

A New Idea in Canadian Banking.

On the 15th inst., Mr. Thomas Galbraith, of Port Hope, delivered a lecture on the subject of "Trade, Money and Banking, showing how the active capital of the Dominion of Canada may be more than doubled, and the rate of interest reduced in accordance with the soundest doctrines of political economy, and on a gold standard."

Previous to 1875, the country was thought prosperous; but it was not the success of a community which was steadily producing a sufficient value to pay for what was consumed; but rather that of a debtor, who was luxuriating in his good credit till at last the day of reckoning came, and he ingloriously broke down. In 1872, the discount line of the banks was \$32,000,000, and in 1875 it had reached \$141,000,000. That sudden increase of bank facilities went far beyond the requirements of industry. A period of inflation had arrived, and the debts of the banks, payable on demand, were about \$70,000,000. Increased prices stimulated imports; and exports from the same cause fell short. Early in 1875, foreign exchange becoming scarce was the circumstance which opened the eyes of the bankers to the dangers of the situation. Importers—the creditors of the banks—had maturing obligations, and might demand more exchange than could be supplied. This fear prompted bankers to call in loans. This action fell with crushing weight upon the retail trade, as in twelve months \$29,000,000 was collected, and discounted notes were reduced to \$112,000,000. That year \$39,950,000 bankruptcies took place. The same ruthless course was pursued until discounts are now \$10,000,000, breaking down both prices and confidence, and destroying alike both the assets of the banker and of his customers—the total liabilities of bankrupts reaching \$13,000,000. I claim that a bank of issue, differing mainly from an ordinary business firm in its debts being payable on demand, and these debts comprising the currency, should be in a position to give security in such an emergency. If the paid up stock in 1875 was \$60,000,000, and deposits at interest \$25,000,000, the discount line should not have exceeded their sum. In such a case no violence to prices, either by inflation or contraction, could have occurred. As a natural consequence the better the security that banks give, the better they require of their customers; and contrary to popular opinion, the more the currency is secured the lower will also be the rate of interest and the larger the volume of capital made active; and consequently, bank notes and other property would maintain a steadier value. British manufacturers command threefold the capital for the same amount of interest that Canadians do, yet prices of commodities there are lower, arising from the stimulus given to every field of labor by abundance of capital made active.

For the reputation of commercial men, it is to be hoped that few nations a community can never have an adverse balance of trade. Persons who claim that because an equivalent has been got for our indebtedness there should be no reason for complaint, have but a limited comprehension of either individual or national indebtedness. An adverse balance is when a nation consumes more than is produced. If during the past ten years imports of goods were \$100,000,000 and exports \$80,000,000, there has been consumed \$20,000,000 more than was produced. Imports during that period were \$90,000,000 and exports \$76,000,000. But if, as a late Finance Minister argued, the difference is accounted for by selling at higher than entry figures, which is affirming the account in reality square, it may pertinently be asked: "What then has become of all the money imported during the same period?" At Confederation the foreign debt was \$75,000,000. It is now \$150,000,000, that is, \$75,000,000 imported; and if you add \$25,000,000 by loan societies and private individuals, you have \$100,000,000 to be accounted for. There is only \$10,000,000 in the country, and no foreign securities held by capitalists, proving that \$90,000,000 of adverse balance left as exchange to pay so much of the excess of imports. And doubtless the commercial depression was caused by the unsettled balance of the \$23,000,000 excess, pressing for payment. All excess of imports must be regarded as an investment in farming, manufacturing, &c., and if a fair return does not bring up the exports, the cash or active capital goes abroad, increasing the rate of interest here. The lesson of an adverse balance of trade is, that the active capital is exchanged for unavailable capital. But that is all consistent enough with the opinion that the country is becoming wealthier. Hence exists at once a wealthy country and its trade paralyzed. The remedy is wise financial legislation.

If an adverse balance of trade causes capital to become inactive, it is the province of banking to recover the activity of capital. That is what the present banking law does for the capital in the personal property. Take the following abridged statement of the Banks of Ontario and Quebec last April:—

Table with columns for Assets and Liabilities. Assets include Paid up Capital (\$58,060,000), Promissory Notes Discounted (\$111,600,000), Debentures, &c., Discounted (\$19,000,000), Gold (\$6,000,000), and Dominion Notes (\$7,000,000). Total Assets: \$143,000,000. Liabilities include Money at Interest (\$19,000,000), Circulation (\$15,000,000), Deposits on Demand (\$37,000,000), and Total Liabilities (\$72,000,000).

