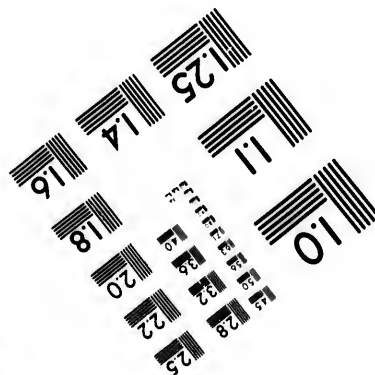
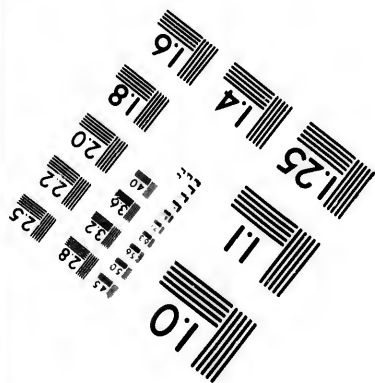
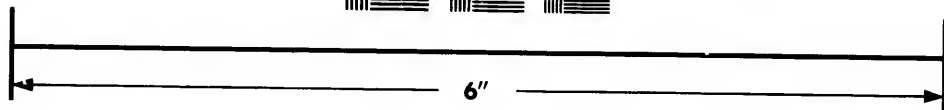
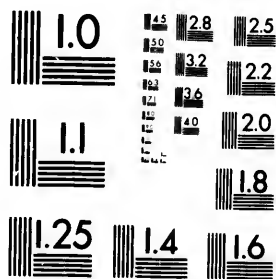


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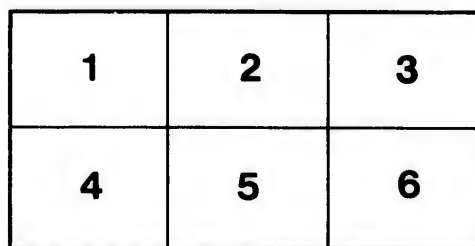
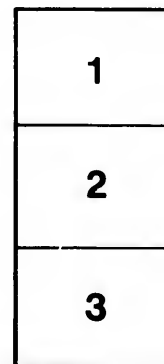
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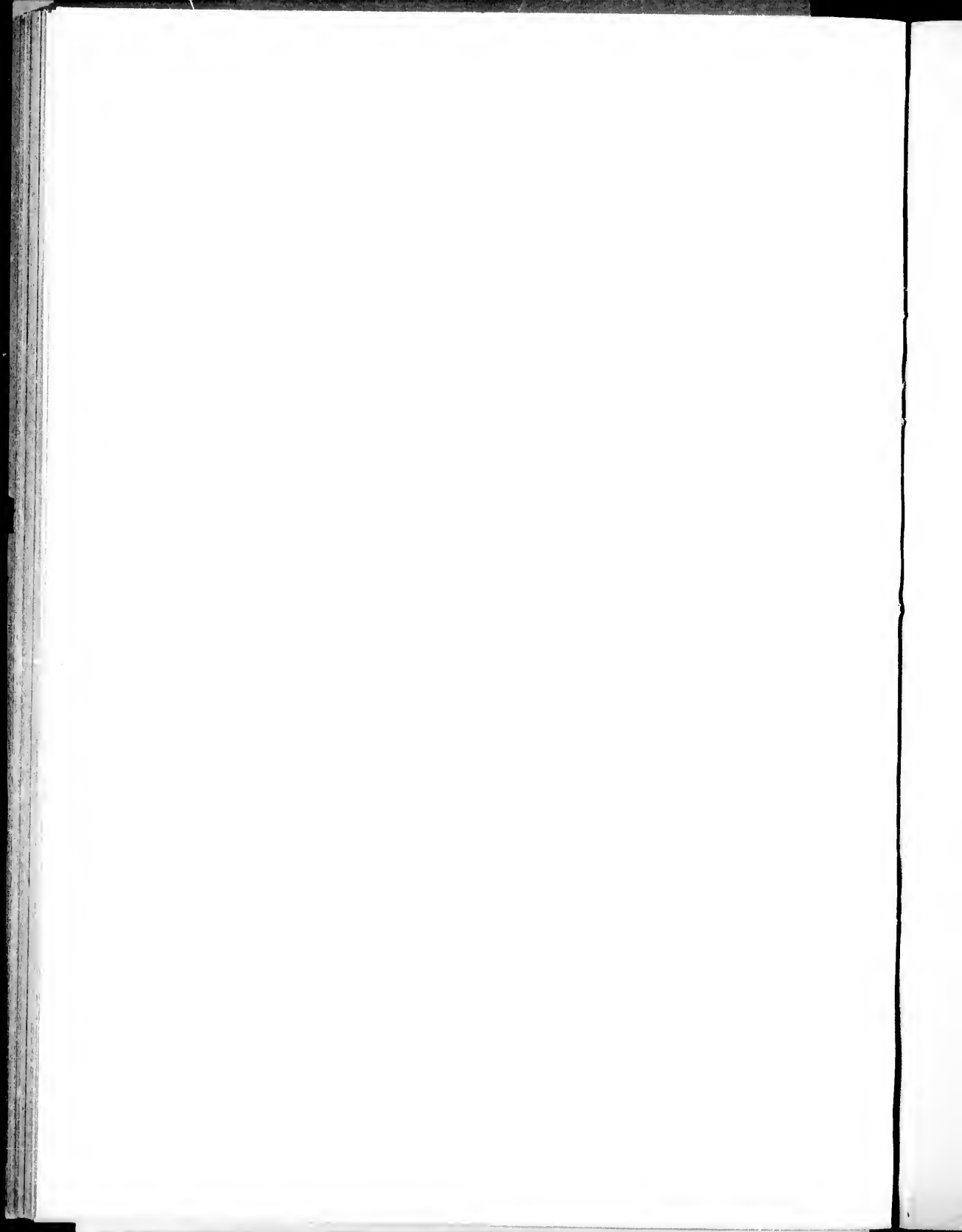
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THE  
EARLY HISTORY OF CANADIAN BANKING

