

## COLONIAL.

NOVA SCOTIA LEGISLATURE.

### THE CURRENCY.

*Speech of Mr. Bliss on the Bill introduced by him, the object of which was to make all Banks respond their Notes in Specie, under a penalty of 12 per cent. interest.*

When the House, at my suggestion, Mr. Chairman, resolved itself into a Committee of the whole house, to consider the state of the currency, it was my desire that the Resolutions of the hon. member for the town of Halifax, as they were first in point of time before the House, should be first taken up; and I felt it but due to him, and becoming in myself, to remain silent until the advocates of those Resolutions had spoken in their favor. But if, Sir, I had been restrained by the motives which the last speaker has attributed to me, and had feared to approach a subject which I had introduced to your notice, I might well acknowledge the truth of this observation, for I cannot but shrink from the task which I have imposed on myself, from my conviction of my own incapacity to do justice to a subject, which has justly characterised as one of the utmost importance, and the utmost intricacy and difficulty. Its importance must indeed be admitted, and there appears to be at this time a general expectation that some legislative interference will take place, to protect the country from the evils with which it is threatened. That is the object of the Bill which I have had the honor to submit to the House: it is one called for by the present state of our Currency, a subject intimately connected with the best interest of the Country, and every class of our population. The mischief which it is intended to guard against, are just commencing, and this, therefore, is the proper time to interpose the remedy.

The principles upon which the Bill is framed have received the sanction and support of the wisest and most experienced of all countries. The necessity of paper money being convertible, in other words being payable in specie, was, I thought, a maxim no longer to be questioned; and of all men around me, from whom a denial of its correctness, or opposition to a measure founded on it, was to be offered, I least looked for it from the hon. member from the County of Sydney. And well may it excite my surprise, that although other countries have wisely guarded themselves against this evil, of which some have had the dear bought and fatal experience, and which I am now anxious to avert from ourselves; yet we are not only to be uninfluenced by those examples, and to remain contented with a debased currency, but we are to hear the committee deliberately informed, that a currency of this description is the only one which can suit the situation and circumstances of this Province. We are told that it will be impossible for any Banks here to pay their obligations in gold, and that we must be reined by the same measures by which other countries have sought and found safety and protection. I cannot understand, for my own part, such a doctrine as this, and I have heard nothing from the hon. member which entitles it to my support. My hon. and learned friend from Cumberland has appositely asked him to explain how it happens that in the Province of New Brunswick, the Banks have, in defiance of the position which he has taken, been able to redeem their paper—and, if there it can be done, how is it that with us this should be so impracticable? I may direct his attention also to Canada, where, in consequence of the suspicion or dislike entertained by one part of the population to a paper money, the Banks are unable to introduce their notes so widely into circulation, and the business is therefore necessarily conducted in a great degree upon a metallic currency, and yet what is done there, would here be attended with ruin, as the hon. gentleman would have us believe. If the hon. gentleman from the Town of Halifax is correct in the objection, that it would be unconstitutional for the Legislature to interfere to correct this growing evil, then, Sir, his ideas of what is or is not constitutional, differ widely from mine. I will admit with him thus far, that in general with the private transactions of individuals, their business and their profits, we have no right to interfere; they should be left unfettered and free; but whenever their proceedings affect the public good or endanger the public safety, when private regulations stand opposed to the general interests of the people, and are inconsistent with those regulations which the State requires for the convenience and protection of all its members, then we have a right, nay, then it is a duty imperative upon us as Legislators, to interpose. The sentiments which have fallen already from hon. gentlemen in the debate, lead me, however to fear, that the importance of this subject may not be so strongly impressed on the minds of others as it is on my own, and that the evils which have been so fearfully felt in other countries, are here, viewed through the distance, dimly perceived or but partially understood. I shall therefore endeavor to introduce to the notice of the Committee a few facts, which no doubt are familiar to many who hear me, which may serve as landmarks, to all, to direct us in this enquiry, and lead to a safe and rational decision. And it has become more necessary that I should do so, when I hear one so well versed in the subject, gravely state to us at this day the propriety and necessity of rejecting cash payments, and adopting an inconvertible paper as the only kind of Currency which we can support.