The capital is merged in assets of purely personal property, affording \$53,000,000 of active capital, or facilities payable in gold on demand; the balance of liabilities, or \$19,000,000, being at interest. Here you perceive promissory notes are virtually given a lending power, making the capital active to the extent of \$34,000,000. All the business of the country is transacted, its personal and real property handled by the capital only of the personal property, and sufficiently explains why the industry of the working portion of a population of four millions is turned to such poor account. The capital of the real property having been left inactive, has had no bearing on the money market, except to the extent that money is brought into the country by loan societies.

Some four hundred million dollars capital is legally ruled out of use by contracted financial ideas, backed up by equally absurd bank legislation. Money can be borrowed on mortgage security, but under the law as it now stands, the banks cannot issue money based on such security; it is based on promissory notes instead. Why not, therefore, establish a bank of issue dealing solely in mortgages, and by that means more than double the active capital? You cannot have the use of that \$400,000,000 by any other process, and that is one of the best arguments against what is termed a Government issue, as Government credit can no more reach the capital in real estate than can individual or company credit. By present legislation the banks are not allowed to discount mortgages, which, nevertheless, would be, in any emergency, the most negotiable assets. It follows, therefore, that the amount of capital destroyed by the action of the present banking law is equalled by the amount of security in real estate.

A bank constituted on the proposed principles with a capital stock of \$10,000,000 worth of mortgages, might be allowed by law to discount the mortgages of its customers to the extent of \$30,000,000, and thus have assets amounting to \$40,000,000, which might be used to purchase gold to any extent found necessary.

A farmer who borrows on mortgage at present has to pay 9 or 10 per cent. for his money, since the loan societies have to pay 6 per cent. for their money (borrowed in Europe), and cannot afford to charge less; but it is evident that if a loan society were empowered to issue money based on their own capital, either in the shape of mortgages or gold, they could afford to discount their customers' mortgages at rates at least as low as the banks at present do promissory notes.

Mr. Smith discounts his mortgage and is charged interest for the accommodation only, and the loan is never recalled, while the amount is secured. Mr. Brown, on the contrary, purchases bank stock with his mortgage, and has an income proportionate to the dividend declared. A mortgage bank might discount at 6 per cent., and after deducting all contingencies, declare a dividend of 12 per cent. It pays gold on demand, and if any time that should fall short, it has exchange to sell, and it is in a position always to secure its creditors. It meets the requirements of a first-class bank of issue, without endangering property, either by undue inflation or contraction of values. In proportion to bank stock will discount always be regulated, and when the value of interest declines to a minimum, the investments in stock will fall off. Industry will be furnished with all the capital that can be profitably used, and the domestic markets will always be adjusted to foreign markets. It would be difficult to overestimate the power and efficiency of such an institution in the development of all the natural resources of the country. Capital and industry would then give account of themselves in an increased export trade. Placed alongside of the present banks, their circulation would be interchangeable. Cash retail trade would be the order of the day, and merchants would be prepared to pay their notes at maturity. The suggestion is purely a development of the Scotch banking system—carefully eliminating its defects.

The first inception of a bank of issue was in the certificate of deposit of the Bank of Amsterdam. Next came into existence the English joint stock banking system, with limited liability and expanded credit, placing that country in the first rank of industry. The third step was taken by the Scotch, who shifted credit on to a real estate basis, by making the liability of bond stockholders unlimited, which, under prudent management, gave their industry a controlling influence. The next step in the order of development is left for Canada, and the times call for it, to establish a bank dealing solely in mortgages, with an issue payable in gold on demand. That will be placing the keystone in the arch of industry!

Week of Prayer.

At a meeting of the P. E. Island Branch of the Evangelical Alliance, held on 24th inst., the following arrangements were made for the observance of the Week of Prayer, viz:—

Monday, Jan. 5th, in the Bible Christian Church and the Upper Prince Street Church—Thanksgiving for the blessings of the past year, and prayer for their continuance.

Tuesday, Jan. 6th, Zion Church—"Confession of sin and humiliation before God."

Wednesday, Jan. 7th, Baptist Church.—"Prayer for the Church of Christ, its ministers, its growth in grace, and its enlargement; and for revivals of religion throughout the country."

Thursday, Jan. 8th, Methodist Brick Church.—"Prayer for Christian education; for the family, and institutions of learning, for Sunday Schools, and Caristain Associations."

Friday, Jan. 9th, St. Paul's Schoolroom and Upper Prince street Methodist Church.—"Prayer for nations and people; for peace and religious liberty."

Saturday, Jan. 10th, St. James' Church.—"Prayer for Home and Foreign Missions; for the outpouring of the Spirit upon all flesh, and the conversion of the world." The meetings to commence at 7.30 and so close at 9 p. m. A collection for the poor to be taken at each meeting.