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CANADIAN CURRENCY AND EXCHANGE UNDER  
FRENCH RULE

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BY  
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QUEEN'S UNIVERSITY,  
KINGSTON

TORONTO  
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## CANADIAN CURRENCY AND EXCHANGE UNDER FRENCH RULE

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### IV. THE CLOSING PERIOD OF THE PAPER MONEY\*

**T**HAT era of prosperity in Canada which, in 1840, produced the experience, unique for that colony, of a favourable balance of trade, and a consequent fall below par of exchanges on France, was not of long duration. But while it continued, some new situations were developed in the currency experience of the country.

When the demand for Canadian provisions brought about a lively export trade, the merchants found it no longer possible to procure for goods alone the produce wanted from the country districts. Hence cash payments became increasingly common, and it was for this reason, among others, that the card money was rapidly vanishing into the interior of the country. In the end of 1741 the governor and intendant report that of the 600,000 l. of card money then issued, not more than one third had been returned for conversion, and that proportion rapidly

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\* Chief sources:

Canadian Archives, "Correspondance Générale," Vols. LXXVI—C.

"Documents relating to the Colonial History of the State of New York," Vol. X.

"Collection de Manuscrits Contenant Lettres, Mémoires, et Autres Documents Historiques Relatifs à la Nouvelle-France," Vols. III. and IV.

"Edits, Ordonnances Royaux, Declarations et Arrêts du Conseil D'État du Roi, Concernant le Canada."

"Histoire Monétaire des Colonies Françaises, d'après les Documents Officiels." Par E. Zay.

"Historical Documents, Published under the auspices of the Literary and Historical Society of Quebec."

"Mémoire d'Antoine de Bougainville Sur le État de la Nouvelle-France à l'époque de la Guerre de Sept ans." in "Relations et Mémoires Inédits." Par Pierre Margry.



diminished in succeeding years. The greater part of it, they say, is either circulating in the interior of the colony, or is stored away by the people in their private coffers.

The government having little card money to work on was forced to make increasing use of treasury notes and receipts, in paying the merchants and others for supplies and services. The merchants in turn were forced to use the treasury paper in making their purchases from the country people.