Such a paper and such a system were once introduced into France—and the name of John Law, to whom it owed its origin, has from this circumstance obtained great notoriety. He first asserted the doctrine, now out of date I had thought, but which the honorable Member appears to have taken up, that paper might be wholly substituted for gold and silver; for the latter as he erroneously stated were but the representation of wealth, which paper might equally represent; forgetting that the former possessed in themselves an intrinsic value, of which the other was wholly destitute. The result of his scheme I will lay before the Committee in the words of a late writer: "By a series of arbitrary Acts on the part of Government, and by connecting some splendid and illusory schemes with the Bank, he succeeded in putting in circulation 480 millions of dollars in Bank Notes. This paper was a legal tender to the total exclusion of the precious metals. But the laws and all the power of the French Government were unequal to the task of sustaining this excess of currency. The price of every species of merchandise naturally rose to one hundred per cent. Government, to prevent a total catastrophe, reduced the notes to one half of their nominal value. The bubble burst instantaneously. The whole currency of the Country, the 480 millions of dollars of Bank Notes, could not the next day have been sold for the value of the paper on which they were printed. They were subsequently found at the rate of 80 for one. (Being a depreciation of 3000 per cent.) The public creditors who had been paid in notes lost 150 millions. Some speculators were enriched; all the actual Stockholders were ruined; and the calamity extended to all the industrious and productive part of the Community." Such was this grand attempt to make paper supersede the use of the precious metals. I really did not expect to have found a single disciple of John Law in this House, much less to have discovered him embodied in the person of the hon. member for the County of Sydney. But this was not the only attempt made in the same country to establish such a paper currency. The celebrated assignats of the French revolution was an experiment borrowed probably from the original; I need say but little of these. In one of those light pieces of the French stage, in which the follies and follies of the extreme point of depreciation to which these had fallen is represented by a barber receiving for his services, not his accustomed franc, but an assignat of 800, which would give their rate of depreciation at about 80,000 per cent. Are these, Sir, the only instances to which I can direct your attention? I follow me across the channel to the Mother Country, and we shall there find another example of what has been done and what ought to be avoided by us. The difficulties in which Great Britain was involved in the war of the French revolution, led to a suspension of cash payments by the Bank of England which was continued under the sanction of Parliament for upwards of 20 years. During this period the issue of paper was enormous, and its depreciation as might be supposed proportionally low; at one time it was at no less than 25 per cent. discount, and one half of this, or a fall of 12 1/2 per cent. it has been stated, was effected in the short space of two weeks; and let hon. gentlemen reflect on this for a moment, and consider how near and how rapid may be the fall of the paper of that Bank, which, like this, has undertaken to suspend its payments in cash. A return to a better and more wholesome state, must not be expected from Banks themselves; it can only be effected by the coercive measure of a law. The interest of the Bank will of course be opposed to such a measure; by a general suspension of payments in a metallic currency, its own notes are more largely issued and more extensively circulated, and with this the loss and risk is diminished and its profits increased. If then we were to wait upon the bank here till it suited its convenience or its own ideas of propriety, we might wait, as in England, for another 20 years, before we see it restored to that system of payment in gold and silver from which it ought never to have departed. The Bank of England did indeed, at first, soon after this suspension took place, profess its willingness to return to its original state; but the advantage to itself was too great to be abandoned; and other Banks have probably acted under the same all powerful motives of self-interest; during this long period its dividends increased to 7 and even 10 per cent., while its extraordinary profits in addition to these, amounted to no less a sum than thirteen millions sterling—and what on the other hand were the blessed advantages which flowed to the community at large from this state of the currency? high prices and extreme fluctuations in the market, and distress, bankruptcies and ruin. We have had the number of broken banks in the United States given to us; but in England during this suspension, the country banks which stopped payment amounted to 240.

