

" the custom of their issuing their own notes ; and by the direct  
" and indirect means by which these gentlemen obtain the sup-  
" plying of the garrisons, they will receive no flour but in such  
" quantities as they chose from their own customers and debt-  
" ors, paying them for it in goods, to which they affix the price,  
" or in their own notes, payable only on the 10th of October.

" Hence the flour merchant stipulated to the farmer the  
" price which he should receive for his flour, and that which he  
" should give for the goods which he was compelled to take in  
" barter.

" The necessity of a paper currency, where there is not  
" sufficient gold or silver, is most obvious, but the American  
" colonies having misused such a medium of commerce, and  
" converted what might have been a general benefit into public  
" injury, by an Act of Parliament at present binding on the  
" province of Upper Canada, no emission of this kind can be  
" legally made."

Here we have a simple and direct statement of the exchange mechanism of the time, mingling with an inconsequent and mistaken theory as to the grievances which resulted from its operation. That there were certain grievances is true, but they were mainly due to quite other causes than the exchange system. Even had the people obtained gold and silver for their products, they would still have had to sell them in the nearest market, and obtain from the same merchants their goods in exchange for their money. The merchants would thus have had practically the same advantage as under the system of barter. Under the conditions of the time whatever competition there was operated through the system of barter and *bons* quite as well as under a system of cash sales. The grievances arose mainly from the limited surplus products of the country, and the difficulties and cost of transportation. Under limited competition a monopoly of the export and import trade was also possible in the local centres, although this grievance was not so real as was commonly supposed. That it was not the exchange system, but these other difficulties which were really troubling Simcoe, is evident from the following extract from his report :—

" It appears, therefore, that to preclude the advantages  
" derived from the purchase of flour for the King's forces or