J. M. McLeod, Secy. Patriot and Presbyterian please copy.

Read and Learn for Yourself.

Many valuable discoveries and much useful knowledge is kept from the world, because of the immense expense in making them known to the people. This is not the case with Boschees German Syrup, although but a few years introduced into this country, its sale now reaches in every town and village in the U. S. Its wonderful success in curing Consumption, severe Coughs, Pneumonia, Asthma, and all other diseases of the throat and lungs, was first made known by distributing every year, for three years, over 400,000 bottles to the afflicted, free of charge, by Druggists. No such a test of merit was ever given before to any other preparation. Could you ask more? Go to your druggist and get a bottle for 75 cents and try it. Sample bottles 10 cents.

Public Schools.

Mr. Editor.—The following paragraph is embodied in the Rules and Regulations annexed to the Register used in the public schools:—

"All pupils who have not been absent a day during the term (unless on account of sickness as certified by a medical man) shall be entitled to have their names entered on the Roll of Honor, which may be placed afterwards in a conspicuous part of the school room and in the Merit Book."

The following are the names of pupils in my department who merited the distinction provided for in the foregoing paragraph; viz, Mary M. Campbell, Leah Cobb, Maggie Maxfield, Annie Fraser, Josie Toombs, Eva Mackenzie and Etta Wilson. Some others also have a full record of attendance, except two or three days' detention on account of sickness; but as they did not produce a physician's certificate—according to rule, I do not feel at liberty to place their names on the Roll of Honor. By publishing the above you will confer a favor on the honorable pupils.

A. A. MacKENZIE.

Dec. 27th, 1879.

Notice to Importers.

THE Fast Sailing brigantine Shamrock, classed 7 years Al at English Lloyd's, William McPhee, commander, will sail from Glasgow, carrying freight direct to this Port, about the 15th MARCH, next, 1880.

For terms, freight, &c., apply to JAMES KELSO, Esq., 134, St. Vincent street, Glasgow, Scotland, or here to the owner.

OWEN CONNOLLY.

Ch'town, Dec. 27th, 1879.

COAL. COAL.

FOR SALE, at the Gas Works, a quantity of Roundlingan Coal, at \$3.50 per ton. This Coal gives a great heat, and being almost free from sulphur, is suitable for either grates or cooking stoves.

Dec. 27, 1879—city papers 1w

CHRISTMAS, 1879,

AND— New Year, 1880.

RAISINS, Currants, Citron, Lemon and Orange Peel, Flavoring Essences, Ground Spices, (pure); Preserved Ginger, Orange and Lemon Marmalade, Pearl Sago and Tapioca, Macaroni and Vermicelli, Cross & Blackwell's Mixed Pickles and Sauces, Durham Mustard, (in tin and bottles), Newman's Port Wine, and Hennessy's Brandy.

WM. R. WATSON.

Dec. 24, 1879.—1w pat

A SOUP KITCHEN

IN connection with the Women's Temperance Union and Benevolent Society, will be opened for the winter if sufficiently assisted by the charitable public. In order to distribute judiciously, only those will be relieved who identify themselves with the Society, which will enable the committee to look particularly into each case. In view of the present pressing demands for help, the friends of the poor are urgently requested to send donations immediately and as regularly as possible, which will be received by Mrs. W. KENNEDY, Confectionery. Clothing will likewise be very acceptable.

E. McRAE.

Secretary of the Women's Benevolent Society. Dec. 23, 1879.

The "Northern Light."

PARTIES expecting goods by "Northern Light," via Georgetown, must advise Railway Agent at Pictou Landing to deliver.

WM. MITCHELL.

Agent of Dep't. Dec. 23rd, 1879.

SUNDRIES.

Cross-cut Saws, Musical Boxes, Plaster Paris, Clapboards, Broadcloth, Hoop Iron, Out Tubs, Meat Barres, 1 ship's Medicine Chest, 1 fancy Work Bench, 1 Gun Case, Lot Mahogany Doors, second hand, Hose and Lead Pipe, 1 Bench, 1 Mahogany Desk, Lot of 7 inch Stovepipe, Stove Drums, 4 Chimney Tops, for smokey chimneys, at half price.

H. COOMBS.

Dec. 17, '79.

Plate Glass & Common Mirrors

2 Large Mantle or Shop Mirrors, will be sold for less than cost. 2 Plate Mirrors, in gilt, cottage size. 2 Round Top Show Glasses, cost me \$6, now offered at \$4.50.

2 Maps of P. E. Island, 4 pairs Scales, a lot old style Beams, at 25 cts. each, 1 wood Pump, about 10 feet, part Cucumber Pump, 3 crowbars, 2 Force Pumps, for cleaning windows. Apply to

H. COOMBS.

Dec. 17, '79.

