

## THE EXCHANGE NEWS.

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### MONEY AND ITS PANICS IN CANADA.

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upwards. There were also bills for four dollars, which, however, did not carry interest, but were on the other hand redeemable on demand in bills bearing interest. The amount of issue first authorized was two hundred and fifty thousand pounds currency, afterwards doubled and finally increased to fifteen hundred thousand pounds currency. The province guaranteed the interest up to fifteen thousand pounds per annum, and during the continuance of the issue various alterations were made in the Act, ultimate redemption, however, never being lost sight of. The largest amount in circulation was at the close of the war, £1,249,996, currency in March, 1815, reduced to £300,000 currency by May 1816, the office of issue being finally closed 24th December 1820. The bills passed from hand to hand, their denominations enabling the public to calculate with ease their increased value on account accumulated interest, and when they began to be retired the people found themselves deprived of a currency the value of which had made itself apparent and to replace which the country had nothing to offer.

Upper and Lower Canada suffered by the withdrawal of these bills, and the question of again establishing a bank was again paramount. No flourish of trumpets heralded the coming of the Bank of Montreal. A number of merchants began business, signing on 23rd June 1817 articles of an agreement by which an association was formed with a joint transferable stock limited to two hundred and fifty thousand pounds, and late in August the doors of the first Canadian bank were opened for business, the paid up capital being some eighty-seven thousand five hundred pounds. In the following summer the Quebec bank was similarly established as a private partnership, its capital being limited to seventy-five thousand pounds. On 25th August a third bank, the bank of Canada was organized, its capital to be two hundred thousand pounds. It applied for a charter, which it failed to secure. Its origin arose from some dissatisfaction at the course of the Bank of Montreal. Thomas H. Turner was President and Robert Amour, Cashier, but the bank did not succeed and was ultimately wound up by Horatio Gates and Co. and Wm. Peddie & Co. without loss to the stockholders.

All three of these banks received charters, which passed the Legislature 17th March, 1821, and received the royal assent in the following year. The Bank of Mon-

treol, which seems to have been known as the Montreal Bank during its previous career, was at last enabled to issue circulating notes without placing upon them the strange proviso "The president and directors of the Bank of Montreal promise to pay A. B., or bearer, the sum of — out of the joint funds of the Association, and no other," the proviso being, of course, to protect the directors from personal liability.

The amount of real estate the banks might hold yearly was limited, that of the bank of Montreal to £1,000, and then, as now, were prohibited from lending on real estate or holding mortgages except as security for debts already contracted. The rate of interest to be lawfully demanded by the bank was limited to six per cent. No doubt this proviso was overcome by deducting the discount before taking the note. Then, as now, the charters were limited as to duration, to ten years. There was no limit as to the amount of the note issue, except that the total debts of the banks were never to exceed thrice the amount of paid up capital, plus a sum equal to the moneys deposited with them for safe keeping, and there was no provision for regular published statements, although the Legislature or either branch of it could call for sworn statements from time to time.

The banking system thus established in Canada was the germ of the present system which in its present completeness is one of which Canada may proudly boast as among the best if not the best in the world. Its principle of large capital and of branch banks is Scottish in origin, due no doubt to the fact that Scotchmen were the business men of Canada then as now. Of the 140 charter members of the Bank of Montreal ninety were Scotsmen, and of the 89 members of the Quebec Bank no less than thirty were of the same shrewd nationality. The banks shortly established branches, the Bank of Canada at Kingston, where the Bank of Montreal also placed an agent. At Quebec the Bank of Montreal had a second branch, and a third was placed in New York for the negotiation of sterling exchange.

It will be interesting to make some reference to the condition of trade in Canada in those early years. The Rideau canal was not built, the Lachine canal was not completed. On the St. Lawrence trade with the upper countries was carried on by means of Durham boats and batteaux, which ascended with difficulty through the various rapids, notwithstanding the improvements and the small canals made by the Royal Engineers. Kingston at the head of the river navigation was an important point. A man compelled to journey from Toronto to Montreal made his will and bade a sad farewell to his family, looking to a journey of several weeks. There was not a railroad in the country, the quaint steamers of the Molson line plied between Montreal and Quebec, a two day's journey, being made to establish steam communication with Halifax, an effort which led to the Royal William the first steamship to cross the Atlantic by steam alone, but the usual mode of travel to that province was by the dangerous and long road via the south shore, lake Temisquata and the St. John river.

The country was very far behind the adjoining states. Political strife, the fixed and simple habits of the French Canadian and the severe winters made progress slow. The colony was extremely dependent upon

the mother country and when a crisis struck Great Britain its effect upon Canada was most disastrous. For two years after the British collapse the Bank of Montreal was compelled to pass its dividends, the only time it has done so in its victorious history.

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