But we have examples of this dangerous practice yet nearer, to which we may look and gain instruction if we will attend to them.—During the late war with the United States, all the Banks South and West of New England suspended payment in specie, precisely in the same manner as the Halifax Bank has here in the last year acted. The effect upon the paper of those Banks was such as might naturally be expected, and as certainly will take place here. In different States it fell to various degrees of depreciation. In Baltimore for instance it was as low as 20 per cent. discount, and this too in the short space of six months. And all this time, and owing to this cause, it may also be remarked, the great number of instances occurred in which the Banks in that country were broken; so true is it that the evils attendant on that vicious state of its currency are the same in all countries. The hon. member for the Town of Halifax, mentioned on a former day, that the government paper of this Province, though before his recollection, was as low as 20 or 25 per cent. The government paper of the U. States, the paper issued during the Revolutionary war, which the emergency of the occasion would justify if any thing can, was about the same time there, at a still lower rate. It fell in about nine months from six hundred to three thousand per cent., and at the end of 1780, its value was about 80 dollars in paper for one in silver, that is it had sunk to 8,000 per cent. And now, Sir, let me ask if with such examples before us, we shall be insensible to the danger of having an irredeemable paper currency substituted among ourselves for one of a sounder character: will not the same causes produce the same results, the same evils in this country as in others? There is no magic in the name of Nova Scotia, which can avert from us that danger which is impending over us, and must overwhelm us at last if the cause is not speedily removed; but the remedy is in your own hands and with this committee; with the Houses it will rest to continue or put an end to an abuse just now commencing upon it the career of misery and mischief which has afflicted other countries. After these details into which I have entered, will any gentleman be found bold enough to assert that a currency of this nature, which has brought ruin and distress in its train wherever it has gained a footing is the proper one, the only kind indeed, which is suited to this Province. Such a doctrine from such a quarter did not a little surprise and startle me, but not more I confess than did some singular inconsistency in his argument, in which he at one time attributed the peculiarity of our present situation to our having raised the doubloons to 24, and the next moment assured us that the only remedy is to raise it still higher, and that it should pass at 24 5s. because it cannot be imported into the Province at a less price. I have always understood it to be an admitted principle, that every country will supply itself with gold, according to its actual wants, and I have no fear that this Province will be an exception to the rule, unless you sanction the introduction of a paper currency not convertible into gold, for such a paper will of necessity drive gold altogether out of use, and effectually expel it from among us.

It becomes us, therefore, to oppose the first attempt of Banks to introduce such a currency; this is the most appropriate time to correct the evil, before its effects become more extensive, or beyond our reach—the longer it is deferred the more difficult will be the task, and the more severe will be found the remedy.—One of the most dangerous effects, of suspending cash payment is the unavoidable distress

which follows the return to a specie currency, particularly when the suspension has been of long continuance; when the disease has remained unchecked, so long that the whole system becomes habituated to its influence, a more violent application may become necessary, and the very removal of the disorder is often attended with danger to the constitution. After the 20 years suspension in England, the return to cash payments was productive of dreadful calamities; and short as had been the suspension with the United States, the effect was also sensibly felt. The reason of this is obvious—while the suspension continues, the currency is depreciated; and all contracts and obligations entered into in this depreciated money, are to be discharged after a change of the currency has taken place in one of a higher value—the great loss therefore falls in this case, on that class of persons who are least able to bear it,—a convincing argument this, that the earliest possible remedy, should be resorted to, and the only sure one is to prohibit at once all Banks from issuing a paper not payable on demand in gold and silver; and such is the Bill now before the House. The hon. Gentleman from the County of Sydney would lead us from the adoption of such a measure, by pointing out the difficulty and cost of procuring a sufficient supply of these coins, owing to the present high rate of bills. Those drawn on the United States are, as he says, at 7 per cent premium. I believe they are even beyond this; but he is not aware of the cause? and if it continues much longer, the premium will advance I have no doubt, to 10 per cent. and upwards. But let the bill pass, oblige the bank to pay in gold, and the price of bills will fall, and gold I doubt not will, as heretofore, be found sufficient to supply, with a sound paper currency, all the wants of the country, flowing and reflowing in and out of the Province, through the natural channels which commerce is ever creating. The price of gold in any paper is the true test of the value of that paper; and the rate of exchange, so unusually high as it now is, ought to inform that hon. Gentleman that the paper of this Bank has fallen already in value. But it is not left to this proof alone, Goods, as I am informed, are now sold in this Town at 5 per cent. less when paid for in specie, than is charged when payment is to be made in the debased paper; and who can say, since the depreciation has now commenced, how far it may fall—its extent will be in some degree commensurate with the amount of the issues, and over these there is no control. When the Province paper was first brought into use, the notes were made payable with interest. There was then no other paper money afloat, and the limited amount of this was small compared with the metallic currency of the country.—At that time too the whole amount of our duties were collected at the exchequer office, (though this is no longer the case) where Province notes were received in payment. These circumstances were considered, and perhaps were found sufficient to support unimpaired the character of the paper, even after its character was also in some degree altered, and it was no longer made to bear interest. In 1825 when the Halifax Bank was first established, the amount of Province notes in circulation was £49,777, and in 1837 still lower, being then £27,577.—As this paper was withdrawn the Halifax Bank supplied its place, and from that time has continued to form the largest part of our circulating medium. And let it not be forgotten that it is a strong argument in favor of the Bill now before the House, that it is the only measure by which the issue of the bank can be limited. It is impossible to say how much paper it may now have or may hereafter put into circulation.—It may be £200,000 or £400,000, and this being payable in the paper of the Province it is obviously the same as if the Province had issued the excessive amount—will stand in the same situation, and the over issue of the one will necessarily produce depreciation in both. The union of the two notes is like attaching a dead body to a living one.

