

These changes very materially affected all military and other contracts. The British shilling now being the cheapest legal tender in Upper Canada, soon displaced practically all other coins.

Though the Home Government did not disallow the Act of 1836, which had only four years to run, it had so little confidence in the Canadian views on money matters that the Governor was required to reserve any further measures dealing with the currency.

The general situation brought to the attention of the better informed Canadians the fact that Canada, being dependent upon foreign coins for its medium of exchange, was liable at any time to lose its currency through an adverse balance of exchange with England or the United States. To over-rate the coins proved only a very temporary expedient as prices rapidly adjusted themselves to the new rates, and the coinage flowed off once more. It was proposed by the more intelligent business men to have a regular Canadian currency which would not be admissible in other countries at its face value, and would therefore serve no other purposes than that of a medium of exchange. This was of course the ultimate remedy and was eventually realized in the present Canadian silver and copper coinage. Still it is surprising to find how long it took to get this simple and obvious remedy into operation.

Upper and Lower Canada had drifted further apart with every change in their currency laws. The dollar alone remained common to both, at the rating of 5s. but no one was compelled to pay in dollars. In Lower Canada payments were made as far as possible in French coins, and in Upper Canada in English shillings. As a result exchanges between the provinces were at varying ratios of discount, and in both exchange on New York was always at a premium. The business of the Canadian provinces was certainly suffering from the unfortunate condition of the currency.

Amid all the conflicting arguments and proposals of the period, on two points the leading financial men were agreed, namely, that there should be a special coinage for the British North American colonies, and that the basis and denomination of that coinage should be the same as in the case of the new American gold and silver coinage. These views were endorsed by the Governor-General, Sir John Colborne, and Sir George Arthur, Lieut.-Governor of Upper Canada.

An Act was passed by the Legislature of Upper Canada with the object of bringing the currency of the provinces into closer relation with that of the United States. The special Council of Lower Canada also passed an Ordinance to improve the currency situation in that province, but both measures were disallowed by the Home Government. The reasons given were sound enough from a British point of view, and