELECT COMMITTEE ON BANKING AND CURRENCY OF 1868

EXCERPTS FROM THE MINUTES OF EVIDENCE

ON the 14th April, 1868, on the proposal of the Hon. John Rose, Minister of Finance, the House of Commons appointed a Select Committee on Banking and Currency, to investigate the defects of the banking system of the country and recommend a means of improvement.* The Committee drew up a schedule of twenty questions for submission to leading bankers, merchants and others throughout the Dominion, and to these questions replies were received from :

Thos. Paton, General Manager, Bank of British North America, Montreal.
Hugh Allan, Montreal.
H. Stephens, Montreal.
Jackson Rae, Cashier, Merchants' Bank, Montreal.
Jas. Stevenson, Cashier, Quebec Bank.
F. Vezina, Cashier, La Banque Nationalé, Quebec.
T. Woodside, Cashier, Royal Canadian Bank, Toronto.
R. J. Cartwright, M.P., Kingston.
Hon. Isaac Buchanan, Hamilton.
Adam Hope, Hamilton.
H. S. Strathy, Acting Cashier, Canadian Bank of Commerce.
G. Hague, Cashier, Bank of Toronto.
Ottawa Board of Trade.
Guelph Board of Trade.
Brantford Board of Trade.
W. S. Stirling, Cashier, Union Bank, Halifax.
Peter Jack, Cashier, People's Bank, Halifax.
J. W. H. Rowley, Cashier, Bank of Yarmouth (N.S.)
Thos. Killam, Yarmouth (N.S.)
Hon. R. D. Wilmot, Belmont, New Brunswick.
J. D. Lewin, President, Bank of New Brunswick.

*The circumstances under which the Committee was appointed are fully dealt with by Dr. Breckenridge in *The Canadian Banking System* 1817-1890. (See p. 336, vol. II, of the JOURNAL).

The text of these questions (with the exception of the 1st, 15th, 19th and 20th, which were unimportant) is set out in the succeeding pages, together with excerpts from the replies received:

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QUESTION 2.—*State your views on the Banking system obtaining in the late Province of Canada, as well as in the provinces of Nova Scotia and New Brunswick respectively; and whether in your opinion, it has been conducive to the development of the material interests of the country?*

MR. PATON.—I consider that the circulation should be secured by Provincial Debentures lodged with Government (see reply to Ques. 6), and that the number of Branches or Agencies which a bank is permitted to establish should be limited, and in proportion to its paid up capital. The amount of the cash reserves, as compared with the liabilities, is not regulated by the present charters, which has a tendency to induce dangerous and imprudent expansion. This should be remedied, and the statements furnished to Government might be more in detail.

The banking system of the Dominion has certainly been conducive to the development of the material interests of the country. The failure of two of the largest banking institutions of the province, and the evils which have resulted therefrom, ought not to be attributed to the system under which the banks were organized, but to a disregard of the correct and legitimate principles which ought to govern the management of all banking institutions, and which, if disregarded, will surely result in misfortune and disaster, however perfect the system may be.

MR. ALLAN.—The system of banking which has hitherto obtained in Canada has doubtless been in the highest degree beneficial. Under it the material interests of the province have been developed in an extraordinary degree, and all classes have prospered; and I believe no legitimate enterprise, based on sound principles, has suffered from the want of banking accommodation.

Fewer failures of banks, in proportion, have taken place in the province during the last thirty years, than in any other country that I know of, where an equal amount of business has been done; and what failures have taken place, have not been occasioned by any fault of the system of banking, but in consequence of mismanagement on the part of those to whom the rule was intrusted.

MR. STEPHENS.—If the Government does not adopt the security principle for the bank note circulation (which I must regard as preferable to any other) the present system of banking in the Dominion of Canada would be my second choice, as possessing many valuable provisions in their charters, particularly the double liability clause in the Act, if you add an amendment to enforce its operation when necessary. In other respects little objection can be made, except to disapprove of allowing banks, at their pleasure, to establish in different parts of the province agencies under the control of a single manager. This, in the first place, is an unsafe and hazardous mode of transacting banking business under the control and discretion of one person, and, at the same time, an unfair competition with and an encroachment upon the just rights of other localities, which are much better qualified to administer, through their own selection of directors, their banking business, with special reference to the safety of the bank and the material interests of the district. I am clearly of opinion that the present system has been greatly to the advantage of the material interests of the country, although I believe greater prosperity and more rapid advancement could be obtained under a free banking law, diffusing the banking facilities more generally throughout the country.

MR. BUCHANAN.—The "Royal Instructions" from Downing Street have prevented what I have long seen to be essential to a sound system of commerce or banking or currency in Canada, viz.: that the character of the legal tender should be changed from being a fluctuating, because exportable commodity, to be an emblem—secured by gold, but not the gold itself —gold notes, in fact. The banking system in Canada being one of large banks, with paid-up capital and double responsibility, has, I think, suited the country in the past, and been all that a system could be, in the circumstances, under a hard money system. It is clear, however, that the importations of foreign labor in the shape of goods, have been stimulated by it, to a much greater extent than it had the opportunity to stimulate Canadian labor in the shape of exports—seeing that, like the Northern States of the adjoining Union, Canada has not, and never, as a northern country, can have, considerable exports which will pay to send to Europe.

MR. HAGUE.—The banking system of the late Province of Canada is based on the only sound principle on which banking should be carried on, viz.: the obligation to pay all liabilities in gold, and the systematic enforcement of this obligation by a regular system of exchanges between the banks. Without the last, the first amounts to little more than a theory; with it, the immense advantage is gained of a practical test of convertibility.

It has given to Canada a currency uniform in value over a widely extended territory, independent of political fluctuations, and constantly redeemable in specie. It has also rendered the small amount of active capital possessed in a partially developed country, available to the utmost extent possible. No person acquainted with Canada can doubt that its banking system has been conducive to its material interests in a very high degree, and it is the opinion of many, who are conversant with the matter, that no other system would have been equally beneficial.

MR. JACK.—It is generally supposed that the Dominion Government contemplates the introduction of a radical change in the system, either by declining to allow the banks to issue their own notes, and substituting for them Government notes; or by compelling the banks to base their issues on Government securities. The plea for this great change is that thereby the security to the holders of notes wiil be greater than it is at present. Behind this there lurks the assumption that the present system has proved a failure. To warrant such a sweeping and fundamental change, it ought to be clearly proved that the holders of notes in these Provinces have suffered severely through the failure of the banks to redeem their notes when required. It might be supposed that several banks have failed, and that at some time or other there has been a suspension of specie payments. But such has not been the case. Under the present system of bank charters one bank only has failed in Canada and another suspended but has paid in full, while in Nova Scotia no bank has ever failed. The banks too, have always paid their notes in gold on demand. During times of panic and great commercial depression, when the banks in the neighboring republic, many of whose issues were based on Government securities, were compelled more than once to suspend specie payments, the banks in the Provinces, whose issues were based on specie, promptly met all demands in gold. All through the crisis of 1857, although considerable pressure was brought to bear upon them to induce them to follow the example of the banks in the United States, they maintained their notes of the same value as gold. Their note circulation has thus been proved to be, both in times of pressure and ease, quite secure; as secure as it is possible to make it by any extraordinary legislative enactments, and as secure as any Government note circulation can be; and while the public have not been losers, they have been considerable gainers by means of it. It may be that if banks were to fail—and one out of the large number in existence has failed—there would be some loss to note-holders, but this could easily be prevented, by making the

notes a first charge on the assets of the bank. In the event of failure there must be delay under any system, but by simply making the proposed change, perfect security would be given to holders of notes, without utterly deranging the business of the country, as must inevitably be the case if the proposed change is ever made.

Messrs. Stevenson, Rae, Vezina, Woodside, Cartwright, Hope, Strathy and Lewin replied in the affirmative to the latter portion of this question. Messrs. Rowley and Wilmot expressed the opinion that the system did not afford sufficient facilities for the development of the country's resources.

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QUESTION 3.—*Do you favor the system of a direct issue of Government Notes as a circulating medium for Canada, or that of having circulation based on Government securities, but issued to the public otherwise than directly by the Government? State what plan or system would, in your opinion, be the best adapted to the wants and interests of the Dominion, and give the outlines of the plan you would recommend. State particularly what percentage of specie, under any system, ought to be retained for purposes of redemption; and if any, what in proportion to deposits?*

MR. PATON.—I am favor of a circulation of Bank notes based upon and secured by Government Debentures, thereby giving the public the security of the bank issuing the notes together with that of the Government. I would recommend that, after the expiring of the present charter, say four years, the circulation of every bank in the Dominion shall be guaranteed by deposit with the Government of the 6 per cent. stock of the Dominion to be taken at 90, or if bearing 5 per cent., at a proportionally lower rate, interest on the Debentures being being paid to tht Banks depositing such debentures.

MR. STEPHENS.—The Bonds of Canada and the Provinces composing it, should be the only security accepted by the Government to secure the Bank-note circulation of the Dominion. As this gives perfect security to the Bill-holders, it would be well to provide for the semi-annual publication of the names of the shareholders of each bank, for the greater security of the depositors, as, under this system, the credit of the institution would be supported, in a great measure, by the wealth and respectability of its shareholders.

MR. RAE.—I think the issue of bank notes, under certain restrictions, as a circulating medium, better adapted to the wants of the Dominion than that of either a direct or an indirect Government issue.

MR. STEVENSON.—The wants and interests of the Dominion, are, I think, reasonably well served by the existing system of banking, which, except in one or two instances, where its principles have been widely departed from, has been found to furnish a trustworthy convertible currency, which has admitted of expansion during seasons when an increase was required, and has been withdrawn with ease and safety.

MR. VEZINA.—I prefer the present circulation of the incorporated banks of the country, based on gold, or in part on gold and in part on Government securities.

MR. WOODSIDE.—The system which has hitherto obtained in Canada is that which, in my opinion, is best adapted to the wants of the Dominion.

MR. BUCHANAN.—I would recommend that each bank should give up its gold to the Government, receiving inconvertible legal tender notes of the Government for the amount; and that with the amount the Government should buy British consols, accounting to each bank for the interest accumulating on these after a margin of ten per cent. has been laid aside.

MR. HOPE.—I am in favor of a direct issue of Government notes as a circulating medium for Canada. The coining of money, or the making of paper to represent money, is a power that should belong only to the State, and should not be entrusted to private individuals or corporate bodies. Government alone should issue paper money, *and only in exchange for gold*, and such paper money in the hands of the public should be, in fact, a receipt to the holder thereof for so many grains or ounces of gold in the same way as a warehouseman's receipt is for so much wheat or other produce, and the *thing* for which the receipt is given should be (to the holder of such receipt) forthcoming on demand at the place of issue. In my opinion, therefore, there should be established a Government Bank of issue, confined in its operations exclusively to the issue of paper money to corporations or individuals for circulation or otherwise, and only in exchange for gold, and such paper money should be *legal tender* in all transactions throughout the Dominion, but redeemable in gold on demand at the bank of issue. It should retain at all times in its vaults a reserve in gold of not less than *one fourth* the amount of its issues, and occasionally increasing this reserve when any apparently temporary demands arose for its paper in the autumn, or at any other periods of the year.

All other banks should be merely what are called banks of deposit, confining their transactions to the receiving of deposits, the loaning of money, and dealing in exchange and other negotiable securities. Such banks should be compelled to hold gold or Government notes for not less than one-fifth of their deposits, and should receive a percentage on the average amount of Government notes held in their vaults, and should be allowed to collect whatever rate of interest they agree for. All restrictions on the interest of money should be swept away.

MR. STRATHY.—The system of banking prevailing in the late Province of Canada, prior to the passage of the Legal Tender Act, with some slight modifications as additional safeguards, is much better suited to the requirements of the country, and more especially to the province of Ontario, where an expanded circulating medium at certain seasons of the year is indispensably necessary for the removal of the crops. I think the circulation of banks should be a first lien upon their assets, and the double liability of the shareholders should be made available within a reasonable time, say a twelve-month after suspension, without waiting to realize upon assets, which may be a work of years.

MR. HAGUE.—I do not view with favor the proposal to compel the banks to buy Government securities to an amount equal to or larger than their circulation. Such a measure would involve many of the banks in an obligation to hold large amounts of securities which are liable to heavy fluctuations, and would not be an economical use of the small amount of realized capital possessed by the country.

The plan I recommend is, to have circulating notes issued by chartered institutions, as at present, with additional securities, as hereafter mentioned, against loss by the public. This plan is the best, as applied to the wants and interests of the Dominion, because it produces the largest amount of available capital out of our limited financial resources, and because it provides, naturally and readily, for those seasons of expansion which are inevitable in an agricultural country.

MR. JACK.—By the present system the banks have been enabled to borrow a large amount from the general public, which they have employed in loans to the mercantile community. The available loanable capital of the country has thus been largely increased with the best results; while the banks have so prudently managed, that there have been fewer losses to the holders of notes than in any other country which possesses either a similar bank note circulation, or one based on Government securities. In Nova Scotia there has never been

any loss whatever sustained by the holders of notes. The trade and commerce of the provinces have been developed and built up under this system. It would seem therefore, unless cogent reasons to the contrary can be given, that the same system should be continued in the Dominion as has been thus successfully in operation in the several provinces apart. Theory is very good, but experience is much better, and when experience has proved a system to be highly beneficial and exactly adapted to the wants of the community, it is hardly advisable to change it because some theoretical system may be propounded which is expected to prove better. The old proverb "let well alone" is assuredly applicable to the present banking system. Improve it if defective, but do not radically change it.

MR. ROWLEY.—Should a system of this description be introduced among us, we have already precedents which might be adopted as guides for us, in the system of the Bank of England, and also in that of the National Banks of the United States; modifications and alterations of either of which, to suit our own circumstances, might very readily, successfully and profitably be carried out.

MR. WILMOT.—The circulating medium of the country is the life-blood of trade, and should not be subjected to the violent expansions and contractions, caused either by the apparent self-interest, the caprice or mismanagement of individuals. The amount of circulation per head in the United States is $30; in the Dominion it is not $4; if the former is in excess, the latter is far below what is required. I am therefore decidedly of opinion that the existing banks should be liberally remunerated for their circulation, but if continued to them, no further charters should be granted with the power of issuing notes.

MR. LEWIN.—I am not in favor of a circulation based upon Government securities, for although these securities may be a guarantee for the ultimate redemption of such notes, you cannot in this country, realize specie from them, in the event of an emergency, and thus secure the one important object in all paper currency, prompt specie redemption.

Except as indicated in the replies given above the suggestion of a Government issue of notes was unanimously disapproved. Opinions differed considerably on the point of a proper specie reserve.

QUESTION 4.—*State what, in your opinion, are the advantages and disadvantages of a direct issue of Government notes, and what those of a system under which banks organized on a principle analogous to that of the National Banks of the United States might use a circulation based on Government securities. State what, in your opinion, has been the effect of such a system in any countries in which it prevails?*

MR. PATON.—The only advantage connected with a direct issue of Government notes (meaning thereby an issue by Government itself, and not through the banks), is its profit to the Government which thus, to the extent of the circulation, borrows without interest from the public; the expense of maintaining the circulation, and the specie reserve held for its redemption, requiring to be deducted from the profit. There may also be this advantage, that the circulation being in Government notes, and therefore legal tenders, must be received throughout the country at par, and will thus form a currency of uniform value.