But the treasury paper was not issued for convenient sums; besides it was all of much the same appearance, whatever the value. Hence, since the great majority of the country people could not read, they were never certain of the value of the paper money which they held, or which was offered to them. They were constantly liable to make mistakes, or to be deceived. Finding themselves thus liable to loss, they began to refuse the treasury paper, and to demand payment in card money, which was divided into definite and convenient sums, all of which were easily distinguishable, owing to the different shapes and sizes of the cards. Under these conditions the treasury paper began to fall into discredit, and the card money to rise to a premium.

The remedy suggested by the governor and intendant was the issue of an extra 120,000 l. in cards.

The Quebec merchants, who were much at a loss between the government on one hand and the people on the other, took up the matter themselves, and in November, 1741, through their syndic, or representative, P. T. Desauniers, appealed directly to Count Maurepas, Minister and Secretary of State. They complained of the difficulties just stated, and of the impediment which was occasioned to the trade of the country. Since the greater part of their trade was with the country people, they strongly urged the need for card money instead of treasury notes.

The financial report for the year 1741 clearly indicates the situation. At the close of the year there was left in the treasury at Quebec only 15,000 l. in card money. Evidently, then, the expenses for the coming year, amounting to something over one million, would have to be paid in treasury paper.

Although the ordonnances, or warrants, afterwards issued

by Bigot, were printed in France, and usually made out for definite sums, yet at this time the treasury notes and receipts were entirely written in Canada, and signed by Michel at Montreal and Varin at Quebec. Hocquart had apparently to sign them also, for he complains of the amount of time consumed in signing them, though others are employed to write them out. He asks to be relieved from that duty, saying that the confidence in all kinds of paper is so great that their credit would be quite good without his signature. Yet he admits that the soldiers endeavour to counterfeit them, as also the card money. He declares himself heartily tired of the multiplicity of paper, and longs for a supply of proper money in the treasury with which to pay the officers, workmen, purveyors and others who depend upon getting their payments promptly and in current money, to enable them to supply their needs or carry on their business. After the issue of the letters of exchange there should be sufficient good current money—and he includes card money under that title—to meet the expenses of the colony for the coming year. Besides petitioning for more card money, he desires the treasurer-general to establish an agency or office in Canada for the better administration of the financial affairs of the colony.

Isle Royale was at this time the great meeting place or centre of trade between Canada, the West Indies and France, together with the neighbouring fisheries.

For the purposes of the French privateers, Louisbourg, the capital of Isle Royale, was ideally situated with reference to the English fishing grounds, and the trade route between England and the West Indies by way of Boston, New York, and other colonial ports. The French privateers, obtaining stores and supplies at Louisbourg, issued forth to gather in fishing vessels from Boston and other New England ports, or seize upon English and West Indian traders not powerful enough to protect themselves. On the approach of any superior English force they could run into Louisbourg harbor, and be safe under the protection of its strong fortifications. Little wonder that the American colonists looked upon Louisbourg as their most grievous scourge, and almost exhausted their modest resources to accomplish its destruction. In this they succeeded,

as we know, in 1745, the place being weakened within by the very nature of its prosperity and the accompanying corruption. Nor need we forget that here Bigot served his apprenticeship, and laid the foundation of his ill-gotten fortune. Altogether, the place abounds with nourishment for those inclined to moral reflections.

For our purpose it suffices to observe that at Louisbourg Canadians found a ready market for their provisions, and an equally good market in which to purchase foreign goods, either brought from France or taken from English prizes. Here we find the key to the Canadian prosperity of the period.

The resident merchants at Louisbourg had adopted a special machinery of exchange to suit their conditions. When a cargo of Canadian produce arrived there, the local merchants purchased it, giving in return certain notes or promises to pay, which were always redeemable in coined money or codfish. But the Canadian traders generally desiring to take back an assorted cargo of European goods, purchased them from the French traders there, giving these notes in return. The traders again, if going to the West Indies, would convert the notes into codfish and other provisions, or, if going to France, would convert them partly into provisions from Canada or the West Indies, and partly into cash; a cargo of French goods being worth more than a cargo of provisions.

The coined money, which was always circulating at Louisbourg, came partly from France, partly from English prizes, and partly from the West Indies, being most of it ultimately drawn from the Spanish possessions on the mainland.

The Acadians, usually represented by their Canadian kinsmen as an ignorant, ill-thriven and extremely miserly people, sold what little they could scrape together in the Louisbourg market, but instead of taking back with them any considerable quantity of the various goods to be had there, preferred to carry away the hard money, which they carefully secreted in their cheerless homes, preferring riches to comfort.

