

While the great wars were going on round the turn from the last to the present century, while the currency was demoralized and specie payment by the Bank of England suspended, throughout the Empire Britain made use of whatever coins she could command in exchange for bills on the Imperial treasury.

The internal trade of Lower Canada, so far as carried on with the French Canadians, employed almost entirely the old French currency, to which the Habitant clung as part of that cherished nationality which marked his independence of British institutions. But in the extensive payments of the British Government, in the wholesale and foreign commerce, and in the settlements of Upper Canada, the Spanish and American dollar, assisted by a miscellaneous fringe of gold coins, furnished the chief metallic currency and standard of value.

In 1816, however, Britain, chiefly with a view to preventing her silver currency from going abroad, definitely adopted a gold standard. Silver was made a token money by raising its face value above its bullion value and limiting its legal tender to forty shillings. Under improved conditions of British trade the foreign exchanges became more favourable. No premium on bullion for export threatened to exceed the seigniorage on British silver coins; consequently they remained as a permanent medium of exchange, and lent colour to the theory that not trade but legislation had relieved the country from its currency famine.

The coinage of the new silver currency being profitable for the Government, it was a matter of some interest to extend its circulation.

In 1821 the Bank of England resumed specie payment, and was followed by the other banks having paper issues. At this period, too, the Spanish American colonies were achieving their independence. Spain losing control of the silver mines, the supply of the Spanish dollar was checked. Further, the period from 1820 to 1824 was one of commercial distress in several of the colonies, particularly the West Indies and Canada, which had suffered in common with the United States.

In the face of this combination of circumstances, the success which had attended the readjustment of the British currency at home naturally suggested an extension of the system