On the other hand there are serious disadvantages attending such an issue. Such a means of raising money has seldom been resorted to by the government of any country, unless driven thereto by necessity. It is a dangerous power to possess, from the facility it affords for unduly increasing expenditure, and never has, and probably never will be, exercised with sound economy and discretion. In the countries in which it has been adopted, Russia, Austria, France under the republic, Brazil, and the United States, it has brought in its train many evils, including a depreciation of the currency, a disturbance of monetary arrangements, an unsettling of the value of every commodity, of incomes, and of the wages of the people, an interruption of the regular current of trade with other countries, and introducing an element of speculation and gambling into the most ordinary business transactions. A currency of this character wants elasticity; it would not increase or decrease with the requirements of trade, as there can be no sympathy between the expenditure of Government and the amount of currency required for transacting the business of the country.

MR. ALLAN.—Theoretically, and if the security of the holders of circulation were to be mainly looked to, the National system of banking, as it exists in the United States, is probably the most perfect.

If any change is to be made in the system as it obtains in this country, I would prefer the National system to any other.

MR. STEPHENS.—I do not know of a single advantage to be derived from a direct issue of Government notes which is not

obtainable on the principle of the National Banks of the United States, whose circulating notes are fully secured by a pledge of the public stocks. The National Bank system, now over five years in successful operation in the United States, has met with great favor with the people there, and although various amendments to the law have been passed during that time, I have never, in a single instance, met with an intelligent person in or from the United States, who condemned the principle of this Banking law; on the contrary it has been very much commended by the highest banking authority in that country. This principle of banking originated in the New York State legislature some twenty years since, and has been improved by such amendments as experience suggested up to the time that it was assumed by the general Government, and made the ex-exclusive measure of banking for the nation. With this endorsement, I think this principle of banking might be safely tried in the Dominion of Canada.

MR. WOODSIDE.—The advantage of a direct issue of Government notes, is their uniformity of value, by being made a "legal tender" within the Dominion. I know of no other advantage which they possess over the issues of banks. I look upon the bank issues of notes as perfectly safe, and more easily converted into specie than the issues of the Government. The disadvantages are that many small places which now have bank agencies, would be deprived of banking facilities altogether; for without the profits of the circulation of their own notes, many bank agencies would be withdrawn as unprofitable, and the communities from which they were withdrawn would suffer, in being compelled to pay up the bank loans and in being deprived of their usual accommodation; property of all kinds would be much depreciated in value, and a general stringency and much suffering would ensue. A Government having the power to issue notes would be tempted, in case of need, into issuing more notes than they could redeem, when a suspension of specie payments would take place, thereby deranging the commerce of the country, and ruining many who had foreign or other engagements to meet.

MR. CARTWRIGHT.—Setting aside the special inconvenience and injustice to the province of Ontario (which employs the great bulk of the circulation of the entire Dominion) of interfering with the source from which a very large part of its banking accommodation is derived, and apart also from the grave risk that Government may be tempted, in moments of real or supposed emergency, to make their notes inconvertible, a danger especially great from the temporary though delusive prosperity which usually ensues upon the first issue of an

irredeemable currency. I can perceive no method by which Government can regulate the expansion of the currency without danger of grievous abuse.

This particular and very important function has been hitherto fulfilled in a very efficient manner, all things considered, by the natural play of supply and demand, and by the competition of the various banks with each other; but I can see no method whereby this could be effected by a Government controlling a bank of issue, or even operating through an ordinary bank, without its laying itself open to grave suspicion of partiality in its dealings with the various banks, or else to the danger of using its power for political purposes.

It appears to me that the Government would find this power, if honestly used, a most onerous and vexatious charge, and in any case that the introduction of such a system would impart a new and wholly uncalled for element of uncertainty into all mercantile operations.

I cannot speak, of my own knowledge, of the system pursued in the United States, and even if I were thoroughly acquainted with it I have great doubts if we can can form a correct judgment of what its workings would be in this country, in view of the many disturbing causes which have affected its operation there, from the outset.

MR. STRATHY.—The danger to be apprehended from an issue of Government notes is inconvertibility, consequent depreciation in value and derangement of trade: the fact that the very existence of a bank must depend upon the faithful discharge of its liabilities, is a strong guarantee that those liabilities will be promptly met. In any country where Government notes are the circulating medium, without one solitary exception, so far as I know, they range at a discount varying from 15 to 50 per cent., as compared with gold. The disastrous effect upon trade, consequent upon the uncertainty and daily varying value of such a currency, must be apparent to all, to say nothing of the almost universal spirit of gambling it engenders.

MR. HAGUE.—In answer to this question, I observe that a direct issue of Government Notes can only be justified as an emergency in time of war. Such an issue is open to the very gravest objections: Thus,

(1) There is a tendency in Government currencies, which may almost be termed irresistible, to become irredeemable and depreciated. It is a fact that no Government currency yet issued, with some trifling exceptions, has preserved its value, and some of the largest emissions of such currency ever known, have fallen to ruinous rates of discount.

The uniformity of the result shows the strength of the tendency, and it is, in my opinion, impossible to devise any restrictions which will prevent its operation.

(2) The function of issuing and redeeming notes payable on demand, is so intimately connected with commercial operations, both inland and foreign, that none but persons who have close and constant relations with the active commercial world can properly manage it. The business of circulation, in fact, is the business of the banker, and such it has ever been in the mother country, the centre of the finances of the world. Such, also, it has long been in France, whose experience of the disastrous effects of a Government currency has been such as to deter it from ever repeating the experiment.

(3) If the Government have it in its power to emit paper money, and such paper money become a recognized instrument of currency, the temptation to extravagant expenditure will be irresistible.

Experience shows that the expenditure of a Government is the most difficult of all disbursements to be kept within reasonable bounds, even when there is such a strong restraint as the necessity to raise money by taxation or loans. If this restraint were removed, there can be no question that expenditure would become ruinously large, and the issues of money far beyond legitimate requirements. The currency would of course fall to a discount, and the credit of the country be damaged in the money market of the world.

I am not aware of any advantages which would arise from a Government currency, except the facility which it would afford it for borrowing, and the saving of interest on whatever amount of notes might be kept afloat. It is needless to add that this very facility would be the source of the greatest danger.

As to the superior safety of Government notes, all experience proves that this is a mere delusion. There is no security against such notes becoming so depreciated in value as to be practically worthless.

Under a proper system of redemption, such as Canada has long possessed, a banker is bound to redeem his notes under penalty of closing his doors. The Government has not such penalty to fear, nor can any pressure be brought to bear upon it by its own constituents, which will deter it from over-issues and their consequences.

The conditions under which banks may issue their own notes based on Government securities are fundamentally different from the above, and as between the two systems, there can be no question that the latter is to be preferred. The principal advantage it offers is, that the currency issued under its pro-

visions has a preferential claim to the securities deposited to cover it. To the Government it secures a demand for its debentures on the part of the banks.

The disadvantages of such a system, speaking of it simply as a theory, are that it compels a bank to lend to the Government to the full amount of the notes it may ever be required to issue. This prevents the capital and credit of the bank being availed of to meet the requirements of commerce to the extent to which these loans may amount.

It should be remembered also, that Government securities are liable to heavy fluctuations from political causes; and to compel bankers to invest such large sums in this shape is to subject them to a disadvantage which might, under certain contingencies, be fatal; and this without any corresponding return. If the case of the Bank of England is cited in this connection, it should be remembered that this bank has always had the immense advantage of the Government account.

Further, it is questionable whether even this currency would be brought within the operation of a regular redemption, such as has long existed in Canada, and which is the essential feature and safeguard of our system.

The National Bank notes of the United States are never redeemed, and all schemes for making them redeemable, have hitherto proved impracticable.

In considering this question, it should never be forgotten that these banks have at no time been worked on the basis of specie payments.

In my opinion, speaking as a practical banker, until a system has been subjected to this test, it is impossible to judge of its merits. In this opinion I am confirmed by eminent financial authorities in New York.

As to the effect of such a system in any countries in which it prevails, I am not aware that it does prevail in any country but the United States. That country in past years has been afflicted with banking systems and currencies of a most heterogeneous character, many of them pernicious and unsound to the last degree. Enormous losses have been suffered in consequence, especially in the Western States, and almost any change would have been welcomed which rid the country of such dangerous pests.

The National system is undoubtedly a change for the better, but it is needless to add that Canada never suffered from those evils which rendered the change desirable.

MR. JACK.—The first part of this question is so vague that it is difficult to discuss it. The basis on which the issue of Government notes is to be made should be stated.

It has been recognized by the best writers on economic science, that if a Government takes the note circulation into its own hands, it should confine itself to the "iron principle" of an exchange of notes for gold, and gold for notes; and that there should always be in its possession an amount of gold equal to the notes in circulation. If this were the basis, and it is the only sound one for a government to adopt, there could not be any doubt of the immediate redeemability of all the notes afloat. But it does not appear that this is the basis proposed for adoption. Judging by the tenor of the various questions, the idea seems to be a government note circulation with only a partial reserve of gold, in place of the present bank note circulation with a like reserve. If I am correct in this supposition, the principal advantage appears to be, that it is perhaps a cheaper mode than any other whereby the government may borrow money. It has been asserted that under the present arrangement for borrowing by the issue of legal tender notes, the government has paid a much higher rate of interest than if it had borrowed by the issue of bonds or debentures. If such is the case, and the present arrangement were continued and extended, it does not seem that there would be any advantage to the government or the country by obtaining a loan in this way.

Under a government note system, with only a partial reserve in specie, there would not be so great security for the immediate redemption of the circulation as at present exists. The far larger portion of the money thus obtained would be expended on government works, the payment of salaries, etc., and would be gone beyond recovery. In the event of a demand for gold, either for exportation, or through the influence of panic, all that the government would have to redeem the notes would be the specie reserve. There would not be, as is the case with banks, the daily maturing of loans, nor would there be any other reserve such as money invested at call, or in the hands of agents abroad, by means of which gold comes in, or could be immediately obtained to meet any extraordinary demand. The only way in which the government could obtain the gold would be by means of a loan; but, at such a time, it would be utterly impossible to obtain one, and government would be compelled to suspend specie payments. The very fact of a government taking the circulation into its own hands, results, not from any partiality in favor of the holders of notes, but from the necessity of borrowing. This necessity seems to increase with most governments, and as under a suspension of specie payments, it would be much easier to borrow money by the issue of legal tender notes than when they are redeemable in gold, there is a constant temptation to bring about this result, which, in times

of distrust and panic, would diminish any existing desire to maintain specie payments. For a bank to suspend specie payments is ruin; for a government to suspend specie payments is prosperity, through increased facilities for borrowing. A government in want of money, or a government without principle, would thus have a power in its hands, which might, at any moment, by a simple order-in-council, be employed to the great detriment of the best interests of the country.

Again, were Government the sole issuers of the circulating medium, either directly or through the medium of a bank, it would possess a power which might easily be perverted from legitimate purposes to the carrying out of party and other illegitimate ends. Whether justly or not, a government holding the power of issue would always be liable to attack, for the mode in which it might use it. If the power of issue were confined to a bank of discount acting for the Government, the evil would only be intensified. On this point it has been well said by Mr. J. R. McCulloch, "that a National Bank, for transacting ordinary banking business, would be neither more nor less than a national nuisance that would very soon have to be abated," and he adds, "no Government would choose to encounter the obloquy of being connected with such an establishment." The opinion of the late Sir Robert Peel is no less decided. When discussing the renewal of the charter of the Bank of England in 1844, he said "the advantages, the only advantages which I have been enabled to discover in a Government bank, as compared with a private company, are those which result from having responsible persons to manage the concern, the public deriving the benefit of it; but then, on the other hand, I think these benefits are much more than counterbalanced by the political evils which would inevitably result from placing the bank under the control of the Government. *I think that the effect of the State having the complete control of the circulating medium in its own hands, would be most mischievous.*" These views have received a striking corroboration in the attempt at a national bank in Canada. Complaints, both loud and deep, have been made, that the present method of managing the Government circulation has always been used in a manner injurious to the interests of the other banks and general community. What may we not expect if this power for evil is increased by the destruction of the bank circulation and substitution of that of the government, and the whole confided to a single bank of issue?

The present National banking system in the United States, is one which has taken its rise under a suspension of specie payments, and it is impossible to argue from what is there taking place as to the value of the system where the notes are con-

vertible into gold at the pleasure of the holder. Prior to the passing of the Act which called it into existence, the banks in the principal cities held large reserves in gold. The immediate effect of their coming under its provisions was the sale of that gold, in order to purchase securities to lodge with the government for notes. In this way they were enabled to comply with the Act without disturbing their general business. If the trade and commerce of the country had at that time been conducted on a specie basis, this would have been impossible.

MR. ROWLEY.—The direct issue of Government notes, *e.g.*, the greenbacks of the United States, the four and five dollar notes of Nova Scotia, and of the former Province of Canada, has been generally considered by statesmen of all shades of political opinions to be by no means desirable. On the other hand its disadvantages are universally admitted.

The advantages of a system of bank issues for the Dominion similar to that of the National Banks of the United States, would be the same as have been found desirable in that country; they consist chiefly of—

(*a*) Uniformity of currency over all parts of the country, and the note a legal tender for the payment of all debts.

(*b*) Security by Government, as well as by the liability of the stockholders.

(*c*) The whole available capital of the country thus becomes pledged to support the Government and institutions of the country, and thereby tends to maintain good order and law.

(*d*) The people, with their property, through the banks, thus invested in Government securities, find themselves pledged to maintain the integrity of government, the preservation of order, and the support of law, thereby adding greatly to the prosperity and stability of the country.

MR. WILMOT.—The advantage of a direct issue of Government legal tender notes would, if restricted, as mentioned in my last answer, relieve the public from being taxed to pay the interest on that amount of the public debt. The wear and tear of notes should, as in Nova Scotia, more than compensate the cost of issuing them, and when the foreign trade was adverse, they would not be so injuriously affected as the existing bank note circulation. Being a legal tender, and being received for duties and taxes, the holders would have perfect security. No disadvantages could arise, unless the power of issuing them was abused, which could equally be applied to any other paper circulation. I think the National Bank system of the United States, has been proved by experience, to be safer for the public, and more remunerative to the stockholders, than the system similar to our own, previously existing in that country. One in many

respects analogous to it, would be much more fitted for the development of the resources of a new country, where floating capital was scarce, than the present system.

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QUESTION 5.—*Do you consider that the National Bank system of the United States could be introduced with advantage into the Dominion of Canada—if not, give your reasons; if yes, state what modifications or different provisions you would recommend, so as to properly secure the convertibility of their issues, and give due security for deposits?*

MR. PATON.—I am of opinion that the National Bank system of the United States could not with advantage be introduced into the Dominion of Canada. One objection to its introduction is, that it would encourage the establishment of a multitude of small Banks, which would not be able to secure the services of efficient and experienced men to conduct their affairs. It is likely that the deposits would be used by the parties having the control of the Bank.

The establishment of numerous small banks in Canada would result in continually recurring failures, causing embarassment to the public, exposing the other banks to danger from panics, and generally bringing discredit on the whole banking system of the country.