In making a general report on the condition of affairs in 1745, after the capture of Louisbourg by the English, the governor and intendant report that the Acadians have steadily drawn from Isle Royale, in the manner referred to, nearly all

the specie which the king had sent out to Louisbourg. Sieur Marin, in his expedition against the settlements on the Connecticut river, had obtained supplies from the Acadians in the usual manner, by giving them orders on the treasury which were payable in specie or bills of exchange at Louisbourg or Quebec. Now that Louisbourg has been taken, they have promised to pay them next year at Quebec, and as they are sure to want specie it will be necessary for the king to send out 80,000 l. or 100,000 l. in silver.

Incidentally it appears that the standard of money in Acadia was considerably above that in France or Canada. Apparently the old augmentation of one third in value was still in force there. The *écu* in Acadia was worth 8 l. 8 s., whereas in France it was then rated at 6 l.; hence, as the governor says, an appropriation of 6 l. for every 8 l. 8 s. of Acadian paper will suffice.

After the loss of Louisbourg, though the Acadians were in no way eager to assist the English except for ready cash, yet they were no less unwilling to part with supplies to the French when they had nothing better to offer than orders on the treasury. Hence we find Hocquart, about 1746, sending \$1,000 (*piastres*) to Guillimin to purchase supplies in Acadia.

Returning to affairs in Canada, we find that after repeated representations and petitions on the subject of an increase of the card money, the Court, in February, 1742, conceded the issue of another 120,000 l. It is a little difficult to understand the attitude of the French government in its abnormal caution as to the possible over-issue of card money while taking so little precaution to regulate the rapidly increasing amount of treasury paper, which, being necessarily used as a circulating medium, presented the only real danger of over-issue.

Writing on October 20th, 1742, acknowledging the receipt of the ordinance authorizing the additional card money, the governor and intendant state that up to that time 42,000 l. of the extra 120,000 l. had been issued, and that the remainder would be prepared during the winter. Only 142,313 l. of card money had been returned that year, hence there was no possible risk for the credit of the extra amount. They state also that

there is absolutely no specie in circulation. What gold or silver there is in the country is carefully hoarded by avaricious persons.

The tendency to private hoarding, which at that time was quite common and natural in all countries, was specially characteristic of the French peasantry and has remained so to this day in both France and Canada. In Canada, however, it was not carried to such a miserly extreme as in Acadia. The characteristic is worth remembering, as it will serve to explain the sudden and unexpected appearance of specie in considerable quantities in localities whence it was thought to have completely vanished.

This fact presents a striking exception to the usual interpretation of Gresham's law as indicating that the introduction of inferior money will drive good money out of the country. In Canada the introduction of inferior money simply permitted the better money to be hoarded within the country. Hence, although in the period upon which we are entering almost nothing was visible in Canadian trade but paper money, we are not justified in coming to the conclusion that there was nothing but paper money in the country, even at the time of its greatest depreciation. Opportunities frequently occurred for obtaining specie from without, and, so far as we can trace its movement in Canada, it is almost always on its way to the private hoard, not on its way out of the country.

Even before the issue of the new card money its disposal was provided for. To meet outstanding deficits up to 1739, 32,581 l. were required, and the remainder was to be devoted to the deficits of 1740 and 1741. That for 1740 amounted to 28,981 l., and it is with pain, as the intendant pathetically puts it, that they have to announce the deficit for 1741 to be 103,169 l.

The 120,000 l. of extra card money had therefore vanished before it was issued and the treasury was as lean as ever. With true Gallic politeness they daintily insinuate that there would not be the slightest danger should the card money be increased by even another 80,000 l., making the increase an even 200,000 l. However, as they add, the matter is of so delicate a nature that they hesitate to do more than merely suggest it at present.

Possibly it might be better on the whole, if agreeable to the minister, to send out a sum in specie to meet the deficits. Thus do they suggest the impossible as an alternative for the difficult.

The report for 1743 is in much the same strain. There is still augmenting outlay, due mainly to the expense of supporting the good humour of the Indians, and yet the instability of the Indian humour seemed to increase even more rapidly than the expenditure for its support. The credit of the card money continues above suspicion. The proportion of it returned for redemption in exchanges continues to decrease, while the quantity of treasury paper in notes, receipts, or warrants (billets, acquits and ordonnances), is on the increase.

