

alarm was over, the greater part of the country engaged in making money and enjoying life. The long and difficult system of transportation from Kingston to Montreal, which it was expected the enemy would at once close, remained open, much to the joy and surprise of the people, during the greater part of the period. Little passed down the river save bills of exchange, army bills and latterly specie, but everything came up from ships of war for the lakes to many forms of luxury hitherto unknown in the woods of Canada.

In consequence of all this an important change came over the economic life and habits of the people of Canada, except the rural French element. The system of barter was broken up, as also that close interdependence of the settlers which had prevailed up to this time. Everywhere the more flexible cash nexus was being introduced. People became accustomed to the use of paper money, and not recognizing the radical difference between the army bills and bank notes, when the bills were withdrawn and banks were organized, they experienced no great difficulty in circulating their notes among the English element at least. Fortunately, before they had gone very far, experience served to modify the erroneous ideas under which the banks were established, and the country was saved from certain disaster.

Some of the peculiar conditions which existed under the army bill issue are worthy of note, on account of the impressions which they left upon the country as to the virtues of a paper currency. It was confidently expected by the merchants who had bills of exchange to sell, that when the army bills were in circulation, the currency of the country being increased, there would be a considerable rise in the value of the bills, the previous low price being attributed to the scarcity of currency. The army bills, however, were themselves convertible into bills of exchange on England, and hence were not to any great extent available for the purchase of bills from other sources. It is true that bills drawn against exports were greatly diminished, practically stopped altogether from the upper province, but bills for pensions, salaries, and the procuring of specie for situations in which army bills would not answer, continued to increase. Interchange with the United States being nominally shut off, outlet there was discouraged. As a consequence, instead of bills of