MR. ALLAN.—Undoubtedly the National system of banking could be introduced into this province, but whether it would offer any advantage over that which now obtains here is, in my opinion, doubtful.

MR. STEPHENS.—I am abundantly satisfied that the National Bank principle of the United States could be introduced with great advantage into the Dominion of Canada. In order to secure the convertibility as well as the uniform value as nearly as possible in different parts of the Dominion, it would be necessary to amend the law so as to compel the local banks of Nova Scotia to redeem their notes in Halifax; those of New Brunswick, at St. John's; those of Quebec at Montreal, and those of Ontario at Toronto, at the rate of one-eighth per cent. discount, and in addition make them by law receivable for all public dues. In regard to the security for deposits, I do not see that more can be done than what I referred to in my answer to Query No. 3, viz., from each Bank compulsory semi-annual reports of the names of their shareholders.

The double liability clause would be of great value, but it would never answer under this system. The fact is, it would be

asking too much from the shareholders, after having deposited security for their circulating notes, and would, therefore, prove to be an obstacle to the free working of the law.

I have thus far omitted to refer to one of the most important advantages to be gained from the establisnment of this system of banking in the Dominion. I allude to its favorable effect upon our own public securities, by increasing their value and convertibility, and what is of still greater interest to the country, is that the demand for banking purposes would cause the return to us of a large portion of our bonds, thereby securing the disbursement of the annual interest amongst ourselves in place of being remitted abroad, as at present. This item of three or four millions of dollars, which have been yearly remitted for interest on our Public Debt, is no small amount to be deducted annually from the value of our exports, the saving of which will be most sensibly felt, greatly to our relief in the home trade. On this account I have long been anxious to see our securities held and domiciled at home.

MR. RAE.—The limited capital of the country would prevent the National Bank system, which has been so successful in the United States, since the suspension of specie payments, proving a good substitute for the bank issue which now exists here.

MR. STEVENSON.—It must necessarily be difficult to deal with the National Bank system of the United States, in connection with its introduction into the Dominion of Canada. That system is not based upon specie payments; and it is admitted that every system of banking and currency must be subjected to the test of specie payments.

MR. HOPE.—I should view the introduction of such a currency, or anything analogous to it for Canada, as a great calamity. Our object should be to have a currency as near as possible *perfect*, and in my opinion the National Bank currency is several removes from *that.*

MR. HAGUE.—In considering this question it is important to put aside mere financial theories, and look at the matter from a practical point of view.

If the National Bank system is introduced into Canada, it will be necessary for the Banks to purchase Government securities to an amount considerably more than the highest point to which their circulation reaches when expanded in the season for the moving of produce. To do this will curtail their resources for carrying on the trade of the country. I do not think it will be of advantage to the trade of the country to withdraw a considerable amount of capital now engaged in its

development, for the purpose of lending it to the Government. This I consider to be a sufficient reason why such a measure should not be inaugurated.

It seems to me that whether we look at the banking business of the country in general, or regard the periodical expansion and contraction of the circulation required by a portion of it, the National Bank system of the United States could not be advantageously introduced into Canada; and when we consider that the proposed system offers no better security for the general condition of banks than the one now in existence, we feel inclined to say, in the words of Lord Melbourne, "Can't you let it alone?"

It should also be remembered, in considering this question, that the posftion of Canada, with its comparatively small population, is very different from that of the United States or Great Britain. There is not the field in it for the purchase and sale of stocks which there is in these countries. And I very much doubt the wisdom of borrowing from the population of a new country the money required for Government works. All the available resources are required for the development of the trade and manufactures. If the Government interferes with these resources, there cannot possibly be that rapid advance in the future which has been seen in the past.

It is not easy to borrow money abroad for mercantile purposes, whereas it is comparatively easy for a prudent Government to obtain from foreign capitalists all the money it may gradually require, as was shown by the late loan.

MR. ROWLEY.—I consider that a Bank Act, similar to that of the Bank of England and the National Bank Act of the United States, might be advantageously introduced into the Dominion of Canada.

MR. WILMOT.—A general banking law, similar in most of its provisions to the United States National Bank Act, would enable any number of individuals possessing the requisite securities, to carry on the business of banking, by depositing the securities with the controller of the currency; being relieved from the expense of keeping large reserves of specie, they could afford to pay as much for the notes as would relieve the public from the cost of conversion, and contribute a reasonable sum to the general revenue, while the note-holders would have the securities deposited and the guarantee of the State, for the security of the circulation.

MR. LEWIN.—In my opinion, the introduction into Canada of the National bank system of the United States, would be, financially, a public disaster. It would, in the first place, require

a large amount of bank capital now loaned to the public to be withdrawn and invested in Government securities, and secondly, introduce all the evils of an irredeemable, and therefore depreciated paper currency.

Messrs. Strathy and Vezina also answered this question in the negative.

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QUESTION 6.—*Can you suggest any system, having Government securities as the basis of circulation, which will provide for the necessary expansion or contraction at certain periods of the year, and at the same time make the note circulation of all the banks equal, in point of security?*

MR. PATON.—In the event of the system of depositing Government securities as the basis of circulation being introduced, those banks whose business is too extended may have difficulty in meeting a demand for an extension of their circulation, but to every properly organized bank, with capital and resources sufficient, no such difficulty will arise; as the only precaution to be observed, is always to hold an amount of Government securities equal to the highest circulation, and thus provide for necessary expansion. This system will also, to a very great extent, equalize the notes of every bank in point of security.

During the past ten years the minimum circulation of bank notes has been $8,000,000 (inclusive of legal tenders,) and the maximum $15,000,000, a difference of no less than $7,000,000; but the highest circulation (legal tenders included) during the past ten years was $12,500,000. The banks, in order to supply themselves with the amount, would require to deposit with the Government $13,750,000. They have at present, of Government securities, $7,000,000. From their capital and resources, they would therefore require to provide the difference in cash, say about $7,000,000, but this could without difficulty be accomplished within the time suggested in my reply to No. 3, viz.: four years after the expiring of the present charters.

MR. ALLAN.—If the possession of government securities was to be the basis of bank circulation, or if the notes of the Government were alone to be circulated, the necessary expansion might be obtained by an arrangement, by which, on a deposit with a Goverment agent by a bank, of its approved discounted paper, the required circulation would be afforded or authorized.

MR. STEPHENS.—The proper remedy to guard against violent contraction or expansion would, in my opinion, be the appointment by law of three bank commissioners, with full powers to make quarterly examinations of the condition of each bank. I believe these duties are clearly pointed out in the United States National Bank laws, and if this system is adopted in the Dominion, the note circulation of all our banks would then be equal in point of security.

MR. RAE.—I do not know of any other method than that of Government deposits, in each bank, in proportion to its capital, consisting of notes for circulation, to be used at certain seasons of the year, when needed to move the produce of the country.

MR. STEVENSON.—As I am not in favor of any system having Government securities as the basis of circulation, for reasons which I hope to make apparent as I proceed with my replies, I am unable to suggest or recommend any such which I would consider sound. I use the word "sound" as a synonym of right, or coincidence with a rule calculated to produce good, or which can be shown to be generally expedient.

MR. WILMOT.—If Government securities could not be obtained to meet the necessary expansion required at certain periods of the year, others equally valid might be substituted. The free banking law of the State of New York, prior to the war, which worked beneficially, permitted the deposit of two-fifths of the securities in mortgages on land, without taking into account the buildings, and authorized an issue of notes, I think to the extent of 30% (thirty per cent) of the assessed value. The Scotch banking system was started by the landed-proprietors uniting in the issue of notes, making their whole property responsible; the necessary contraction would regulate itself, by paying back the notes when not required by the trade. If the banks circulated Dominion notes only, the security of all would be equal.

Messrs. Vezina, Woodside, Cartwright, Hague and Lewis, could suggest no system by which the defects of such a system as referred to in the question could be overcome.

QUESTION 7.—*Is the expansion and contraction as sudden and great of late years as formerly, in the provinces of Ontario and Quebec; and does the circulation vary, and to what extent, in Nova Scotia and New Brunswick? If so, at what seasons, and from what causes?*

In reply to this question, MR. HAGUE submitted the following table of expansions and contractions in the circulation of the Banks of the late Province of Canada, for a period of ten years:—

TABLE OF THE HIGHEST AND LOWEST CIRCULATION OF THE BANK NOTES OF THE LATE PROVINCE OF CANADA FROM 1857 TO 1865, INCLUSIVE

Year	Month	Highest Circulation	Month	Lowest Circulation	Expansion and Contraction
		$		$	$
1857	January.....	11,873,730	December....	8,757,315	3,116,415
1858	October.....	10,177,414	May.....	7,682,350	2,495,064
1859	October.....	11,236,055	May.....	8,122.125	3,113,930
1860	October.....	14,756,242	May.....	9,478,440	5,277,802
1861	October.....	15,259,202	April.....	10,036,451	5.222.751
1862	February	12,812,268	December....	9,868,997	2,943,027
1863	October.....	11,288,890	May.....	8,372,567	2,916,323
1864	January.....	10,982,726	August.....	8,525,475	2,457,251
1865	October.....	14,258,655	July.....	8,169,289	6,189,366

The expansion of the last of these years was, I believe, the greatest ever known, as the whole occurred within a period of three months. In the following year the provincial note system was put into operation, and the Bank of Montreal commenced to redeem its circulation. Both these causes would disturb any calculation as to the variation in the total issues of the last two years.

The following statement shows the highest and lowest circulation of the banks of the late Province of Canada (other than the Bank of Montreal) for 1866 and 1867:—

Year	Month	Highest Circulation	Month	Lowest Circulation	Expansion and Contraction
		$		$	$
1866	March.....	9,330,226	August.....	7,252,297	2,077,929
1867	October.....	9,659,534	August.....	7,411,962	2,247,572

QUESTION 8.—*Can you suggest any plan by which the existing banks could give the public the security of Government debentures for their note issues, and at the same time carry on a profitable business, if time were allowed to adapt their present operations to such a system, either by increase of capital, gradual redemption of their circulation, or otherwise?*

MR. PATON.—The banks of the Dominion could carry on a profitable business, if permitted to issue their own notes, guaranteed by a deposit of Government debentures, if allowed to draw the interest on the debentures lodged, and if relieved from the tax of one per cent. on their circulation, and from the obligation to hold ten per cent. of their capital in Government securities, and provided sufficient time is allowed to effect the change.

MR. STEPHENS.—I cannot suggest any safe plan of introducing into the charters of our existing banks the principle of compelling them to secure their circulating notes upon the pledge of Government debentures, as I think any attempted arrangement of that kind would be only adding another experiment upon the present National Bank law of the United States, which has now already had the benefit of twenty years of experimental legislation in that country without ever having its general principles called in question.

MR. HAGUE.—The reason why the circulation of their notes is an object to the Canadian banks, is that their deposits are so small in proportion to their capital. Deposits in Britain and other colonies and dependencies of the Empire, are far larger than in the Provinces. It is a matter of interest to observe that the ratio of deposits to capital is gradually and slowly increasing. When the times come when the deposits bear the same proportion to capital as deposits and circulation combined do at present, it is probable that other things being equal, the banks will be able to do as large a business on the same capital as at present.

Judging from the past, I should say that this may take place in seven years, provided that no monetary derangement occurs in the meantime from bad harvest or political complications. If such disturbing causes should supervene, it may take from ten to fifteen years to bring about such a result. This, however, will enable the banks only to grant the same amount of discount accommodation after the lapse of this period, as they do at present.

As the requirements of commerce may be expected to be considerably increased at that period, it is evident that legislation of the character named will considerably increase the

stringency of the money market, and deprive the commercial community of the benefit they would otherwise derive by the accumulation of wealth in the country.

There can be no escaping from this result under any possible arrangement. If the time for a complete covering of note issues by Government securities were fixed at seven years, and the banks were gradually required to purchase securities for that purpose, they would have less to lend every year, as they lent larger and larger sums to the Government.

So far as the profits of the banks are concerned, it is proable that the obligation to lend to the Government would not directly diminish them to any considerable extent. The crippling of the resources of men of business, however, would render the banks liable to greater losses than they would be otherwise, which is a most undesirable contingency.

MR. WILMOT.—The most ready mode would certainly be by increasing their capital.

The remaining replies indicated a unanimous opinion that this change could not be effected without prejudicially affecting the banks.

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QUESTION 9.—*If the existing banks were deprived of the right to issue notes, except on Government securities, how long, in your opinion, would it take to adopt the necessary steps whereby the present circulation might be redeemed without curtailment of discount accommodation? Would the effect be to lessen seriously the discount accommodation now afforded to the trade of the country, and if so, to what extent? Would the change tend to increase the rate of interest?*

MR. PATON.—Four years after the expiring of their charters would afford the banks time to make arrangements for carrying on their business, with a circulation based on government securities, and for redeeming their present circulation, say at the rate of twenty-five per cent. per annum without inconveniently curtailing their discount accommodation. Several of the banks having already as large an amount of government debentures as of circulation, could immediately enter into the arrangement suggested, without decreasing the amount of their loans. I do not believe that the change would tend to increase the rate of interest.

MR. ALLAN.—The restriction on the banks, by which they could only issue notes based on government securities, would necessitate an immediate curtailment of circulation, and also of

discount accommodation; and this would continue just until the restriction was removed. As the business of banks would also be greatly lessened, an increased rate of interest would be an immediate necessity.

MR. STEPHENS.—If the existing banks were brought under the operation of a new banking law, restricting them exclusively to the issue of notes secured by a pledge of the public securities, two years would be fully sufficient time for all of the present banks in the Dominion to purchase their bonds for deposit with the government to secure their new note circulation. This arrangement should cause no disturbance whatever in the regular course of banking, and, in my opinion, would not in the least restrict their power in extending their usual accommodation to their customers, because during the change of the old banks, new ones would be established in different parts of the Dominion, under the new law, which would have the tendency to diminish the rate of interest, rather than to increase it.

MR. RAE.—In order to avoid reduction in the present discount accommodation, additional capital would be required to replace the present bank circulation. I think the change would have a tendency to increase the present rate of interest.

MR. STEVENSON.—The circulation of the banks in Canada (excluding the Bank of Montreal) may average...

	$10,000,000
Reserve to be retained.....	2,000,000
Leaving	$ 8,000,000

available for business—in other words, being the power of lending arising from the circulation. This would be lost. But the Government bonds, under the provisions of the Act, would be converted into legal tender notes, say to the amount of $3,000,000, the lost power would therefore be $5,000,000. If the existing banks were deprived of the right to issue notes, except on Government securities, I am of opinion that a change of system would have to be brought about gradually, say, in ten years. All are agreed that the effect of basing bank issues on Government bonds, will materially reduce bank accommodation. It is also generally admitted that the greatest stringency or scarcity of money will be when the crop has to be moved. This stringency will be greater than is generally supposed, for the following reasons:—Banks, under the present system, provide for the moving of the crop; this provision, with the usual expansion of circulation, enables them to meet the requirements of their customers. But deprive the banks of the advantages

resulting from the expansion of their circulation, and they will cease to provide for a business which is active during three months of the year only. They will keep their available means invested in the paper of manufacturers and importers, engaged in a steady business, usually requiring money throughout the whole year. When the crop is brought to market, there will be no money to be had from the banks wherewith to move it, except from banks possessed of large capital, having a large portion of their means in England and the United States; and those banks will not withdraw such capital unless the business connected with the moving of the crop pays them better than lending in New York and England. Take the present harvest. For some time past gold in New York has been worth $\frac{1}{16}$th @ 1 per cent. per diem, for its use. What inducement would there be, under a system of note issue based on bonds, to fetch one dollar from New York to advance on produce? As there would necessarily be a great scarcity of money here for the purpose of moving the crop, the farmers would be entirely at the mercy of American capitalists, who would buy on their own terms and at a manifest loss to this country.