The present amount of our Province paper is £200,000, that of the Bank may fairly be estimated at £150,000; but nothing can restrain it from being increased at pleasure, and it will most assuredly be increased by the very circumstance of it being irredeemable in any thing but paper. This has been the case in other countries where cash payments have been suspended, it was in England and in the United States, when the Banks there, as I have mentioned, adopted the same measure.

The same writer to whom I have already more than once referred, and to whom I am indebted for so much valuable information on this subject, has given us the comparative amount of the note in circulation in the United States at different periods; and the amount of the specie in the country at the same time.—From this statement, it appears that in 1811 the amount of notes was \$29,100,000 the specie being \$15,400,000. But in 1815, immediately after the suspension, they stood as follows, the Notes 45,500,000, and the specie 17,000,000. That is while 17,000,000 had been added to the paper currency now no longer payable in specie—the specie of the country had gained an addition of 1,600,000, while in the next year the increase had been still more disproportionate.—The Notes then amounting to 49,000,000—the specie to 19,000,000, that is from 1811 to 1816, in the course of five years, forty millions additional paper had been issued, while the country had acquired an increase of 3,600,000 of specie only. So true is it, that an irredeemable paper currency unavoidably leads to an excess, and with this excess a depreciation unavoidably follows, and what has taken place in other countries is now taking place here; it is yet but commencing it is true, but it will as certainly and as fatally proceed to the same height if not checked at the outset—for it would be the extreme of weakness and folly to suppose that we can escape the same result which the same causes have every where produced, it should be our wisdom to profit by the chief lessons of experience, we may learn from the errors of others.

I feel, Sir, that I may be trespassing too much on the patience of the Committee, and wearying their attention, while I delay other gentlemen more competent to the task from an expression of their sentiments. But having introduced a Bill, on the subject into the House, it would be impossible, without entering into a full detail, to explain the sentiments and views which have induced me to take that step. I must then entreat the indulgence of hon. members a little longer, particularly those who may not have given to the subject that reflection and consideration which it deserves, while I endeavour a little further to explain the question before them. I hope it will not be considered one only relating to two Banks, rival institutions which they should be so considered. That would be a narrow ground on which to place it, and a most incorrect view to be taken of it. It is a question of general interest, deeply affecting the whole community—one in which every individual is concerned. It is a question between the issue of an unsound currency, an irredeemable paper on the one side, and the

public on the other; and I must express, my astonishment, as my learned friend from Annapolis did on a former day, that such a measure as this suspension of payment in specie on the part of a Bank, should have occurred in this large and commercial town, and be so long submitted to. If I am asked to point out one thing particularly than another to prove the propriety, the necessity of some interference on the part of the legislature, it is, that this singular proceeding, this continued refusal to pay out specie notwithstanding all the inconvenience, say the least of it, which it has occasioned, has met with no resistance in this place, but has been submitted to without a murmur. A voluntary return to cash payments is not to be expected from a bank; interest, the depreciation of its paper becomes excessive, the community, by rejecting their notes, forces them to a different course; but if the bank has nothing to fear on that score, if such be its power, its influence, its control, that it can disregard the opinion of the community, and still circulate its paper depreciated as it may become, it is then that the Legislature should interfere. It is its duty to protect those who are unable to protect themselves or fear to do so—no measure can be more necessary or wise, or just, or constitutional than this. Where the public are capable of guarding their own rights, it may not be necessary to resort to legislative aid; but when the context is so unequal, and they fear to undertake it, I would not leave them without support, nor suffer a single Session to pass, without claiming in their behalf some measure for their protection.

