

without a corresponding import of goods from England, led to a very considerable balance of exchange in favor of Canada. As between the United States and Canada the exchange was against Canada, and as between the United States and England, the exchange was against the United States. The payments for American produce coming into Canada being made in small amounts, were usually in cash, neither the local instruments of exchange nor the larger English bills being admissible in that trade. The general result was that, about the beginning of the century, Canada found its metallic currency rapidly draining off to the border States. As a consequence of this and of the superfluity of sterling bills, the sterling bills fell below par in Canada, sometimes going so low that £100 sterling were offered for £100 currency. At the same time sterling bills were at a premium in New York and Boston. This led eventually to the bringing in of large quantities of cash from these cities for the purchase of sterling bills in Canada; thus a general equilibrium was once more established. These operations are indicated in the Cartwright letters, and Mr. Hugh Gray, in his Letters from Canada in 1806-7-8, gives a very clear and full account of the process by which the balance was restored, allowance being made for the cost of transporting specie.

The intimate trade and exchange relations with the United States, the continued success of the Bank of the United States, and the growing need for a more perfect circulating medium than that miscellaneous local currency of *bons* and promissory notes, which the more developed parts of the country were now outgrowing, led to a general movement among the merchants of Lower Canada for the establishment of a provincial bank in that province.

In the *Quebec Gazette* of March 5th, 1807, appears the following advertisement: "Notice—The attendance of the inhabitants of Quebec is requested at the Union Hotel on Friday next, the 6th inst., at one o'clock p.m., to consult on the proper measures to be taken for the establishment of a bank in this province. Quebec, 4th March, 1807." As a result of this and a similar movement in Montreal, a petition was drawn up and presented to the Legislature of Lower Canada, praying for the establishment of a bank in the cities of Quebec and