MR. VEZINA.—It would take the banks at least ten years, in the most speedy way possible, to redeem the amount of their circulation, but they could not do it without a great restriction in business generally, and without a considerable injury being inflicted on trade. The change would certainly tend to increase the rate of interest.

MR. WOODSIDE.—If the existing banks were deprived of their right to issue notes except on government securities, the effect would, in my opinion, be most disastrous to the commerce of the country, as the curtailment of the present discount accommodation would seriously cripple every enterprise and depreciate the values of all commodities, and ruin many engaged in trade.

The change would, no doubt, materially increase the rate of interest, for banking is now much less profitable in Canada than it is in England and in many other places.

MR. CARTWRIGHT.—The banks now existing in Ontario could not give up their circulation without curtailing their discount accommodation, unless they were able, simultaneously, to increase their capital to a very considerable extent. I doubt if this could be done, *pari passu*, with a proceeding which would materially reduce the profits to be expected from capital employed in banking, in the first instance at least. As before observed, the profits of circulation have always formed

a large item in the calculations of bankers in Ontario, and I am much inclined to think that the rapidly increasing business of that province will require all and more than all the bank capital it can command, without depriving it of any it now possesses, whether in the form of paid-up capital or of circulation. If banks in Ontario are to be deprived of the right to issue notes, it ought to be done as gradually as possible. There is strong ground for believing that the withdrawal of the power to issue notes would have a specially injurious effect in Ontario for reasons already given. The curtailment of discounts would probably be not less than five millions of dollars in that province, and in an ordinary state of things (if American silver coin were withdrawn) would be very considerably more. Such a step must tend to increase the rate of interest, though it must depend on a great variety of considerations whether it actually raised it or not. Hitherto the Canadian Government has hardly ever entered the Canadian money market as a borrower, and it is impossible it should do so to the extent of several millions (which is the direct effect of this measure) without tending more or less to raise the rate of interest.

As a matter of expediency, it is very questionable if Government should become a competitor for what may be called the "active loan fund," of any country except in case of urgent necessity, and this is always specially objectionable in a new and growing one.

MR. HOPE.—Looking at the bank statement of 31st March last, I observe that the circulation is $8,742,910, and the coin, bullion and provincial notes $8,507,956, so that the circulation to the banks collectively (whatever it may be in one or two exceptional cases) cannot at present be very remunerative; and from these figures I cannot see how, if the banks were deprived forthwith of the right to issue notes, that any curtailments of legitimate discount accommodations should result from it.

MR. STRATHY—Were the present circulation done away with, a curtailment of discounts must undoubtedly follow, even if the Bank capital were increased as rapidly as possible. I should think the curtailment of discounts necessary would not fall short of $10,000,000; the currency would unquestionably increase the rate of interest, by causing a continued stringency in the money market.

MR. HAGUE.—I have already indicated that the very shortest time within which such a change could be prudently inaugurated, would be seven years, provided that no financial

disturbance took place in the meantime. I name this, however, simply as an alternative between the initiation of such a change without sufficient notice.

There can be no possibility of a redemption of Bank note circulation, or a covering it by Government securities, without a curtailment of discount accommodation present or future. Even if the change were gradual, and discounts, while the process was going on, could be as high as they are now, the increased means which would arise from larger deposits would be diverted from business operations to the use of the Government. The course of banking in Britain and every other commercial country, is for the surplus funds, that is, the Bank deposits of one district, or one class of the community, to be made available for the carrying on of business in another district, or to another class, by means of the banker, who receives money from one person and lends it to another.

Deprive the commercial community of London, Liverpool, or Paris of the discount accommodation they receive from the deposits lodged with the bankers, and the greater part of the men of business in those places would stop payment. This is obvious. Deprive the commercial community of any *increase* of discounts they require in the increased development of commerce, and the effect would be that commercial progress would be checked.

If the banks were required during the present year to lend to the Government a sufficient sum to cover their whole circulation, it would be necessary to call in loans from the commercial community to the extent of several millions of dollars.

This curtailment of discounts would be almost wholly with the banks of Ontario, whose circulation is large in consequence of their doing business mainly in an agricultural community. It should be remembered that in the contraction of discounts a very small diminution in the total volume produces an effect far more than is commensurate with the amount of contraction.

It would be impossible to exaggerate the disasters which would be entailed upon the country (all of whose parts are mutually dependent), by so large a curtailment of discount accommodation.

Even if this difficulty were overcome, it is almost certain that in every future year a great scarcity of money would occur at the time when banking accommodation was most needed, viz., during the fall and winter months. Such a state of things would inevitably lead to higher rates of interest, which, as is well known, could not be prevented by legislative enactments.

Another incidental effect would be the lowering of the price of produce by the periodical stringency of money. This would of course operate to the injury of the farming com-

munity. Remittances to wholesale centres would suffer in consequence, and commercial enterprise be checked accordingly.

The effect of the proposed change would thus be as follows

If carried out at once,—

To diminish discount accommodation to the mercantile community of the West, to the extent of from five to seven millions of dollars, and bring about a severe revulsion in every part of the Dominion.

If time were given for the change,—

To prevent discounts being increased as the growth of population and business demanded it.

And in either case a higher rate of interest, accompanied by a greater uncertainty of repayment of loans; a diminished price for produce; severe fluctuations in the money market annually; periodical financial distress.

It is well known that with all the resources at the command of the banks, there occur seasons of financial distress at present.

Prevent by arbitrary enactment the banks from availing themselves of that credit which may be used to tide over a period of stringency, to that extent financial distress will be aggravated.

MR. ROWLEY.—The change might be limited to about five years at the furthest, which would be long enough to allow every bank to make the necessary change without any inconvenience either to themselves or their customers; and the change might be brought about very gradually, in proportion of one-fifth of circulation annually, *i.e.*—each bank would take one-fifth of its capital in the new issues every year.

MR. WILMOT.—The experience of the change in the United States is the best answer to this question. The establishment of a free National banking system has afforded more general accommodation to the trade of the country; business formerly conducted on credit, has, by the increase of circulation, been transacted with money; the rate of interest has been more regular and equal, not subject to the fluctuations which occur under our system.

MR. LEWIN.—The existing banks usually discount to the full extent which a prudent management of their business permits, and would be compelled to lessen the amount of discount accommodation afforded to the public, to the extent of the sum invested in Government securities.

QUESTION 10.—*Do you consider that the present system, under which a portion of the circulation of the Dominion is on the direct issue of notes of the Government, viz.: Under the Act, 29-30 Vict., Cap. 10, of the late Province of Canada, and under the Acts, Chapter 39, Revised Acts, Title ii, of the Province of Nova Scotia, coupled with the system of independent issues by the banks themselves, is satisfactory in its operation? Do the public prefer the notes of the Government to those of the banks, and are the banks which issue their own notes placed at any disadvantage, and how? State fully yonr experience of the working and effect of the co-existence of the two systems? Has the introduction of the Legal Tender system produced a material reduction in the volume of specie in the country, and would it, if made general, cause such further reduction as to depreciate the value of Legal Tenders? State fully your views on all these points?*

MR. PATON.—By the Provincial Note Act of 1866 the Government was authorized to issue a limited number of legal tenders to any bank which, under certain conditions, was disposed to withdraw its own circulation and issue the notes of the Government.

The only bank that took advantage of the Act was the Bank of Montreal. That institution held so large an amount of Government debentures, that it could, without inconvenience, withdraw its circulation and replace it by legal tenders. When the above Act was passed, the Government considered it necessary to borrow about four million dollars in Canada, and they proposed to issue debentures at a high rate of interest, and in small amounts. As this loan would have been supplied by deposits withdrawn from the banks, I consider that it was more for the convenience of these institutions that Government should issue a limited amount of legal tenders than that their deposits should be largely and rapidly diminished. The Government notes have never exceeded in amount the circulation of the Bank of Montreal. I am of opinion that the Act authorizing the issue of a limited amount of legal tender notes, coupled with the system of independent issues by the banks themselves, has been satisfactory in its operation.

The public make no distinction between the notes of the banks and those of the Government, and they both circulate freely, and at par.

MR. ALLAN.—I am not aware that the public show any preference for the notes of the Government over those of the banks. The manner in which the legal tenders have been put in circulation, has been injurious to every bank, except the

favored one through which the issues have been made, inasmuch as that bank being also the only Government bank of deposit, dictates the method of making settlements unnecessarily oppressive and inconvenient.

MR. STEPHENS.—The present system of direct issue of notes by the Government, and at the same time independent issue of the banks, can never in my opinion be made to work in a satisfactory manner, either in the interests of the banks or the Government. One or the other must be made exclusive, if either be adopted. A point, however, is now reached in banking, as well as in the speculative character of trade in this country, which imperatively demands our choice of a currency secured by Government debentures, or a direct Government issue.

MR. WOODSIDE.—I think that the public does not prefer the notes of the Government to those of the banks, as I have known of two per cent. being paid to get gold for Government notes, and I have known the Government notes to be refused altogether although a "legal tender." The banks which issue their own notes are placed at a disadvantage, for although they redeem daily in gold, their issues are liable at the whim of an unscrupulous Government agent to be rejected, thereby causing want of confidence in the public with perhaps a run for gold. This was the case in October last, and may be again.

MR. CARTWRIGHT.—I think that the Act referred to placed a great amount of power in the hands of the Government of the day, and I am convinced that its effect would have been very disastrous, at any rate to the banks of Ontario, had Government, in conjunction with the Bank of Montreal, exerted themselves to the utmost of their power, to force the entire eight millions of legal tender notes authorized by that Act, into circulation.

As matters actually turned out, Government having allowed things to take their natural course, and having confined themselves to issuing a sum barely equivalent to the amounts withdrawn from circulation by the failure of the Bank of Upper Canada, and by the Bank of Montreal acting under agreement, I am of opinion that no appreciable disturbance was caused by the effects of that Act, the failures of the Bank of Upper Canada, and of the Commercial Bank, being clearly traceable to causes wholly unconnected with and unaffected by that measure.

At the same time I must observe, that it is still in the power of Government to cause very considerable inconvenience should they decide on forcing the balance of legal tenders still unissued into circulation.

I do not think the banks which issue their own notes have, so far, been placed under any practical inconvenience by the issue of legal tenders, though they have undoubtedly been compelled by the fiscal agent of Government to hold a certain quantity of legal tenders which they would otherwise not have retained. I apprehend, however, that this has simply caused the displacement of so much gold, and can hardly have inconvenienced the banks in the extent to which it has gone through. I offer no opinion as to what the result might be were the matter pushed further.

I am bound to add, however, that I have found the legal tender notes preferred by a considerable number of persons, and speaking generally in view of the existing position of the country, and of the public finances, I think the existing system may safely be allowed to continue. I have already, in my answer to question 3, stated my views as to the best course to be pursued in future.

MR. HOPE.—I consider the present system of having a portion of the circulation of the Dominion on the direct issue of Government notes, coupled with the system of independent issues by the banks themselves, most unsatisfactory, as it places the banks which issue their own notes at a disadvantage, inasmuch as the public have apparently *a leaning* in favor of the Government notes, and in times of panic the circulation of a bank is first discredited, and then a withdrawal of its deposits follows.

MR. HAGUE.—I do not consider that the operation of the Provincial Note Act has been satisfactory. That it has not occasioned severer financial contraction, is owing to the fact that no bank has embraced its provisions, except the bank which had the Government account, and that the same bank which came under its provisions had the management and control of the Government currency.

It would, in my judgment, have been dangerous and imprudent in the extreme for any bank to come under its provisions without stipulating for the same conditions as were enjoyed by the Bank of Montreal, viz: a share of the Government deposits, and what is far more important in this connection, a share in the management of the scheme. As these conditions would have been practically impossible, the issuing of Government notes has been confined to the bank which enjoyed them, and retained the control of the Government currency in its own hands. The Bank of Montreal, in fact, by retaining such control, has been precisely in the same position as a bank which issues its own notes. It has had at all times a large reserve of notes to fall back upon, which could be used at discretion, the only

condition of issue being the crediting of a special Government account, and the retention of a small proportion of specie. This rendered the new currency practically elastic, and prevented the injurious consequences which must have arisen from a rigid system of issues, as provided by the letter of the Act.

On the other hand, evils have arisen which would have been prevented had the Government retained in its own hands the control of its currency and banking account. The principal of these is, that the financial agents of the Government have been enabled to assume an attitude of dictation towards other institutions, which is contrary to the public good. That such an attitude is so contrary, and that it might be exercised in such a manner as to do most serious mischief to the country, may be seen from the correspondence read to the House of Commons by the late Finance Minister, in giving his explanations, after the stoppage of the Commercial Bank.

It does not appear that the public prefer the notes of the Government to those of the banks. The amount of Government notes in the hands of the public, judging from the published returns, is, I should say, somewhat less than the amount which they formerly held of the notes of the Bank of Montreal.

MR. WILMOT.—So far as my observation and experience enables me to judge, Government notes pass freely throughout the Dominion, without being subject to any discount; this is not the case with bank notes. I have known the notes of solvent New Brunswick banks subjected to a discount of ten per cent. in Montreal, while the notes of banks in Ontario and Quebec were subject to five per cent. discount in New Brunswick; neither are they current; the Government notes being a legal tender, answer the purposes of money in all transactions, while the bank notes do not, except in their own localities, or where they have agencies to redeem. The banks of Nova Scotia being prohibited from issuing notes of a less denomination than twenty dollars, the smaller circulation is in Government notes, and being required for change there is no conflict in the issues.

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QUESTION 11.—*Should the present Banking Institutions be required to issue notes based on Government securities, or to issue Legal Tenders, would they, in your opinion, continue their local or country agencies, and if not, why not?*

MR. PATON.—Many of the country agencies of the banks are established for the purpose of transacting produce and lumber business. The advantages of these establishments consist

mainly in the increased circulation induced. In the event of the circulation of the country being legal tenders, which the banks will require to purchase with gold, and from the circulation of which they would derive no profit, all the agencies of the bank established for the purpose of promoting the circulation of notes would be withdrawn. If the note issues of the country were based on Government securities (on which the banks received interest), the notes being those of the banks, it still would be for their advantage to increase their circulation, and there would be no reason for closing the country agencies.

MR. ALLAN.—The issue by the banks of legal tenders or notes based on Government securities only, would curtail their operations and probably result in the withdrawal of some agencies as unprofitable; many of them would, however, I think, still be continued.