The growing difficulty in disposing of the treasury paper, and the dearth of card money to take its place, seems to have caused some of those having claims on the government to take their payment in goods from the king's stores. But it is urged by the Canadian authorities that it is not proper for the expenses to be met by merchandise from the king's stores, which were specially intended to afford supplies in case of need. Under shelter of this statement they again bring in their proposal to issue more card money, 100,000 l. is the sum mentioned, which will aid the internal commerce of the country, and assist in paying deficits. The appeal, however, went unheeded.

In 1744 it became necessary to regulate anew the value of the copper sols circulating as small change. As already observed, before 1732 two kinds of sols marquez, as they were called, were in circulation; old sols valued at 18d., and new sols at 27d., while in France the uniform rating was 24d., hence, in 1732, the same rating was adopted in Canada. But in France the old sols, being recalled, were not legal tender, while in Canada no distinction was made. Consequently there was a profit to be made in gathering up old sols worth 18d. and sending them to Canada, where they passed for 24d. This importation increasing, an ordinance was issued in January, 1744, once more reducing the value of the old sols to 18d. The loss to the king on the quantity of these coins, held in the different offices of the colonial treasury, amounted to 674 l. 9s.

As the currency of Canada was so completely dependent on the financial needs of the colony, it may be of interest to

know what revenue the king derived from the country at this time. Elaborate reports on the finances were constantly being sent to France. The following is a summary of the report for 1744 :

Import duties on liquors (divided into six sub-secs.)	56,838 l.	8s. 2d.
Export duties	1,400 l.	os. od.
Seigneurial dues	1,430 l.	4s. 1d.
Lease of the king's post at Tadoussac	4,500 l.	os. od.
Total	64,168 l.	12s. 3d.

From this statement it will be observed that the progress of the colony was not impeded by unnecessary or oppressive taxation. But when we take into account the number of directions in which trade was totally prohibited, and the legal and other restrictions upon it, we find that there may be more effective impediments to trade than high taxes.

During the period from 1738 to 1745 the best fields for Canadian trade fairly coincided with the outlets permitted to it, hence the relative prosperity of the period.

Another gain to Canada was the revival in 1743 of the ship-building industry, on the king's account, at Quebec, which had been suspended since the time of Colbert and Talon. Up to the end of 1744 exchanges on this account had been drawn upon the royal treasury to the extent of 169,885 l.

But when, in 1745, Louisbourg was captured by the English, the great outlet for Canadian produce was lost, and from that time the decline of the regular colonial prosperity dates. Such good fortune as was enjoyed by special individuals or special interests before the fall of the country, was due to the artificial conditions of war and the waste and corruption which accompany it. Before the loss of Louisbourg, flour was selling in Canada at from 10 to 12 l. per quintal, after its capture the price fell to 6 and 7 l.

At the same time the military expenses of the colony increased enormously. The extra expenditure undertaken in 1746, in connection with the war, amounted to 1,051,896 l., of which the details are given, showing it to have gone mostly for fortifications and scalping expeditions to terrorize the outlying English settlements.

The total amount of treasury paper for all purposes returned for conversion in October, 1746, amounted to 1,776,331 l. 17s., and of card money only 38,222 l. 12s. Hocquart, the intendant, adds significantly, that if he had not shut down promptly on the 20th of October he would have had a much larger sum to meet, owing to warrants coming in from Acadia and other distant parts.

We have thus reached the period when the business and currency of the country ceased to be governed by the normal conditions of production and consumption, and the need for a medium of exchange proportioned to them. Henceforth the normal commerce and currency of Canada are swallowed up and lose all identity in the enormously increased expenditure on the king's account, dominating the markets for home and foreign goods, and wholly determining the machinery of exchange, domestic and foreign.

Among the changes arising from the new conditions which produced a derangement of values we may take the following :

The intendant reporting on the enormous increase of the expenses, says that it was necessary to draw exchanges for all the paper presented in order to support the king's credit, pointing out the financial embarrassment which he would suffer were confidence in the prompt payment of claims destroyed. Nevertheless, when the bills reached France their payment was deferred, in part at least, if not altogether.

Here we have the beginning of that postponing of payments by the French treasury which first impaired and ultimately destroyed the credit of the treasury paper and even of the card money as well.