MAGLEAN & MARTIN, ATTORNEYS-AT-LAW,

Newson's Building, Opp. Post Office, Charlottetown, P. E. I. A. A. McLEAN. D. C. MARTIN. June 18, 1879.—ex2aw

THE WEEKLY EXAMINER.—Per sons having relatives or friends abroad, and desiring to keep them informed concerning P. E. Island, cannot do so in a better or cheaper way than by subscribing to THE WEEKLY EXAMINER. Sent, postpaid, to any address in Great Britain, the United States, or the Dominion, on receipt of One Dollar.

JUST OPENING.

A NICE and well assorted lot of Layer Raisins, Loose do., Currants, Ground Alspice, Cloves, Nutmegs, Ginger, Pepper, Mixed Spices, (all sorts); Rice, Cream of Tartar, B. Soda, Coffee, Raspberry and Lemon Syrup, Crushed and Loaf Sugar, Best Tea, Tobacco, (in twin bar, solace, little giant, and twist); White Beans, Cheese, Table Salts, Confectionery, (all sorts); Pickles and Mustard, Toilet Soaps, Laundry and Queen do., Buckets, (assorted); White and Blue Starch, Brooms, (all sorts); C. L. Potash, Shoe, Stove and Scrubbing Brushes, Wash Boards, (cheap); Indigo, Candles, Salt-petre, Rope, (different sizes); Apples, Oranges, etc., and more opening, All of which will be sold cheap for cash.

J. B. HARTY.

Store in Newson's Building opposite Post Office. Dec. 24, 1879.

TO LET.

THE SHOP on Upper Queen Street, now occupied by Simon W. Crabbe. Possession given the 1st June, 1880.

ARCH'D. WHITE.

Ch'town, Dec. 22, 1879.—law pat pres n o her 1m

NUTS, ORANGES,

GRAPES, Figs, Dates, Pound and Fruit Cakes, &c., at BEER & GOFF'S.

Dec. 17, '79.

S. S. "NORTHERN LIGHT,"

WILL MAKE DAILY TRIPS between Georgetown and Pictou, until further notice, (Sundays excepted) leaving Georgetown at 6 a. m., and Pictou at 1.40 p. m., weather permitting.

WM. MITCHELL,

Agent of Dep't. Ch'town, Dec. 19, 1879.

WANTED TO BORROW,

\$850.00.

BY the Trustees of Spring Park District School, for one or three years. Offers stating lowest rate of interest, for all or any part thereof, will be received by

WM. HEARD,

Chairman of Trustees. Ch'town, Royalty, Dec. 19, '79—1w

FURNITURE.

12 New Lounges, 2 Smoking Chairs, 3 Feather Beds, at only 25 cts. per lb 2 Meat Safes, 2 Sewing Machines, A lot of second-hand furniture, bedsteads, chairs, book-cases, washstands, tables, mattresses, and last but not least wanted, 1 bath tub

H. COOMBS.

Dec. 17, '79.

Valuable Property for Sale.

TO BE SOLD, all that part of Town Lot No. 74, in the first hundred of Town Lots in Charlottetown; having a front of 67 feet, Dorchester Street, and running back 80 feet, together with the buildings thereon erected. For further particulars apply to Messrs. Hodgson & McLeod Charlottetown. Sept. 18, 1879.

Pure Confectionery.

A GRAND ASSORTMENT for Christmas, at BEER & GOFF'S.

Dec. 17, '79.

COAL. COAL.

300 TONS Gowrie Mines Fine Coal; also a quantity of Sydney Large Coal, at KOUGHAN'S SCALES.

Ch'town, Dec. 16, '79—3i

COAL. COAL.

ROUND COAL for sale by

F. S. HANFORD.

Ch'town, Dec. 15, 1879—6i

APPLES.

100 bbls. No Baldwins, } American. 100 " Russetts, }

CARVELL BROS.

Dec. 18, '79—3i

TO LET.

FOR ONE OR MORE YEARS the House and premises recently occupied by Mr. W. W. Clarke, situate on Great George street, two doors above the office of Messrs. Longworth & Hazard, attorneys, near the head of Steam Navigation Co's. Wharf. For terms etc., apply to

JOHN INGS.

Ch'town, Dec. 15, 1879.

Frames & Sashes

1 set second-hand Doors and Windows with inside casings and Mantles, out of a house 24x36. Will sell the lot cheap. 1 suit new Sashes, and 6 Frames and Sashes, 12 lights, 10x12.

H. COOMBS.

Dec. 17, '79.

BUY THE DAILY EXAMINER. for the latest news—local and telegraphic.