MR. STEPHENS.—Banks required to issue notes based on Government securities, which I take to be essentially the American system, should never be allowed to establish branch banks or agencies, unless they were restricted in this respect. A bank could be established nominally in a remote part of the Dominion, whilst all its real circulation and banking business could be done through an agency in one of the principal cities, giving such a bank an unfair advantage over those banks not similarly situated, in regard to the redemption of their circulation in specie.

MR. RAE.—I think many of the country agencies would be closed if bank circulation was discontinued, because the object to be gained by the establishment of such agencies is the profit derived from that source.

MR. STEVENSON.—I am of opinion that in many cases the present banking institutions would find it necessary to discontinue their local or country agencies. The profit on the circulation would be lost, and some of the establishments are so small that they would scarcely pay the expenses of management, but for the profits arising from the circulation. The withdrawal of those establishments would be attended with considerable inconvenience to the inhabitants. They are now places of safety in agricultural centres for accumulating wealth. They are useful for the purpose of making payments from those places elsewhere; useful to traders; useful to all. If the establishments did not issue their own notes, many local agencies would be closed, and a very great deal of inconvenience would be experienced by the inhabitants of several districts in Canada.

MR. HOPE.—I do not think the banks ceasing to issue their

own notes would therefore discontinue their local or country agencies. I see no reason why they should do so, but, on the contrary, I think they would probably look to extend their business to the great producing class of the community, the agriculturists, who have hitherto been practically shut out from direct banking facilities, and left to the tender mercies of private money lenders, although I can say from an experience of thirty years that there is no safer class in the community than the farmers of Ontario to make moderate loans to.

MR. ROWLEY.—I know no reason why the introduction of a system of banking based on Government securities should cause the withdrawal by any of the banks of their country branches or agencies.

MR. WILMOT.—Banks in England having no power to issue notes, have their branches and local agencies, and I suppose, if profitable, they would be continued in this country.

Messrs. Vezina, Woodside, Cartwright, Strathy, and Hague agreed that such a requirement would result in the closing of many country bank agencies.

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QUESTION 12.—*Do you consider that the provisions of the existing bank charters offer sufficient guarantee in the public interest as regards circulation and deposits. If not, state in what respect you would suggest amendments.*

MR. PATON.—The existing charters do not, in my opinion, provide sufficient guarantee to the public for deposits and circulation. With regard to the latter I have suggested, in reply to Question 3, that it be guaranteed by Government securities, and by a moderate specie reserve, to provide for its partial redemption without resorting to the sale of debentures.

With regard to deposits I consider that a bank should be required to hold one-third of its demand deposits in gold, and at least one-sixth of its special deposits. If the special deposits are large in comparison with the discounts, an additional reserve should be maintained in New York or London, to provide for heavy withdrawals, without inconveniently curtailing discounts. Should a bank, from want of agencies in these cities, be unable profitably to employ a reserve fund, it might be invested in Government debentures.

I must, however, observe that beyond requiring the banks to keep a certain reserve against their special and ordinary deposits, and by not granting charters to banks with small

capitals, I do not consider that it would be practicable to introduce into the bank charters any provision or amendment for the protection of their depositors. A large capital, good management, and adherence to sound principles of banking, afford greater security than the most stringent legislation, or the most carefully devised systems. Under every existing system banks have failed, and it has generally been found that this has been caused by mismanagement, and a departure from the ordinary rules of banking.

MR. ALLAN.—The satisfactory manner, and almost perfect security, with which the great majority of the banks have been managed, no loss to depositors or bill-holders having ever taken place, except in one possible instance, shows that the existing bank charters offer sufficient guarantee to the public on these points.

MR. STEPHENS.—I am clearly of the opinion that the existing bank charters do not give sufficient security to the public as regards their circulation. The speculative character that all commercial transactions have now currently assumed at the present day, so widely different from the past, on which our banks mainly depend—the relaxation of our laws for the collection of debts, all point to the great necessity of securing the bank circulation by a pledge or deposit of Government debentures, and I believe the people of Canada will ultimately accept of nothing else.

I am of opinion that the present bank charters, with the double liability clause, afford sufficient protection to the depositors, who, as a class, generally live in the immediate vicinity of the banks, and are engaged in trade, and are supposed to have ready means of informing themselves relative to the safety of any bank they intend using as a depository of their funds.

MR. STEVENSON.—I consider that a certain proportion of specie to deposits and to circulation should be held, and that the amount which each bank may issue, should not exceed the capital and the amount of specie it may have in possession after reserving a proper proportion in relation to the amount of deposits, and that the circulation should be a first charge on the assets of the bank. Had circulation been a first charge in the case of the Bank of Upper Canada, even then no loss would have been entailed on the holders of notes.

MR. CARTWRIGHT.—I think it would be expedient in future to give note holders a prior lien on all assets belonging to a bank.

As to depositors, I think the larger ones can take care of themselves, while the Government savings' banks afford all necessary facilities for the smaller.

MR. STRATHY.—If the present charters were amended as suggested in my answer to Question 3 I think the interests of bill-holders and depositors would be safely secured.

MR. HAGUE.—The charters of the banks, in my judgment, may be amended in several particulars so as to give greater security to the creditors, while preserving at the same time to the country the advantage arising from the full development of legitimate banking resources, both of credit and of capital.

The first of these amendments would be to fix a minimum amount on which a bank shall be chartered, and to limit the number of branches in proportion to paid-up capital.

The second, to provide that no institution shall commence operations until a certain proportion of its capital is paid-up, and actually held in specie, the fact to be certified by a Government officer.

The third, would be to introduce such provisions as would make the double liability of stockholders available in case of need, within a reasonable period.

The fourth, to require such statements of accounts as would check illegitimate operations.

The fifth, to prohibit any but moderate dividends being paid until a reserve fund was accumulated; and to provide that such reserve shall be again made up if impaired by losses.

The sixth, to require a certain proportion of demand liabilities to be held in specie.

The seventh, to limit the amount of circulation to paid-up capital and Government securities, and provide that any excess shall be covered by specie in hand over and above the amount required to fulfill the previous recommendation.

I further observe that I would by no means consent to the incorporation of all the above named restrictions in charters which required circulating notes to be covered by Government securities.

MR. WILMOT.—I have already given my opinion, that so far as the circulation is concerned, they do not give sufficient security; depositors must be the sole judges of where they place their money. I have no other suggestions to make.

Messrs. Rae, Vezina, Woodside and Killam answered in the affirmative.

QUESTION 13.—*Are you of opinion that the provision of making shareholders liable for double the amount of their stock is a necessary one; and are there any, and what difficulties in the way of its being practically enforced? What would, in your opinion, be the effect of introducing the principle of unlimited liability?*

MR. PATON.—The double liability of shareholders which is so difficult to enforce, and if enforced, would in many instances be oppressive, might, I think, be dispensed with, were the bank issues secured by Government debentures, and by a moderate specie reserve. Noteholders may be deemed involuntary creditors of a bank, and should, therefore, be fully protected; depositors are voluntary creditors, and it is only reasonable to suppose that they are capable of looking after their own interests, by inquiring into the management and resources of a bank, before intrusting it with their money. If the principle of unlimited liability were introduced, I believe that all the banks in the Dominion would be wound up, as I do not think that responsible shareholders could be found in this country, willing to incur unlimited liability.

MR. ALLAN.—I think the double liability clause in the bank charters is unjust and unnecessary, and should not be continued. It could only be enforced against a few, and is therefore oppressive. The introduction of unlimited liability would immediately reduce the value of bank stock, cause great numbers to sell out, particularly of the more wealthy class, and greatly increase the rate of discount.

MR. STEPHENS.—I am of opinion that the double liability clause should be retained if the present bank charters are to be renewed. Under the National banking law of the United States the double liability clause is wholly unnecessary, and would be an impediment.

MR. RAE.—The present double liability system would be useful if it could be enforced equally against all stockholders, but in the cases of foreign residents this is almost impossible, and therefore it should cease to be the rule.

MR. STEVENSON.—I would not recommend the introduction of the principle of unlimited liability; but I would recommend the introduction of a provision, that in case of default or failure, creditors should by law be competent to claim upon shareholders after six months have expired.

MR. WOODSIDE.—I think that the provision of making shareholders liable for double the amount of their stock is not a

necessary one, as most of the banks are prohibited from paying dividends out of capital, and so long as capital is intact the public can suffer no loss.

MR. CARTWRIGHT.—I doubt if this provision affords any real security to the public. It seems very questionable if recourse can be had to the shareholders till all the assets of the bank are finally exhausted, a process usually extending over several years, by which time the original creditors have, in most cases, parted with their property to speculators of various kinds.

MR. HOPE.—Shareholders in banks of deposit should only be liable for the amount of their subscribed capitals.

MR. HAGUE.—I consider the double liability clause of such practical value, as to be deserving of special enactments to give it effect. There are no difficulties in the way of its enforcement, provided that clauses with that end in view are inserted in the bank charters. In case of the insolvency of a chartered bank, its affairs should pass into the hands of a Government officer whose duty it would be at once to notify all the stockholders of their responsibility; and be empowered, after a specified time, to make calls upon them in the same way as is done in Great Britain under similar circumstances.

Messrs. Stevenson, Vezina, Strathy, Jack, Killam and Wilmot agreed that the double liability of shareholders was a desirable provision.

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QUESTION 14.—*What, in your opinion, is the minimum of capital on which a bank should be chartered; what its maximum; and can you point out any features in any existing charters, whether of the late Province of Canada, or of the provinces of Nova Scotia or New Brunswick, which are either too restricted or too unguarded?*

MR. PATON.—The minimum capital ought to be $1,000,000, and the maximum $6,000,000.

MR. ALLAN.—The minimum capital of a chartered bank should be $1,000,000, and the maximum $8,000,000, in the present circumstances of the Dominion.

MR. STEPHENS.—In granting bank charters for the Dominion, I am of opinion that $100,000 should be the lowest, and $2,000,000 the highest amount of capital allowed to any single bank. These wholesome limits I believe would be the best for the purpose of diffusing banking facilities throughout

every portion of the Dominion of Canada, wherever capital is most needed for the advancement of the national interests of the country.

I have most carefully examined the charter of the Bank of Montreal, which I suppose to be nearly the same as the charters of the other banks of the late Province of Canada, and I can see nothing of moment that could be changed for the better, except substituting the American system in its place.

MR. RAE.—$1,000,000 as the minimum, and 6,000,000 as the maximum.

MR. STEVENSON.—$1,000,000 minimum. I would establish no limit as to the maximum.

MR. VEZINA.—Not less than $1,000,000, and not more than $4,000,000.

MR. WOODSIDE.—$1,000,000 is, in my opinion, the minimum of capital on which a bank should be chartered, and $5,000,000 to $6,000,000 a maximum. It is better to have a few large banks than many small ones.

MR. CARTWRIGHT.—This is a difficult question to answer. Practically, as business is at present carried on in Ontario, *i.e.*, with an unlimited number of agencies scattered over a wide expanse of country, I think $1,000,000 the minimum on which a bank should be chartered, but I am by no means prepared to say that this rule should hold in other provinces or even in Ontario under different conditions. There are, however, serious objections to allowing small banks the right of issuing notes, and I think it very doubtful if any bank should be permitted to exercise this privilege till it possessed a million of actually paid-up capital.

I see no good reason for fixing a maximum beyond which a bank shall not be permitted to increase its capital. I am convinced that this matter may be safely left to regulate itself, and further, that if the commerce of this country goes on increasing in the same ratio as heretofore, it will necessarily require larger and wealthier banks than heretofore.

I think the limitations as to the total indebtedness which banks may contract of doubtful policy, but am not aware that any practical inconvenience has arisen therefrom.

MR. HOPE.—No new bank of deposit should be chartered with a less capital than $1,000,000, nor more probably than $5,000,000, and should not go into operation before ten per cent. of the chartered capital was paid up.

MR. STRATHY.—I think that no bank should be chartered with a capital less than $1,000,000. I do not consider it necessary to place any limit to the maximum.

MR. HAGUE.—I believe the system of central banks with large capital, having branches in the smaller towns, to be of greater advantage to the community, than one of small banks diffused over the country, each with its separate capital and management. Experience, both on this continent and in Europe, shows that the former has several particular advantages:

1st. In respect to capital—

With the same amount of capital, much greater results can be attained. Economy in the use of capital is the very essence of modern banking practice, and, without it, it would have been impossible for commerce to have attained to its present development.

2nd. In respect to management—

Other things being equal, the system of large banks requires and will develop a better style of management, and consequently result in greater safety to creditors and stockholders. I believe, therefore, that a capital of $1,000,000 is the minimum on which a bank should be chartered, and of this, not less than $200,000 should be actually paid up at the commencement. With respect to a maximum, I believe that so far as the requirements of commerce and general business in Canada are concerned, every need would be satisfied by a limitation to $4,000,000. Considering the amount of realized capital and annual business of England, France and America respectively, a bank in Canada, with $4,000,000 of capital, would have far more in proportion than either the Bank of England, the Bank of France, or any bank in the United States.

A bank with too large a capital, in Canada, is apt to extend its operations into foreign countries, in a manner which is not contemplated by its charter. It is to be observed further, that an institution with too large a capital is apt to acquire a position and power which is inimical to the public good.

With respect to existing charters, I have already pointed out features which are susceptible of amendment. It would be desirable, in any new legislation on the subject, to increase the qualification of directors, and to limit the amount of their discount accommodation to the amount of their paid-up stock in the market. I think also that a reduction of capital should be prohibited.

MR. ROWLEY.—A maximum or minimum capital for banks could not in all cases be fixed alike. As a general rule, perhaps,

it would be as well to require that every bank applying in future for a charter should have a subscribed capital of not less than $200,000.

MR. WILMOT.—Under a free banking system, each locality could regulate its banking capital by the securities it could offer; but under the existing system, the experience in New Brunswick is that the banks of small capital go the wall when the foreign exchanges are adverse to the province, or a panic seizes the holders of bank notes.

MR. LEWIN.—I do not think any bank should be chartered with a paid-up capital less than $500,000, and a larger sum is desirable.

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QUESTION 16.—*Would it be desirable, if the present system of independent banks is continued, to limit the number of branches and agencies in proportion to paid-up capital?*

MR. PATON.—It would be very desirable to limit the number of branches and agencies in proportion to paid-up capital, if the present system of independent banks is continued.

MR. ALLAN.—The necessity of providing capital for the management of its branches and agencies, will always form a sufficient restriction on banks, to limit the number of branches they may establish.

MR. STEPHENS.—I would under no circumstances allow any bank in the Dominion to establish any branches or agencies other than for exchange and collection, and even this should be done reciprocally through the agency of other banks. The principle, in my opinion, is bad in every respect. In the first place, it is unsafe and hazardous to the bank establishing such branches or agencies, frequently under a single person of limited experience in the place, controlling for banking purposes capital which ought to be owned by, and be under the management of, a local or a district bank-board of resident directors, if the safety of bank capital and the general interest of the whole Dominion is to be considered. Besides, these branch banks or agencies are monopolizing a privilege that honestly and rightfully belongs to the several districts of the country, and also prove a competing obstacle to the establishment of local banks, with resident proprietorship and direction.

MR. RAE.—No; because one system of management may prefer a limited number of large branches, whilst another system may prefer a greater number of small agencies.

MR. STEVENSON.—I am of opinion that the number of branches and agencies should be limited, in the case of banks having a small paid-up capital. A bank with one million of capital should not have more than four agencies.