The Quebec merchants at once felt the effects of the deferring of payment, and through their syndic made a protest to the governor and intendant. They declare that they are not alarmed as to the ultimate payment of their exchanges, but the delay has the greatest effect upon the commerce of the country, which requires prompt returns. As Hocquart himself puts it, the action of the French treasury has already greatly raised prices in Canada. People fearing that their bills may be deferred again next year, are attempting to exchange them for bills on the Company of the Indies obtained for furs sold them.



This has had the effect of causing the Company's bills to run to a high premium. Others have sought to purchase furs with their bills, with the consequence that the furs have gone up 15 to 20 per cent.

The only way, says the intendant, to arrest these evils is for the king to assure the merchants that the bills will be promptly paid when they fall due.

The intendant naturally writes in a tone of considerable anxiety, inasmuch as the expenses for 1747 exceeded those of the preceding year by over one million livres. In apologizing for this heavy increase he pleads that it is not he who authorizes the various expeditions, offensive and defensive, which are operating in different parts of the country. Neither can he refuse to issue exchanges for the treasury notes that come in, otherwise his credit would be lost in a day. Apparently he had been instructed to draw fewer bills or in some way curtail the amount of exchanges, for he admits that he has been unable to carry out his instructions.

However he was immediately afterwards relieved from his embarrassing situation, and in 1748 Bigot, who had already acquired fame at Isle Royale, succeeded him as intendent. At the same time the war came to a close through the treaty of Aix-la-Chapelle, which restored to France Isle Royale with its important centre Louisbourg.

Bigot, who was a character of much more vigour, independence and self-confidence than Hocquart, immediately began to re-organize the Canadian system of finance and exchange. In his first report, October, 1748, he recommends a change in the form of the treasury notes. The written notes issued by Hocquart were too easily counterfeited, quite a number of the counterfeits having been met with that year. His plan is to have the notes printed in Paris and their form changed from time to time. He gives a model of the issue which he proposes and asks that 12,000 of them be sent out.

Though the war had ceased yet the expenditure was well maintained, over two millions in claims coming in that year, which together with the deficits of past years made a total of 3,142,781 l. 11s. 4d. The expenses of the war, Bigot freely admits, have been very great, and, with the frankness of a man

who has himself a clear conscience, he says that many individuals have acquired riches at the king's expense. It is the rule for every one to look out for himself without considering consequences.

Bigot had associated with him as controller, M. Bréard, from whose report in 1748 we learn that the deficits which had accumulated in Hocquart's time, and which caused such confusion in the administration of the finances, were due to the custom of appropriating a certain sum for each year, and regarding all expenditure exceeding that sum as a deficit. This system, he says, should be given up, the deficits paid off and the expenses of each year paid as they fall due. This advice was adopted and certainly simplified the book-keeping connected with the finances, while at the same time it gave a freer hand to Bigot.

The Ministry was finally persuaded to decree, on April 17th, 1749, the issue of 280,000 l. more of card money, making the total issue a round million.

An ordinance passed in 1749 altering the official price of beaver to be paid by the Company of the Indies, brings out the fact that for some time previous to this the company had been in the habit of issuing receipts for beaver as it came into their warehouse and then redeeming them at the close of the season in letters of exchange on their treasurer in Paris. These receipts circulated to a certain extent along with the card money and the treasury paper, but when the latter was impaired in value by deferred payments of the exchanges drawn for it, the company's receipts rapidly came into special favour, being estimated next to card money; and when that fell with the rest in 1753, they became the most highly valued paper currency in the colony.

After the peace of 1748, and the restoration of Louisbourg to France, matters mended somewhat, and exchanges seem to have been fairly well paid, though the expenditure was still high.

Bigot's new plan for the treasury notes proved very successful. By having them printed and issued for a regular scale of values, they were brought into line with the card money, and according to Bigot's report in 1752, had acquired the same credit. They were issued for the following values : 20s, 30s, 3 l,

6 l., 12 l., 24 l., 48 l., and for 50 l. and 100 l. In 1757 notes for 96 l. were added. These harmonized with the cards, which, as already stated, were issued for 7s. 6d., 10s., 15s., 1 l., 3 l., 6 l., 12 l., 24 l.

