

pigeon-holed. The more's the pity that the same fate had not befallen several of his other equally well meant schemes.

With the gradual settlement and progress of the colony the conditions of exchange which I have already sketched became more pronounced. The merchants more extensively performed all the essential functions of banking, except the regular issue of notes.

American paper money circulated to a certain extent in Canada during this period. That it did not become more general was evidently due to the fact that until 1810 there was no law in Canada to prevent the counterfeiting of foreign bank notes or other exchange documents. As a consequence of this Canada became the asylum and base of operations for the majority of American counterfeiters. This unwise policy was found, in the long run, to be more disastrous to Canada than to the United States, hence an Act was passed in Upper Canada in 1810 making the counterfeiting of foreign notes, etc., illegal. From that time American bank notes circulated more freely along the borders of Upper Canada at least. An attempt was made to pass a similar Act in Lower Canada the same year, but the bill did not get beyond its second reading.

In my last article I referred to the three-cornered system of exchange which had already grown up between Canada, England and the American colonies. When commercial relations were resumed after the peace, and especially when great freedom of trade was secured by the Treaty of Commerce of 1795, the Canadian trade with the United States developed rapidly. The United States being a neutral nation during the French Revolutionary War, and the subsequent Napoleonic wars, it was possible for Canada to obtain many of its English supplies, and especially its East Indian goods, cheaper through the United States than directly from Britain. On the other hand the export of much American produce by way of the Champlain, western lakes and St. Lawrence routes, and the local consumption of considerable American produce in Canada, made a very large import trade from the United States. The regular exports of Canada to England in furs, American and Canadian products, and the support of extensive military garrisons and Indian pensioners at the expense of England,