MR. WOODSIDE.—If the present system of independent banks be continued, the number of branches or agencies which each may open can safely be left to the directors. It is not desirable that the Legislature should interfere more than is necessary.

MR. CARTWRIGHT.—No doubt this ought and would be done, under a proper system of management, but it hardly appears to be a proper subject for legislative interference. I think any fixed value in such cases would do harm.

MR. STRATHY.—I think it would be desirable to do so.

MR. HAGUE.—Considering the great difficulty of managing the loans and discounts of an institution where such loans are made at many points, I am of opinion that it would be desirable for such a limitation to be imposed. In the loans and discounts of a bank, and in these alone, with very rare exceptions, are to be found the causes of success or failure. When a bank has branches (and I have already pointed out their advantage under proper management), nothing but constant attention from the centre to all points can ensure that operations will be sound and legitimate. The ensuring of such vigilant control is (other things being equal) a matter of payment to officers, and of the ability of a large or small institution to afford it. It is a matter which directly depends on the amount of capital, and I would, therefore, be in favor of establishing a proportion between the number of branches and paid-up capital.

MR. ROWLEY.—The number of branches or agencies to be established by any bank would depend upon their means and resources. This does not appear to be a branch of banking that requires legislative regulation; it regulates itself.

MR. WILMOT.—It would be difficult for Parliament to interfere in this matter, without being charged with giving encouragement to monopolies.

QUESTION 17.—*What amount should a bank be allowed to issue of circulatiou, in proportion to its capital? Ought there, in your opinion, to be any restriction as to deposits? What proportion of specie and bullion to circulation, and what, if any, to deposits, should a bank be obliged to hold in its vaults, and what limitations would you impose as to the denomination of the circulating notes? Do you consider the system existing in Nova Scotia, under which private associations or co-partnerships issue notes for circulation, a sound one or the reverse?*

MR. PATON.—A bank circulation should be restricted to the amount of its paid-up capital, and its deposits to double that amount, unless the surplus is secured by a gold reserve, equalizing the excess. The proportion of specie to circulation, if the notes are secured by Government debentures, should be one-fifth, if not one-third. The special deposits requiring notice of withdrawal should be in the proportion of one-sixth, and current accounts payable on demand, of one-third. The denomination of notes should not be lower than one dollar. I consider the system of private associations issuing notes, as in Nova Scotia, to be very unsound.

MR. ALLAN.—The circulation of a bank should never exceed its paid-up capital. The present denominations of notes are quite suited to the wants of the country, Any restriction in deposits would injure the public as well as the banks. In England they form the chief basis on which they transact their business, as they amount sometimes to 20 or 30 times the paid-up capital of the bank.

MR. STEPHENS.—A bank under the present system of banking in Quebec and Ontario may be allowed to issue one hundred and fifty thousand dollars of circulation to one hundred thousand of actual paid-up capital with safety, and a similar ratio of circulation upon larger amounts of capital. I know of no restrictions by law that are necessary in regard to the amount of deposits.

MR. RAE.—A bank should be allowed to issue an amount of circulation equal to its capital and Government securities on hand. No other restriction as to deposits than that now existing, which provides that the total liabilities shall not exceed three times the amount of capital actually paid-up.

MR. STEVENSON.—The circulation should be limited to the capital and specie on hand, after deducting from the specie one-fifth for deposits. I think the time is distant when it will be

considered necessary to impose any restriction as to deposits. The increase of wealth appears to be steady, but very gradual. The denominations of notes should not be less than five dollars.

MR. CARTWRIGHT.—If the circulation be fairly obtained, and the natural result of the business of a bank, I can see no need of any restriction, especially if the circulation be made a first lien. It is possible, however, that some restriction may be required to prevent undue forcing of notes into circulation.

I think no restriction as to amount of deposits is required in practice, and that it is objectionable in theory.

A bank might, perhaps, be obliged to hold specie to some extent as against its circulation, but I doubt the propriety of laying down a rule as to its deposits. As a matter of prudence a bank should generally have a reserve of specie, or its equivalent in cash at call in other banks, equal to almost one-third of its circulation, and deposits payable on demand, or at very short dates. I have not considered the question of amount of individual notes sufficiently to speak with confidence upon it. The existing system works well in Ontario, and I should be averse to change it.

MR. STRATHY.—I see no necessity for any change in the present law under which banks are allowed to circulate to the amount of their paid-up capital stock, specie, and Government debentures. There should be no limit to the amount of deposits, a due proportion of specie being maintained.

MR. HAGUE.—I do not regard the limitation of circulation as of the essential importance which some theorists attribute to it. It might, however, be desirable to limit the amount of circulation in Canada to capital and government securities. As to restrictions on deposits I may observe, that as the deposits in the banks of Canada are far smaller than in those of most other British colonies, and not to be compared in amount with those of the banks of the agricultural districts of England and Scotland, the question of their limitation is scarcely a practical one. It may become practical if the day ever arrives for Canada to possess an enormous accumulation of unemployed capital. If our deposits were $150,000,000, instead of the very small sum at which they stand now, it might be worthy of inquiry whether capital were large enough in proportion.

With regard to the retention of specie in proportion to circulation and deposits, I am not aware that the current notions on the subject are founded on any principle. The practice of

bankers of equal stability and strength varies so widely, that no rule can be drawn from example. All experience shows that it is a mere delusion to suppose that the retention of a specie reserve has much to do with the real strength of a bank. An insolvent institution may make a good show of specie for years before its stoppage; and what is still more to the point, may have a very heavy reserve of specie or its equivalent on the very eve of failure. Both these instances have happened in Canada within the last few years.

It cannot be too often repeated that the real strength or weakness of a bank is in its loans and discounts. As to his specie reserve, a prudent banker will take care to retain at least double the amount he is ever likely to be called upon for at any one time, and in any circumstances. If his discounts rest on legitimate business operations, and with such a reserve, nothing that can happen will impair his safety.

With regard to circulating notes, I am not sure but that it would be desirable to prohibit the issue of any denomination under four dollars. The runs upon banks, which have occasioned so much excitement at various times in Canada, have been almost wholly confined to the holders of notes of less value than four dollars, that is to the poor and ignorant portions of the community.

MR. JACK.—In Nova Scotia the banks may issue notes to double the amount of their capital. Practically they are unable to issue anything like this amount. If they were restricted to an amount equal to their capital paid up, it would be sufficient for all that is required. I do not think there should be any restriction as to deposits.

It does not seem to me advisable to permit the issue of notes of a less denomination than $5.

MR. WILMOT.—I have already expressed the opinion that no notes should be issued without the deposit of security, and then the circulation would depend upon the amount of capital. It is the duty of Parliament to provide that what purports to be money should be unquestionably secured. I see no reason why there should be any restriction with regard to deposits, as every one has the right to judge where he deposits his money.

MR. LEWIN.—A bank having a legitimate circulation equal to its capital ought to have a profitable business, and it is a matter for consideration whether it should not be restricted to that amount. I am not aware of any sufficient reason for restricting the amount of deposits a bank may receive.

With respect to the denomination of circulating notes, a bank should provide and issue notes of such denomination as experience teaches the convenience of the public with whom they transact business requires. I am not aware of any reasons which apply to this country for imposing limitations by charters.

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QUESTION 18.—*Do you consider the present provisions in the Bank Charters of Ontario, Quebec, Nova Scotia and New Brunswick, in regard to the direction and management and the scale of voting by shareholders, adequate? If not, suggest such amendments as, in your opinion, it would be advisable to adopt?*

MR. ALLAN.—The system of sliding scale voting and restricting large shareholders from their legitimate influence in the election of directors has tended to injure the banks, by rendering powerless, and hence apathetic, those who had the greatest interest in their good management. This threw the control of their affairs into the hands of those who suffered little or not at all, whatever the result might be. Even in the failures which have taken place, the public (*i.e.*, the note-holders) sustained no loss in one case, and probably none in the other.

Every share should have a vote, and powers of attorney or proxies should be renewed each year.

MR. STEPHENS.—In regard to the scale of voting, and the direction and management of the banks of Ontario and Quebec, I see no necessity for any change or amendments that would be an improvement.

MR. RAE.—I think the scale of voting should be in proportion to the shareholder's interest, in other words, one vote for every share.

MR. STEVENSON.—The present scale of voting has been found to work well in the main.

MR. VEZINA.—I am in favor of the scale of voting at present established by the existing charters.

MR. WOODSIDE.—I consider that the provisions in the bank charters of Ontario and Quebec are capable of improvement. I would respectfully suggest that instead of the present sliding scale for voting for directors, that every stockholder should have one vote for each share of stock owned by him on which all calls have been paid.

MR. CARTWRIGHT.—I think the old system of voting by a diminishing scale in inverse ratio to the number of shares, was open to grave objections, and I have reason to know that it hampered the action of shareholders to a much more serious extent than would appear at first sight. I would suggest that each share be allowed a vote.

MR. STRATHY.—I see no necessity for any change in the present charters, in respect to the directors, management, or scale of voting.

MR. HAGUE.—As to shareholders, the equitable plan is for the voting power to be commensurate with the stock. This can only be secured by giving a vote to each share.

MR. LEWIN.—I have not access to all the charters referred to. In my opinion each share should be entitled to one vote.

NOTES

WITH the article in this issue Prof. Shortt concludes the task which he set for himself, of clearing up that obscure period in the history of currency and banking in Canada "between the Conquest and the appearance of the first banks," the point at which the thread is taken up by Dr. Breckenridge's work.

It will readily be understood that the preparation of this series of articles involved a great deal of painstaking research, and it is a matter of satisfaction that the one missing chapter which they constitute in the history of banking in Canada should have come to be so admirably written.

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THE minutes of evidence of the Select Committee on Banking and Currency of 1868 constitute a document of great importance historically, and the Editing Committee have felt warranted in enlarging the present issue of the JOURNAL beyond the usual dimensions in order to admit of its publication in an abridged form. It has to do with a period in which many of the distinctive features of the present system of banking—some of which were then being proposed for the first time—were subjected to strong attack from several quarters; and it reflects clearly the nature of a most notable struggle which took place over the lines on which the first general Bank Act should be framed. It also indicates by what arguments the Government were induced to frame legislation on existing lines, and to whom the result is, in measure, to be attributed.

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THE views expressed by Mr. Bertram in his article in this issue of the JOURNAL, are lent additional force by a perusal of an address read at the Imperial Institute, London, on 22nd March

last, by Dr. Schlich, C.I.E., professor of forestry. He submitted statistics showing that the annual average imports of timber into the several parts of the Empire during the years 1890-4 amounted to £19,134,000, while the exports averaged £5,114,000, leaving the net imports into the Empire at the enormous sum of £14,021,000, an increase of £2,293,000 in six years, or a mean annual increase of £382,167. The United Kingdom was by far the greatest importing country within the Empire, having taken timber to the amount of £17,595,000 out of the total of £19,135,000. During 1894 the timber imported into Great Britain and Ireland from British colonies and dependencies was valued at £4,274,484, and from foreign countries at £14,149,055. By far the larger portion of the timber imported into the United Kingdom came from Russia, Sweden, Norway, Germany, France and the United States, Canada being the only British dependency which at all equalled the export countries on the Baltic. Canada was estimated to contain 1,248,798 square miles of woodlands, but enormous tracts of that area did not contain any useful timber, while the remainder was by no means so well taken care of as it ought to be. Fires were frequent and disastrous, and the quantity of timber thus lost to the colony was calculated to be many times more than that cut down and exported. Notwithstanding those drawbacks, however, he believed that with proper management and careful conservation of the forests, Canada might, at a moderate relative expenditure, supply the whole world for many years to come. He advocated the creation of a forest department in Great Britain, the careful conservation of existing and the creation of new forests by planting vacant lands, the establishment of schools of forestry and model plantations for the guidance of private owners, and Government grants in aid of those objects.

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In a recent issue of the *Journal of the Institute of Bankers of New South Wales*, the following reference is made to the subject of unprofitable banking accounts:

The question of petty banking accounts has again cropped up, this time in the Sydney press. The correspondence there-

on can hardly be said to have added fresh information to a matter which admits of no serious doubt. Every banker will feel himself compelled to admit that there exists some limit, however ill defined, below which banking becomes an absurdity. Nor is it denied, by some at least, that in these colonies facilities have been accorded to many persons who not only get a valuable convenience free of cost, but do so at a demonstrable loss to the bank. Take, for example, a case cited by a suburban banker in the columns of the Sydney *Morning Herald*; an account whose average yearly credit would not amount to more than £20. (We have direct evidence that there are very many below that average). At 3 per cent. £20 would be worth 12s. per annum, and for this modest remuneration the bank has to pay (or refuse), it may be one, two or three hundred cheques every year, finding all stationery, making 1,000 entries or so, balancing and the rest. Now, an account of this kind, and it is a really respectable one in comparison with many others, means nothing less than a positive loss. It is all very well to urge that collateral advantages may exist, accounts of that nature can readily be sifted from those we have in view. The upshot of the whole matter is that in one of the most profitless eras of colonial banking, the banks still see fit to conduct a large mass of business which could well support a moderate charge. We are the more inclined to regret this attitude in the interests of the bank-officers themselves.

These remarks apply with equal force to an enormous mass of petty accounts conducted by the banks in Canada. It is satisfactory to note that at a number of points in the province of Ontario the practice now prevails of making a small monthly charge for operating petty accounts. It is, however, by no means general as yet, and to branch managers at points where no action has been taken in the matter, the views of our Australian contemporary, quoted above, are commended. It is a somewhat curious fact that in estimating the value of the service afforded by banks through the medium of the "current account," not only the public but many branch managers also, overlook the onerous nature of the responsibility devolving upon the banks in connection with the endorsements of bills and cheques.

QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of THE JOURNAL are appended, together with the answers of the Committee:

Forged and Irregular Endorsements, etc.

QUESTION 76.—Sub-section 3 of the amended section 24 of the Bills of Exchange Act says in effect that the drawer shall have no right of action against drawee for the recovery back of the amount so paid, or no defence to any claim made by the drawee for the amounts so paid, as the case may be, unless he gives notice in writing of such forgery to the drawee within one year after he has acquired notice of such forgery, etc.

(1) In the case of cheques on banks, who but the drawer himself is to give him notice of such forgery, or to determine the date on which he acquired such notice? Should not the fact of his signing to the bank a receipt for his cheques, and a statement that he finds his account correct to a certain date, oblige him to give notice within a year of that date to give him right of action against the bank to recover on a forged cheque paid before that date?

(2) If I send Robt. Waugh a notice by registered letter that I hold his note, if the note is a forgery is he bound to notify me of this fact within a year from the date of my notice in order to escape liability on the note? If the bill is drawn say at three months date, it would be long overdue before he need repudiate it.

ANSWER.—(1) The notice of forged endorsements referred to in the proviso to sec. 24 of the Bills of Exchange Act is clearly the discovery by the drawer that it had been paid on a forged endorsement. As to when he acquires this knowledge is entirely a question of fact, which would have to be proved in the same way as any other question of fact, in the event of the bank on which he made the claim resisting the same on the ground that he had not given notice within the proper time.

(2) Sec. 24 does not apply to the case described, where a man receives notice that a note has been discounted bearing his name, which he knows to be a forgery.