It was found that the notes for the smaller sums, being most readily accepted by the common people, remained in circulation longest.

The first supply of printed forms ran out before another arrived, and in 1752 Bigot complains of the shock to his well ordered financial system which has resulted from his being compelled to resort to written notes for a time. As they come back so promptly for payment they necessarily increase the exchanges at the close of the year. Even when a fresh supply arrived there were only 16,000 in place of 60,000 ordered. As a result Bigot says he will be compelled to issue bons for the larger sums instead of the smaller which circulate longer and more widely. They must at once send him 100,000 more. He also asks for an additional 6,000 l. worth of sols marquez, or two sol. pieces.

In another letter of the same year, 1752, in answer to remonstrances from Paris as to the sustained expenses of the colony, notwithstanding the late peace, Bigot expresses the utmost sympathy with the minister's feelings on the subject. He does not wonder at the minister's astonishment. He is astonished himself, terribly mortified in fact, to have failed so completely in diminishing expenses. But while he is becomingly grieved he is not at all penitent. He frankly admits that he has given up the struggle, seeing for the future no hope of reducing the expenditure, but rather a strong probability of it increasing. The military authorities plan the expeditions, not he. He has simply to furnish them with the necessary means. The exchanges drawn this year amount to 3,495,675 l. and next year they are pretty certain to be over four millions. In this he was not disappointed.

The fact was that Bigot did not believe in penurious budgets or a scant equipment of the king's expeditions. He throve on lavish expenditure, and rejoiced in large orders from commanding officers. The officers on their part, at least the French-Canadian ones, voted him an ideal intendant; and the

French-Canadian governor, Vaudreuil, in a letter to the minister in 1755, eulogizes him in extravagant terms for the completeness with which he had equipped his expeditions against the English and for the zeal and foresight which he had shown in anticipating every want. Indeed, he is declared to be quite indispensable in the colony under existing conditions. It was reserved for Montcalm, Lévis, Bougainville, Doreil and other French officers to point out what was the real meaning of Bigot's lavish expenditure.

At the same time, after looking into the details of the period, one has to admit that Bigot was really a man of exceptional ability, insight and largeness of view. As regards his corruption it was not unique, though it was conducted on the grand scale. As one of the memoirs of the period puts it:—"The intendants and governors go to the colonies with a view to enrich themselves, and at their embarking they leave their honour and probity in France, usually forgetting to be just and honest." Nor was that sort of thing confined to French colonies. Take the abundant evidence of the period as to the operations of the English officials in India, America and elsewhere, and we find, with a few notable exceptions, much the same story. Bigot, however, was, as has been said, no ordinary man. He was sure to excel in whatever he bent his mind upon, and in Canada he was undoubtedly much devoted to the amassing of a fortune out of the king's expenditure there.

The French government, on receiving Bigot's sympathetic but discouraging letter, seems to have determined to offset his increased demands by introducing a regular system of deferred payments. Instructions were sent to Canada that the bills to be drawn in 1753 were to be made payable in three terms, one third in 1754, one third in 1755, and the remaining third in 1756. A change was made the following year, and from 1754 until the loss of the colony, the proportions of the annual payments were one fourth the first year, one half the second year, and one fourth the third year.

In this arrangement no distinction was made between the card money and the treasury paper, hence the superior credit of the cards vanished, and a rapid decline in the whole paper money of the country followed, with a proportionate increase in prices, augmented, too, by special conditions of scarcity, etc.

When in 1755 the king sent out regular troops to Canada, the officers and soldiers were promised that they should be paid in specie, and not in the already considerably depreciated colonial paper. This policy resulted very unfortunately for almost all parties.

The minister, writing to Bigot on the first of April, 1755, explains the plan to be adopted.

First of all the intendant is authorized to draw letters of exchange, for the expenses of the imperial troops alone, payable the year following, as originally, though he is asked to make the date of payment as far on in the year as possible. It is expected that in consequence he will be able to obtain the necessary provisions for the troops at a corresponding reduction in price, as compared with what is charged when payment is made in exchanges extending over three years. But it is necessary to make a general reduction of the excessive prices which have prevailed in Canada for some time. The most effective way of doing so would be to pay in specie the whole of the expenses of the king in Canada, and he would adopt this method were it not that the condition of the treasury renders it impossible. As it is, he can send only sufficient specie to pay the troops who are going out, and he asks the intendant to observe what effect that money will have in reducing prices, and how much more he thinks would be necessary to bring them back to their normal level.

