

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, 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,