We do not think it follows that the Act, in declaring that no claim shall exist after a year, is intended to give a party the right to sleep on his claim for that year, and thereby injure the bank's position, perhaps destroying its chance of getting back the money. All that the proviso means probably is that notice given a year after the discovery shall not avail. It leaves the question of whether the notice given within a year is good or not to be dealt with under the ordinary principles of law.

Warehouse Receipts, etc., Signed by Attorney

QUESTION 77.—(1) Do banks take warehouse receipts or assignments under section 74 of the Bank Act, signed by attorney?

(2) If the goods were made away with, could the principal be prosecuted criminally?

ANSWER.—(1) We think it is the practice of banks to take warehouse receipts or securities under section 74 given by the customer's attorney, and that such practice is proper and necessary.

(2) The customer would be liable criminally for doing away with the goods, unless he was unaware of the fact that his attorney had given security to the bank. The attorney would also be liable criminally if he personally should dispose of the goods improperly.

The Act Respecting Interest

QUESTION 78.—(1) In what shape did the usury bill pass?

(2) How will it affect banks re-discounting private bankers' paper? Many private bankers take notes, say at 6 months, with interest at 10%.

(3) If a note representing a loan is drawn for a lump sum representing the principal and interest at a higher rate than 6%, without any mention of the rate on the face of the note, would the new law apply?

ANSWER.—(1) The interest bill as passed provides in effect that unless the rate per cent. per annum is expressed, interest at 6% per annum only can be collected.

(2) The Act will apply to private bankers' paper held by a bank if the terms of any note so held brings it within the scope of the Act—that is, if a bank takes from a private banker a note which bears a rate of interest per diem and not per annum, it can only regard the note as a security bearing 6% per annum.

(3) The note described may be, as between the maker and the lender, a note which includes interest, but so far as any other holder of the note is concerned, it is a bare promise to pay the amount of the note at maturity, without any reference to interest at all, and would, in the the hands of a holder in due course, constitute a valid claim for its face amount. The Act does not interfere with contracts of this kind. If, for example, a man should sell a private banker a note of $100 for $10, there is nothing to interfere with his right to claim the $100 at maturity, and any subsequent holder, who acquired the note in good faith before maturity, would be, if possible, in a better position than the payee.

Renewal of a Note without Surrender of the Original

QUESTION 79.—John Smith and Henry Jones are promissors on a note. At maturity a renewal note is taken bearing John Smith's signature only, the old note being retained, however, uncancelled. John Smith fails before the renewal note matures. Can Henry Jones be held on the original note?

ANSWER.—Henry Jones could be sued for the debt, provided no questions of principal and surety came in. If the two parties to the original note were both principal debtors such an arrangement as you describe would not discharge either of them, and even if the one whose name was not on the renewal note was a surety his liability could be preserved by a suitable agreement. The law bearing on the matter is fully discussed in the case of *Dixon v. Gorman*, reported on page 418 of vol. III of the JOURNAL.

Documents Payable to Married Women in their Maiden Names

QUESTION 80.—(1) Mrs. Smith's maiden name was Mary Jones. She presents to a bank for payment a cheque payable to Mary Jones. Has she authority to endorse "Mary Jones."

Are there any legal points involved in this case?

(2) If she holds mortgages must she have her name on these changed?

ANSWER.—(1) A cheque given to a married woman, drawn payable in her maiden name, is clearly her property, and she has a right to endorse it in her maiden name. It is customary in such cases, to have the endorsement made in some such way as this:

"Mary Jones, wife of John Smith.
Mary Smith."

There are no legal points involved. The question is purely one of identity.

(2) Mortgages taken in her maiden name are not affected by her marriage. There are different ways in which assignments and releases are drawn in such cases. She might, for example, be described in the document as "Mary Smith, wife "of John Smith, etc. etc., formerly known as Mary Jones, of "the Town of ————, Spinster." In this case, also, it is merely a question of making the identity clear.

Cheque drawn to "Order" altered to "Bearer" by Drawer after being marked good.

QUESTION 81.—A cheque drawn payable to John Smith or order is marked good by a bank, specially to pay a pressing claim of John Smith's. Subsequently it is altered by the drawers—who are also the holders—from "order" to "bearer," and cashed at an outside bank by the drawers, who used the money to satisfy what they considered a still more pressing claim than that of John Smith.

Can payment of the cheque be legally refused by the bank until endorsed by John Smith?

ANSWER.—The bank on which a cheque which has been materially altered after being marked good, is drawn, would have the right to refuse payment, not because of the want of any particular endorsement, but because it is an altered cheque, and therefore void under sec. 63 of the Bills of Exchange Act.

The usual question arising out of such circumstances as you mention is whether the bank is justified or safe in paying the cheque. On the principle suggested in our reply to question 46, the answer to this would be that if the bank had come into privity with the payee of the cheque, by the cheque having come into his hands after they had accepted it, they certainly could not then pay it to another person without his consent. If, however, the cheque has remained in the hands of the drawer, and has never been delivered to the payee, any arrangement between the bank and the drawer respecting the cheque would be free from risk.

The Redemption of Canadian Bank Notes

QUESTION 82.—The answer to Question 75 in the Association's JOURNAL for quarter ending June last, seems to imply that Canadian bank notes are only payable in gold or legal tender at the place of issue (usually the head office of the bank), whereas, by section 55 of the Bank Act, is it not intended that these shall be so payable at the several points therein?

ANSWER.—Question 75 in the July number of the JOURNAL had reference only to the duty of the bank to pay its notes in gold or legal tenders at the place of issue, and to avoid any misunderstanding, the obligations of a bank as regards other branches than those at which its bills are made payable were discussed.

As far as section 55 is concerned, it is, of course, clear that a bank must redeem or pay its bills in gold or legal tender notes at its various redemption agencies. There is this distinction, however, to be observed, that if a bank should not have established such agencies, while it would have contravened the law and become liable to the penalties imposed under the Act, the absence of an agent to whom its notes could be presented for payment, would scarcely constitute dishonour of the notes.

The full answer to another question: what obligations is a bank under with regard to the payment or redemption of its note issues? would be as follows:—A bank is bound to take such notes in payment of debts at any of its offices; it is bound under penalties, to provide redemption agencies at certain points named in the Act, and at such agencies to pay any notes presented in gold or legal tender; and it is bound to pay in gold or legal tenders all notes presented at the place at which they are by their terms made payable. There are other obligations following on failure, etc., which need not be discussed.

Memoranda of Partial Payments endorsed on a Cheque

QUESTION 83.—A. gives his cheque to B. in payment of a debt, and B. endorses to C. The cheque is dishonored. A., later on, makes partial payments in respect of the debt represented by the cheque, the amounts so paid being noted by C. at one end of the back of the cheque, but without any indication as to who made the payments, thus:

July 2nd—Received $5 on cheque.
" 5th—Received $3 " "

C.

The bank afterwards pays the cheque to the holder, at its face, ignoring or not observing the memoranda on the back.

Would the bank be liable to the drawer in respect of the amount of A.'s debt thus overpaid?

ANSWER.—We think there was nothing in the circumstances to operate as a countermand of the express terms of the cheque. The bank would have been justified in withholding payment until the endorsment had been explained, and it would have been wiser to have adopted such a course, but we think they are entitled to charge the whole amount to their customer's account.

LEGAL DECISIONS AFFECTING BANKERS

NOTES

THE right of a party to assign a claim represented by a non-transferable deposit receipt—which he has always been understood to have, although the document itself is not negotiable in the ordinary sense,—has been affirmed in a recent case before the Manitoba courts: *In re Commercial Bank of Manitoba; Barkwell's Case.*

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The Rights of Co-sureties inter se.—An interesting point respecting the rights of co-sureties among themselves arose in the case of *Whitfield v. Macdonald*, and was thus disposed of by the Supreme Court:

"It cannot be successfully contended that in point of law one of two co-sureties who has in his hands moneys of the principal debtor, deposited with him for the express purpose of paying the creditor, cannot be compelled by the other co-surety to pay such money to the creditor, or if the latter has already been paid by the surety seeking relief, then to pay over the amount to the latter."

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Payment by Cheque Sent Through the Mails.—The judgment in the case of *Pennington v. Crossley*, reported in our July number, has been reversed by the Court of Appeal. The decision of this Court, does not, however, affect in the slightest degree the principles of law involved, which were somewhat fully discussed in the editorial note at page 414. The Court of Appeal differed, however, from the Court below in the inference to be drawn from the custom which had existed between the parties, the Court of Appeal holding that the practice was not such as to justify the inference that there had been a request on the part of the creditors that the debtor should send them a cheque by mail.

Appropriation of payments.—In a recent case of *Cory & Co. v. the Hamidieh Steamship Co.*, an important finding has been made by the House of Lords as to when a creditor has the right to elect to which portion of his debtor's obligations a payment shall be applied. The law in the matter is set out with great clearness in the following extract from the judgment of Lord Macnaghten:

"There can be no doubt what the law of England is on this subject. When a debtor is making a payment to his creditor he may appropriate the money as he pleases, and the creditor must apply it accordingly. If the debtor does not make any appropriation at the time when he makes the payment, the right of application devolves on the creditor. In 1816, when *Clayton's case* was decided, there seems to have been authority for saying that the creditor was bound to make his election at once according to the rule of the civil law, or, at any rate, within a reasonable time, whatever that expression in such connection may be taken to mean. But it has long been held, and is now quite settled, that the creditor has the right of election 'up to the very last moment,' and he is not bound to declare his election in express terms. He may declare it by bringing an action, or in any other way that makes his meaning and intention plain. Where the election is with the creditor it is always his intention, expressed or implied or presumed, and not any rigid rule of law, that governs the application of the money. The presumed intention of the creditor may no doubt be gathered from a statement of account or anything else which indicates an intention one way or the other, and is communicated to the debtor, provided there are no circumstances pointing in an opposite direction. But so long as the election rests with the creditor, and he has not determined his choice, there is no room, as it seems to me, for the application of rules of law such as the rule of the civil law, reasonable as it is, that if the debts are equal, the payment received is to be attributed to the debt first contracted.

"'*Clayton's case*,' observed Baggallay, L.J., 'was decided upon the principle that in the absence of any express intention to the contrary, or of special circumstances from which such an intention could be implied, the appropriation of drawings out to the payments in, as adopted in that case, represented what must be presumed to have been the intention of the parties concerned; and so viewed, the decision is quite consistent with the like presumption being rebutted or modified in another case in which the circumstances were such as to negative any intention to make such an appropriation of the drawings out to the payments in.'"

Knowledge of a bank officer imputed to the bank.—The judgment of the Supreme Court of New South Wales in *McMahon v. Brewer et al.* (reported in this number), imposing on a bank responsibility for the act of its agent, who used his position as trustee of an estate to commit a fraud in connection with moneys on deposit with the bank, suggests that banks generally may be incurring very serious risks of which they know nothing. In the case referred to, a trustee—to quote words used in another court—"performed acts which would have been lawful if they had been honest," and the bank was held bound to make good a deposit withdrawn by the fraudulent trustee in his capacity of agent for the bank, being thereby debarred from setting up in its defence acts within his apparent rights as a trustee but which were not honest.

It is worthy of note, however, that in a recent case of a somewhat similar kind decided by the Supreme Court of Pennsylvania (*Gunster v. Scranton Illuminating, Heat & Power Co.*), the reasoning and the conclusion of the court were both on lines differing from those followed in *McMahon v. Brewer*. The head note of the American case referred to reads:

"Where a bank officer, who is also the treasurer of another corporation, discounts notes of the corporation, the proceeds of which he applies to his own use, his knowledge of the fraud is not imputed to the bank."

The facts here differ materially from the New South Wales case, for the bank was under no obligation to protect the other corporation, while in *McMahon v. Brewer* the judgment largely rests upon the duty of the bank not to pay any money on its customers' account except upon proper instructions and the consequent absence of any right to charge to the account payments which were, within its agent's knowledge, improperly made.

The following quotations from the judgment of the Pennsylvania Court indicate the reasoning on which it is based:

"The rule that knowledge or notice on the part of the agent is to be treated as notice to the principal, is founded on the duty of the agent to communicate all material information to his principal, and the presumption that he has done so. But legal presumptions ought to be logical inferences from the natural and usual conduct of men under the circumstances.

But no agent who is acting in his own antagonistic interest, or who is about to commit a fraud by which his principal will be affected, does in fact inform the latter, and any conclusion drawn from a presumption that he has done so is contrary to all experience of human nature.

"If it be urged, as in some cases, that the principal, having put the agent in his place, should, as a matter of public policy, be held answerable for all the latter does, a sound answer is suggested by the court in *Allen v. Railroad Co.*, that an independent fraud committed by an agent on his own account is beyond the scope of his employment, and bears analogy to a tort wilfully committed by a servant for his own purposes, and not as a means of performing the business intrusted to him by his master.

"In *Wilson v. Bank* it was said *per curiam*, 'The knowledge of Willcock as treasurer of the tool company cannot be imputed to the bank of which he was cashier, unless he revealed that knowledge to some one or more of its officers.'

"The decision does not rest directly on that ground, but the expression shows that the views of the court were in harmony with those we now express. Even, therefore, if the present case be made to turn on the question of knowledge, it was erroneously decided. But we do not regard knowledge as the pivotal point of the case. Upon that point both parties would stand equal. Both might, by mere inference, be charged with knowledge, as the fraud was committed by an agent with authority to act for both; but in fact neither had, or in the nature of things could have, any knowledge at all, and neither was under any obligation to presume that its agent would be guilty of fraud. The real question is, in what capacity did Jessup commit the fraud? And it is clear it was as treasurer of the appellee. It was as treasurer he presented the notes for discount, and as treasurer he drew the checks for the proceeds. Both acts were within his authority as treasurer, and would have been lawful if they had been honest, but he drew the money on drafts which were the property of the company, and when he embezzled the money it was the money of the company. The bank had no part in his act, and gained nothing by it. The fraud had its inception and its consummation in acts done in his capacity of treasurer of the defendant company, and it should bear the loss."

The opinions expressed above as to the effect of knowledge in such cases seem to us entitled to great weight, and we regard it as doubtful whether on appeal to the Privy Council the New South Wales judgment would be sustained.

QUEEN'S BENCH DIVISION, ENGLAND

Wheeler v. Young*

Whether or not a cheque has been presented within a reasonable time of its issue under sec 73 of the Bills of Exchange Act is a question for the jury.

This was an action brought by the plaintiff to recover from the defendant £23 12s. 2d. as a drawer of a cheque. The amount was claimed, alternatively, as rent of a house.

The plaintiff was employed by Messrs. Millington & Co., wholesale stationers, at 32, Budge-row, E.C. The defendant was tenant of a house belonging to the plaintiff at Weymouth. On Friday, March 26, the plaintiff received in London from the defendant the cheque now sued on. It was in payment of the half-year's rent due March 25, and was drawn on the Weymouth Old Bank. It was not crossed. The plaintiff resided at Streatham and kept an account at the Streatham branch of the London and South-Western Bank. He crossed the cheque specially to this branch. He did not however, send it to the bank on Friday, but kept it till Saturday, 2.30 p.m., when he posted it in London to the Streatham branch. The cheque was received at the Streatham branch on Monday and posted thence to the head office in London, where it was received on Tuesday, It was presented for payment on Wednesday. On that day the bank stopped payment and the cheque was dishonored. The defence to the action was that the plaintiff had been guilty of delay in presenting the cheque, which was the cause of its dishonour.

