

ments made their payments by means of cheques drawn upon that bank and which it, of course, paid in its own notes, these being received in Government transactions. Practically the only hold which the Commercial Bank could obtain upon the Government specie was through the purchase of these Government drafts upon the Bank of Upper Canada. When, however, the Commercial Bank, through its Toronto branch, presented these drafts to the Bank of Upper Canada they were tendered their own Commercial Bank notes, which, if accepted, would have utterly defeated the purpose of the bank in procuring the drafts. The Commercial Bank, therefore, refused to accept its own notes in payment of such bills, though in all ordinary transactions and balances it was quite willing to accept its own notes. Obviously there was a good deal to be said on both sides of the question. The matter being referred to a committee of the Assembly, it reported in favour of a measure to require all banks, whether paying specie or not, to receive their own notes in payment of sums due them at any place.

In the latter part of 1837, apparently on account of the growing uncertainty as to the safety of the banks, the Commissary General had withdrawn his accounts from even the Bank of Upper Canada. Yet the Bank continued to enjoy a monopoly of the Provincial Government business, and its notes were accepted in all Government transactions as equivalent to specie.

Towards the end of 1837 there was a marked recovery in the monetary condition of the United States. Exchange on Britain was declining and the stronger banks were beginning to resume; indeed a few eastern banks had never suspended. In January, 1838, exchange on Britain had reached par at New York and resumption was spreading. In April and May the rates were from four and a half to five per cent. in favour of the United States, specie was being extensively imported and resumption was general.

The commercial distress in Upper Canada during 1837, which was more severe than anywhere else on the continent, aggravated the political discontent of the people and might have led to very serious results, had not a small faction of the ultra radicals cleared the atmosphere by a disorganized and premature outbreak in December of that year, which was very easily sup-