But is it merely for the protection of the town, or of the mercantile body that a bill like this is required? The evils which are to be feared from a currency such as we will possess is not confined to them, it will extend to every part of the Province, and when that depreciation now commencing, shall have become greater, the more remote inhabitants, the poor settlers, who are least capable of guarding against it, will suffer most severely from its effects; these cannot at once resort to the bank and get rid of its paper, and they may therefore claim some little attention. At present they are ignorant of the impending danger, and their will is unaided, but depend upon it, if some measure is not adopted, let things proceed much further, you will hear the complaints of the people from every part of the Province, in a tone which you cannot mistake, and though silent now they will hereafter speak in a voice of thunder. You will then be ready enough to adopt a remedy, but the measures to effect it will not be so easy hereafter as now. What I now propose is in itself simple, and at the same time fair and right, it is merely to compel all banks to do that which they cannot refuse to do without a gross violation of the simplest principle of political economy and political justice.

The notes of the Halifax Bank are made payable in specie or Province notes, and they claim the right to pay them at their own option. On this point, I do not mean to offer my opinion, because it is not necessary for me to do so, but this much I will state, and I do it with some confidence that if they are not payable absolutely in specie on demand, they are little else than a fraud upon the public, they are utterly valueless, and no better than a blank piece of paper. If payment cannot be enforced in specie against those who issue them, neither can any action at law be maintained to secure their amount in Province paper; and what a miserable state of things is it, how loudly does it call for redress, when the greater part of the actual currency of the country consists of the notes of private individuals, who are not legally liable to the holders of them for the amount which they promise to pay. But says the hon. member for the town of Halifax, if these promises cannot be enforced by law, if no remedy can be had against the Bankers by an action, still he has such confidence in their integrity and honor that he is willing to incur any risk and take their paper freely, and without fear.

His confidence does not weaken my argument, the validity of bank notes must not depend on such a frail foundation. I want not the honor of any man or any body of men pledged to me for such purposes. I will trust to the honor of no one, for it is not right that I should be referred to this, when I can better support my claims on legal rights and legal liabilities. Of the individuals who compose this company I may probably be willing to speak in as high terms as that hon. Gentleman, with all of them I am sufficiently acquainted, at least to know the high character they possess. I shall most certainly say nothing of any one which would be unfit that he should hear.—I would speak but of their conduct as Bankers, and of the character of their paper, and proceedings which are now subjects in which the public is concerned. I shall speak my sentiments with the boldness and freedom which becomes a member of this House, nor think an apology necessary. I am aware of their power and influence, though I may not know the whole extent of them; and it is the very circumstance that makes it more necessary that this House should guard against their abuse.—To leave with them the uncontrolled power of issuing such a paper I consider to be highly dangerous. They may be as we all suspect, and be unheeded among the honorable of the land, but as a man arise with respect to their notes in which even they may avail themselves of their exemption from a legal liability to pay them in any manner whatever. To mention some familiar instances—suppose a note was presented for payment, which was refused on the ground of its being a forgery—other persons have been deceived with respect to hand writing, and that might be the case here. And so confident might the President of that Bank be on that occasion, that he would not allow the question to be subjected to a Jury, could he prevent it? He could, no action could be maintained on the note, and he might avail himself of the objection. Or suppose an extensive robbery were committed on that Bank, and one of the stolen notes were shortly after presented at it, if the bearer should not account for his possession of it to the satisfaction of the President, as very probably he might not, he could prevent any appeal to a jury of his country for redress. But I need not dwell on such cases as these, it would be sufficient, one would suppose, to ensure the passage of the bill to show that, no action under any circumstances can be maintained at law upon the notes of this Bank, if they are not payable in specie, nor are they legal instruments. I make this assertion openly in the hearing of learned gentlemen, who will know what credit it is to be given to it, and I challenge any one to a denial of its correctness. It has been said indeed that a suit in chancery might be maintained against the Bankers, but after what

we have already heard of the proceedings in that Court, I do not think any one will be bold enough to file a Bill in Equity for the recovery of a thirty shilling note.