His Lordship left the case to the jury, directing them that if they found that the cheque was presented within a reasonable time their verdict should be for the plaintiff, and, if otherwise, for the defendant.

The jury found for the defendant and judgment was given accordingly.

**Times Law Reports.*

QUEEN'S BENCH DIVISION, ENGLAND

The Queensland National Bank Limited v. The Peninsular and Oriental Steam Navigation Company*

Held, that there is an implied warranty in the case of the carriage of specie that the room in which it is stowed on board ship is so constructed as to be reasonably fit to resist thieves.

This was an action for damages for breach of duty in the carriage of £5,000 in specie by sea.

The case came before the Court for the purpose of trying a preliminary point of law. The plaintiffs, under a bill of lading, shipped ten boxes, each containing 5,000 sovereigns, on board the defendants' ship the Oceana, to be carried from Port Jackson to Lloyds Bank in London. During the voyage one of the boxes was broken into and the money stolen. The preliminary question for the Court was whether there was an implied warranty under the bill of lading that the room in which the bullion was stowed was so constructed as to be reasonably fit to resist thieves. It was assumed for the purposes of the argument that the bullion room was defective. It was contended on behalf of the plaintiffs that the implied warranty of seaworthiness included, in the case of specie, that the vessel should be fit for the carriage of specie, having regard to the particular danger to which specie was liable—viz., the danger from thieves. On behalf of the defendants it was contended that there was no obligation on them to have the bullion room, or to place specie in the bullion-room. All they were bound to do was to use a reasonable amount of care.

Mr. Justice Mathew, in giving judgment for the plaintiffs on the preliminary point of law, said that he assumed that there was on the ship a room called the bullion-room; that the bullion was shipped with the knowledge that there was such a room; and that the room was defective. That being so, the question was whether there was included in the ordinary warranty the obligation that the room should be capable of resisting thieves, the ordinary warranty being that the ship should be fit to carry the cargo safely to its destination. He was satisfied that there was such an obligation.

Times Law Reports.

SUPREME COURT OF NEW SOUTH WALES*

McMahon v. Brewer and Others

The agent of a bank, being in his personal capacity one of two trustees of an estate, by fraud obtained his co-trustee's signature to an order upon the bank for the payment of money at credit of the trustees' account. This order was cashed by the agent of the bank himself, in the absence of the teller, and the proceeds misappropriated.

Held, that the knowledge of the agent that the cheque was not the joint cheque of the trustees must be taken as the knowledge of the bank, and that therefore the bank was liable to the estate for the amount of the order in question.

A statement of the facts of this case is embraced in the following judgment delivered by the Chief Justice:

This was an appeal by the Bank of New South Wales, one of the defendants, against the decision of Mr. Justice Manning, who held the bank liable to account to the plaintiff for the sum of £552 10s., being the amount of a cheque purporting to be drawn by the trustees of the estate of one Thomas Gregan, and which the plaintiff as one of the beneficiaries of that estate, contended was improperly paid by the bank. The facts necessary for the present matter may be shortly stated as follows:—Edward Brewer and Anne Gregan, two of the defendants, were trustees of Thomas Gregan's estate, and, as such trustees, had a fixed deposit in the Bank of New South Wales for the sum of £1,000. Brewer was at the same time manager of the branch of the bank at Waverley, where the fixed deposit was payable. When this deposit fell due Brewer obtained his co-trustee's signature to the deposit receipt upon the representation that this sum was to be replaced upon fixed deposit. He then signed his own name, and wrote above the names "Please renew £500 and pass £500 to the credit of current account." In point of fact a current account had been previously opened at this branch in the names of the trustees for a special purpose, which had been satisfied. However, the £500 together with the interest due, was passed to the credit of this current account. Thereupon Brewer, upon some false representation, obtained his co-trustee's (Anne Gregan) signature to a blank cheque, then without her consent or knowledge filled it up for £552 10s., signed it himself, and in the absence of the teller cashed it, and applied the proceeds to his own use. The question now arises whether under these circumstances the Bank of New South Wales is liable to the trust estate for this amount of £552 10s.? In other words whether that amount must not still be considered as standing to the credit of the trust in the bank? It is quite

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clear that if Brewer had forged the name, Anne Gregan, to the cheque, and the bank had paid the cheque, the bank would remain liable. It is said, however, that inasmuch as the signature was was not forged, and although this cheque not having been authorised by Anne Gregan, may be a forgery as regards her, nevertheless cannot be considered a forgery so as to make the bank liable, and the case of *Young v. Grote* (which on this point is not affected by the case of *Scholfield v. the Earl of Londesborough*), is relied upon. It seems to me that a consideration of the true relationship between the parties will solve the question without much difficulty. Brewer and Anne Gregan, were as trustees, customers of the bank, and as such customers there stood to their credit a sum of £552 10s. and upwards. True, Anne Gregan was not aware of this credit. It had, in fact, been brought about by a fraud practised upon her by Brewer; but there it was, and once there the relationship of bank and customer sprang up, which is a relation of debtor and creditor, with the superadded obligation on the part of the bank to honour the customer's cheque to the extent of the customer's balance. There must also, in my opinion, be an implied, if not express, obligation on the part of the bank that none of the officers of the bank, who by the bank are placed in a position to pay the customer's cheque, will pay a cheque which the officer knows is not the cheque of the customer, and this whether the signature is in fact that of the customer or not. It is obvious that Brewer in paying the cheque for £552 10s., was acting in his capacity as an officer of the bank, and he knew, no matter how that knowledge was acquired that he was paying a cheque which was not the joint cheque of Anne Gregan and himself. If I am right, then, in assuming that part of a banker's obligation to his customers is that none of his officers will pay a cheque which he knows is not the cheque of the customer, then it is obvious that in this case the Bank of New South Wales has not fulfilled its contract as bankers, and must be considered as still holding this sum of money to the credit of the trust account. It is said that the initiation of the fraud perpetrated by Brewer was in placing the endorsement, to which I have referred, upon the deposit receipt, and this he did as trustee and not as a bank official. This is true; but this part of the fraud did not remove the money from the bank; it merely had the effect of placing it to the credit of the trust account, where it still remained in the bank, ready to be paid over upon the real cheque of the trustees. It was the honouring, by Brewer as a bank official, a cheque which was, to his knowledge, not the cheque of the trustees which has caused the loss. It has been argued that before the bank can be held liable the knowledge which Brewer possessed must be imparted to the

bank. I do not think so. I do not think that the doctrine of notice or knowledge enters into the consideration of this case. The principle upon which I form my judgment is that the bank has not fulfilled that part of its obligation to its customer, which I hold to be an incident in their relationship. It seems to me impossible to contend that it is any answer for a bank, when its customer demands money which, so far as he is concerned, ought to be to his credit, to say, "Oh! one of our officers, with full knowledge that the document was not in fact your cheque, though it bore your signature, paid it, and thus discharged our liability to you." I am therefore of opinion, although not for the same reasons which operated upon Mr. Justice Manning's mind, that the decree appealed against is correct, and accordingly this appeal must be dismissed with costs. This is also the judgment of Mr. Justice Owen.

Mr. Justice Stephen dissented, and in the course of his judgment said that he felt unable to hold that a contract existed between the bank and its customer in the general terms expressed by their Honours; or at all events if it did, that it had any applicability to the peculiar circumstances of this case.

Appeal dismissed, with costs.

UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

Year ending 30th June—

	1896		1897	
Free	$38,112		$40,473	
Dutiable	67,250		66,242	
	$105,362		$106,715	
Bullion and Coin	5,225	$110,587	4,665	$111,380

EXPORTS

Year ending 30th June—

Products of the mine	$ 8,067		$11,311	
" Fisheries	11,170		10,365	
" Forest	27,080		31,319	
Animals and their produce	36,588		39,159	
Agricultural produce	14,105		18,101	
Manufactures	9,206		9,420	
Miscellaneous	190		155	
	$106,409		$119,833	
Bullion and Coin	4,695	$118,140	3,478	$123,311

SUMMARY (in dollars)

For the year ending June—

	1896	1897
Total imports other than bullion and coin	$105,362,000	$106,715 000
Total exports other than bullion and coin	106,409,000	119,833,000
Excess of exports	$1,047,000	$13,118,000
Net imports bullion and coin	530,000	1,187,000

IMPORTS

Month of July—

Free	$ 3,621		$ 3,724	
Dutiable	5,375		5,332	
	$ 8,996		$ 9,056	
Bullion and Coin	1,273	$10,270	330	$ 9,386

Month of August—

	1896		1897	
Free	$ 3,633		$ 4,610	
Dutiable	6,374		5,890	
	$10,007		$10,500	
Bullion and Coin	1,077	$11,084	1,046	$11,546
Total for two months		$ 21,354		$ 20,932

EXPORTS

Month of July—				
Products of the mine	$ 747		$ 1,049	
" Fisheries	945		903	
" Forest	4,327		5,696	
Animals and their produce	3,301		4,913	
Agricultural produce	875		2,267	
Manufactures	731		919	
Miscellaneous	12		5	
	$10,941		$15,752	
Bullion and Coin	860	$11,801	23	$15,775
Month of August—				
Products of the mine	$ 823		$ 1,263	
" Fisheries	709		807	
" Forest	3,916		4,003	
Animals and their produce	4,072		4,267	
Agricultural produce	769		1,363	
Manufactures	798		793	
Miscellaneous	16		9	
	$11,105		$12,508	
Bullion and Coin	1,185	$12,290	45	$12,553
		$24,091		$28,328

SUMMARY (in dollars)

For two months, July and August—	1896	1897
Total imports other than bullion and coin	$19,003,000	$19,556,000
Total exports " " "	22,046,000	28,260,000
Excess of exports	$3,043,000	$8,704,000
Net imports of bullion and coin	305,000	1,308,000

STATEMENT OF BANKS acting under Dominion Government charter for the months of June, July and August, 1897, and comparison with August, 1896:

LIABILITIES

	30th June, 1897	31st July, 1897	31st Aug., 1897	31st Aug, 1896
Capital authorized	$ 72,958,684	$ 73,258,684	$ 73,258,684	$ 73,458,685
Capital paid up	61,949,536	61,952,129	61,959,547	62,220,759
Reserve Fund	27,070,799	27,670,799	27,070,799	26,348,799
Notes in circulation	$ 32,366,174	$ 32,709,475	$ 34,454,386	$ 31,509,154
Dominion and Provincial Government deposits	7,514,236	6,736,845	6,637,438	8,466,728
Public deposits on demand	71,466,457	72,609,727	74,949,375	65,264,335
Public deposits after notice	129,675,231	132,498,458	135,068,821	123,151,850
Bank loans or deposits from other banks secured	12,642	132,642	100,000	5,000
Bank loans or deposits from other banks unsecured	2,940,414	3,289,853	3,858,637	3,234,144
Due other banks in Canada in daily exchanges	106,583	247,703	126,619	83,411
Due other banks in foreign countries	408,529	292,970	360,692	200,157
Due other banks in Great Britain	2,693,051	1,981,347	2,116,546	2,166,101
Other liabilities	582,754	431,204	359,491	310,143
Total liabilities	$247,766,150	$250,930,301	$258,032,070	$234,391,104

ASSETS

Specie	$ 8,663,459	$ 8,582,576	$ 8,724,780	$ 8,329,295
Dominion notes	15,921,435	16,639,798	17,613,363	15,419,799
Deposits to secure note circulation	1,859,936	1,877,978	1,880,678	1,846,340
Notes and cheques of other banks	8,490,673	6,856,062	7,909,618	7,280,493
Loans to other banks secured	31,645	34,218	29,677	.....
Deposits made with other banks	3,706,062	4,311,954	4,598,522	3,950,753
Due from other banks in Canada in daily exchanges	188,784	230 970	165,951	135,619
Due from other banks in foreign countries	21,387,820	22,745,589	27,913,770	15,299,453
Due from other banks in Great Britain	8,131,042	11,906,864	12,249,663	10,747,400
Dominion Government debentures or stock	2,796,936	2.794,016	2,767,379	3,037,540
Public municipal and railway securities	25,588,948	26,860,069	27,355,818	21,215,102
Call loans on bonds and stocks	14,898,629	15,714,954	16,606,104	13,218,553
Current loans and discounts	208,527,690	204,580,844	202,457,187	207,410,954
Loans to Dominion and Provincial Governments	1,427,009	1,066,746	1,297,002	462,345
Overdue debts	3,534,163	3,591,219	3,636,793	3,661,064
Real estate	1,991,169	2,043,535	2,047,917	2,072,476
Mortgages on real estate sold	511,294	506,596	564,170	571,576
Bank premises	5,587,046	5,638,184	5,641,285	5,627,639
Other assets	1,959,974	2,261,575	2,345,474	2,448,863
Total assets	$335,203,890	$338,244,938	$345,805,354	$322,735,463
Loans to directors or their firms	$ 7,737,674	$ 7,168,617	$ 6,678,798	$ 7,106,713
Average amount of specie held during the month	8,702,067	8,681,771	9,492,800	8,501,135
Average Dominion notes held during the month	15,678,018	15,873,894	16,586,384	15,037,447
Greatest amount of notes in circulation during month	33,070,121	33.755,738	34,928,862	31,900,414

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

(000 omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG		ST. JOHN	
	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1896	1896-7
	$	$	$	$	$	$	$	$	$	$	$	$
September	45,251	44,763	22,543	24,870	4,694	5,036	2,706	2,829	4,008	4,630		2,283
October ..	53,298	48,399	28,437	29,242	5,613	5,387	3,402	3,131	7,911	7,585		2,292
November	54,397	50,215	28,633	29,129	5,444	5,063	3,363	2,856	8,503	8,895		2,362
December	54,138	51,033	33,728	33,146	5,462	5,547	3,224	3,051	6,641	7,736		2,566
January ..	46,663	43,577	33,095	31,117	5,705	5,135	3,227	2,863	4,977	5,009		2,200
February .	38,123	38,480	28,544	24,592	4,709	4,208	2,686	2,591	4,052	3,851		2,016
March ...	36,643	40,654	26,087	26,673	4,357	5,215	2,516	2,799	4,286	4,289		2,144
April	37,589	45,092	26,111	28,236	4,790	5,077	2,729	2,900	4,032	4,161		2,314
May	44,324	46,600	27,796	29,059	5,064	5,270	2,733	2,655	4,246	5,014	2,413	2,430
June	43,129	54,616	28,384	29,842	4,550	4,792	2,775	2,544	4,094	5,531	2,418	2,566
July.....	44,796	52,831	30,494	33,892	5,467	6,308	2,847	2,638	4,961	5,616	2,879	3,116
August ..	41,574	49,240	25,128	29,640	5,556	5,554	2,367	2,442	4,646	6,298	2,602	2,874
	539,925	566,100	338,980	349,438	61,411	62,592	34,575	33,299	62,357	68,615	10,312	29,163

*NOTE.—These totals prior to November, 1895, do not include the Bank of Toronto.