

English element; in the second place, the suspension of specie payments by the regular banks of Lower Canada, in common with those of the United States, during the crisis of 1837, gave the best possible excuse for the refusal to redeem their notes on the part of those institutions whose sole purpose of existence was to get their notes into circulation.

Among other favoring circumstances was the fact that the first bank to take advantage of the political and racial situation was a perfectly honest and patriotic institution, the *Banque du Peuple* of Montreal. This was a form of joint stock company whose directors pledged themselves to unlimited liability, while ordinary shareholders were liable only to the extent of their subscribed stock. The notes of this bank were soon in circulation, and, on political grounds, found a more cordial reception than those of the regular chartered banks. However, the purpose of this organization was legitimate business; and during the crisis the *Banque du Peuple* entered into hearty co-operation with the regular banks in weathering the storm of financial stringency.²²

The real evil arising out of the establishment of this institution consisted in the swarm of imitators which sprang up. The promoters of these bogus banks were, for the most part, sharpers from the neighboring states, who, if they even took the trouble to establish headquarters, hired someone to look after the obscure office in Lower Canada, while they attended to the more important business of floating the spurious paper elsewhere. They took care not to arouse suspicion by trying to push their trade in the neighborhood of their nominal headquarters; but throughout Western Upper Canada and the adjoining states they managed to get considerable quantities of their notes into circulation. In this they were favored by the scarcity of a medium of exchange consequent upon the crisis. Many a suspicion was aroused, to be sure, but so long as all the banks in Lower Canada were refusing to redeem their notes, there was no way of testing the solvency of these concerns. In the meantime the notes were finding their way back to Lower

²²*Ibid.*, ix., 1-5.