

pressed. Thus unwittingly did McKenzie in the end render the country a great service. The rebellion in Lower Canada was much more serious from both the political and military points of view. On account of these outbreaks a great outlay on Government account immediately took place in both Provinces.

At this time the Bank of Upper Canada had only £80,000 of notes in circulation but £140,000 in specie. The Commissary General being suddenly in need of extra funds, the bank advanced him £50,000 in dollars, and offered to furnish its notes to meet his outlay within the Province. The offer being accepted the bank soon found its note issue raised to £154,000 and its specie reduced to £60,000. The bank of course received the Commissary General's bills in exchange for its notes. But these no longer brought the high premium in New York which they formerly commanded. By the end of February they were actually at a discount, and it was no longer profitable to deal in exchange. It now became the interest of the Bank of Upper Canada to reverse its policy of 1837. It now wished to issue its own notes, irredeemable if possible, and send its exchanges, not to New York as before, but to London.

Early in March, when bills on Britain were at a discount in New York, the Bank of Upper Canada discovered that owing to the disturbed condition of the frontiers it was unsafe to bring specie from New York; a difficulty not complained of by any of the other banks, even those of Lower Canada, which were preparing to resume specie payments. On March 6th, the bank applied to the Governor in Council for permission to suspend specie payments. But the act passed the previous session required that the note issue of a suspended bank should not exceed its paid up capital. This did not suit the interests of the Bank of Upper Canada, as things now stood. But if changes were to be made the bank must act rapidly, for the session was almost closed. Its political influence, however, was equal to the occasion. On March 5th, the very last day of the session, a petition was received from the Bank of Upper Canada praying that authority be given to the chartered banks to issue notes to twice the amount of their paid up capital, notwithstanding the suspension of cash payments. The friends of the bank had on hand the draft of a bill, which they at once laid before the House.