How does it happen then that this is the first time that any measure has been proposed to remedy this evil? The hon. gentleman from Halifax has informed us that, until the Bank of Nova Scotia was established, he could always, with some difficulty, get what gold he required.—The evil was not felt then until the last Session was over—and this is the first opportunity of applying to the House.—But I cannot avoid taking some notice of the first refusal of the Bank to pay in specie, since the hon. gentleman has alluded to it, and I will state to him the time and circumstances under which it was effected.

It is in the memory of all who hear me that, sanctioned by a large majority of this House, an Act passed in the last Session to incorporate the Bank of Nova Scotia. When the Bill was before this House, the honorable gentleman from Sydney wished to introduce a clause making the Notes of the Chartered Bank payable in Province paper—this was objected to by myself among others, upon the ground that it would be a violation of the first principle of Banking, and unfair to the public at large—and the clause was withdrawn. The Bill went from this to another Branch of the Legislature where a clause was added, compelling the Bank to redeem its notes in gold and silver, under a penalty of 12 per cent. interest.—That Branch then, in which five of the Members of the Halifax Bank are seated, having recognized the principle that Banks ought to pay their notes in the precious metals, what followed? Scarcely had the members of this Assembly returned to their homes, when those honorable Bankers immediately broke the principle they had established, suspended wholly all payments in cash, and have not hitherto resumed them. And if they agree in sentiment with the honorable member from Sydney, and adopt his views, they will not return to that wholesome state till the law compel them. Now, I contend, Sir, for the principle which is admitted to be applicable to others. The great evil to be guarded against is over issues of paper. To check this, three testimonials are imposed upon the firm. First, they are restrained within certain limits by express enactment. Next, by their penalty of 12 per cent. And lastly by the publicity of the state of their affairs. But private Banks are subject to none of these, or to any other mode of restraint, and very properly, therefore, has it been asserted that the only known possible check to an excessive issue of paper is to be found in making that paper redeemable in gold and silver.

But those who consider it impossible for us to possess a metallic currency, would do well to turn their attention to some other point connected with this subject, and they will see to what drains of our gold we have to submit, and how it is effected. Some few years ago the East India Company commenced the boon of a tea ship, sent annually to these Provinces much such a costly gift as the present of an elephant in that country. I believe there has been but little good tea to be found here since; and how is it paid for? The Agent of the Company will not receive the note of his own bank in payment. Gold only will purchase the article, and this must be furnished by some means to an amount it may be of £40,000 a year. This is not like other money paid in the common course of business, which passes from hand to hand, and circulates widely and generally to answer the purpose of trade. From the Agent it passes to the vault of the Commissariat, if indeed some of it does not find a resting place in those of his own Bank. And there it is hoarded up or exported for the use of other countries, for not a doubloon has, I believe, returned into circulation among ourselves. No wonder such a hoarding of gold should produce a scarcity, or make us believe it could not be found here in sufficient quantities to supply your wants. But can the friend of that Bank deny the propriety of their paying in gold when their notes are thus treated by one of their own patrons as inferior to gold, and insufficient for the large demands which his Tea Sales call for. And where then is it to be procured since it cannot be dispensed with? The Bank of Nova Scotia alone is to supply this; with the other demands which are constantly made upon it; for gold must at times be required let the hon. gentleman advance what position he will to the contrary. A mere paper money such as he would have, will by no means be sufficient. And will it be fair and honest, will it be such a course as any Legislature can adopt, to compel one such Institution to a rigorous payment of its notes in specie, and exempt another from all liability. In attending to the Tea Sale of the East India Company, I may have appeared to wander from the subject. (Not at all—from the hon. Speaker.) It is indeed intimately connected with it, but I will return more immediately to the Resolutions before us and it is time that I brought my remarks to a close. Whatever my own opinion would have been as to the original issue of the Province Paper if I had had an opportunity of expressing it, however erroneous to principal I might have deemed it, I am not compelled to agree with the Resolutions which the hon. Member has brought under our notice. Indeed, to his plan I cannot give my assent, whatever I might say to a different one. The amount of his scheme appears to be shortly this—that the Legislature should borrow £50,000 which the

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