

part of 1837 the country was faced by two alternatives; either the people must push one another into general bankruptcy and confusion for lack of specie, or there must be an arresting of liquidation, which was most easily accomplished by a suspension of specie payments on the part of the banks. The latter course was adopted. It was undoubtedly an evil, but, under the circumstances, it was much the least of the evils which threatened the country. It made possible an easy and rapid recovery of business relations throughout the States when the crisis was over and Britain once more extended, though in more modest proportions, her credit and specie. In 1838 the Bank of England itself sent £1,000,000 to the United States to assist the banks in resuming specie payments.

For purposes of specie supply and exchange, the Canadian Provinces were related to the money markets of the East, and particularly that of New York, in much the same manner as the outlying States of the Union. There were, however, two elements of advantage on the Canadian side, in the event of a crisis. In the first place, the large expenditure in Canada on the part of the Imperial Government furnished a supply of specie or its equivalent, exchange on Britain, which was not available in the American States. On the other hand, economic progress and speculative discounting of the future had been on a much humbler scale in Canada, hence the reaction was not so severe. The craving for more banks and paper money, for land speculations and extensive credits, was quite as marked in the case of the Canadians, but hard necessity leaned to the side of virtue. Even as matters stood, Canadian indebtedness to the United States was considerable, giving the Americans a command on Canadian money which meant bank notes in the first instance and their specie in the second.

This brief outline may serve to render more intelligible the action of the Canadian banks during the crisis, and the peculiar convictions of the Canadian people with reference to the part played by the United States in the crisis.

When the first news of the general financial distress in the United States reached Lower Canada, the banks sought to protect themselves as best they could. Discounting was immediately checked, much to the inconvenience of sound business