In his estimate of the Canadian situation and the remedy required, the French minister has made several mistakes. In the first place complete payment in specie was not at all called for in Canada. Under the conditions which then prevailed, the imports of necessity greatly exceeded the exports, which, except for the beaver, had almost ceased, being more than required in the country itself. Hence, were specie sent out to Canada, most of it must simply have returned to France, or gone to other countries to pay for imports. The risk of sending specie in time of war would considerably diminish its value, whereas letters of exchange, drawn against the specie if left in France, would have answered all the Canadian needs, and at the same time would have been a much safer and better method of making payments. All that was necessary to get rid of the abnormal

rise of prices in Canada, so far as this was due to defects in the mechanism of exchange, was simply to make prompt payment of the exchanges drawn on the French treasury. But, where the central difficulty was the emptiness of the French treasury, this alternative to sending specie to Canada, though urged by Bigot, brought small comfort to the minister, and no relief to the colony.

So far as the high prices in Canada were due to the large extra demand upon the produce of the country, while many of its producers were drafted away on scalping expeditions from the Atlantic to the Mississippi, no mere substitution of specie for paper could make any difference, the high prices being due not to the kind of money, but to the quantity of it as expressing a proportionate demand.

What actually did result from the amount of specie which reached Canada, we learn from Bigot's letter of November 8th, 1755, which shows that he understood the nature of the situation much better than the minister. There was sent with the troops the sum of 1,200,000 l. in specie, but a considerable portion of it gladdened the hearts of the English sailors who captured the vessel *Alcide*. Exactly how much reached Canada is not stated, though it may be gathered from another statement of Bigot's that about one million arrived safely. According to Bigot, the specie sent did not cause prices to fall, yet we find from other documents that it soon resulted in establishing two prices, one for specie and another for paper. Goods did not become cheaper in specie, they merely became dearer in paper.

The prices of provisions, says Bigot, is kept up by the common people, who use just as good food as any one in the colony. Scarcity and dearness are due also to the increasing demand on the king's account, and especially for provisioning the king's vessels. These facts and not the payment in paper will account for the rise in prices.

Again, as a matter of policy it is much wiser, says Bigot, to pay in paper than in specie, because the people, holding their savings in paper, the value of which depends upon the credit of the French government, are certain to be more active in the defence of their country, their interests being tied to those of the king.

He also states that for some years past much of the card and paper money has been accumulated by the people for want of specie.

Bigot's general conclusion is that the card or paper money is much the best for the colony, and would be perfectly satisfactory if only the exchanges were promptly paid the following year. He is quite sure that, under these conditions, the merchants would much prefer it to specie.

In another letter Bigot declares that the specie sent out with the troops rapidly disappeared from circulation, the French-Canadians paying a premium for it in order to store it away, the soldiers also saving it up against their return to France. In this way, he says, about one million has been added to the private hoards, setting free a much larger amount of paper to increase the exchange on France.

In 1756 there was again sent 1,257,571 l. in specie for use in Isle Royale and Canada. A certain portion of this also was captured by the English. This sum still further discredited the paper and made it more certain that the troops would resent any future attempt to pay them in that depreciated currency.

Up to this time the officers and others were able, with their specie, to purchase exchanges on France payable in full at a short date. But as this made such a direct and glaring contrast with the paper money, Bigot interpreted the power to issue exchanges as applying only to the paper money, and discontinued the sale of exchanges for specie, much to the chagrin of the officers.

This grievance, however, was of short duration, being immediately swallowed by a greater, namely the discontinuance, in 1757, of payments in specie, and the resort to paper money for every form of government payment. At once the cost of living was greatly increased for the French troops, which led to much outcry on their part. The claim was made that the allowance should be increased to compensate for the lower value of the paper.

In the meantime the expenses of the colony were increasing in a most alarming manner. In Murray's general report on

the country after the Conquest, there is given a very moderate estimate of the expenses for the closing years of French rule. It is as follows :—

1754.....	6,000,000 l.	1758.....	24,000,000 l.
1755.....	5,500,000	1759.....	30,000,000
1756.....	8,000,000	1760.....	1,300,000
1757.....	12,000,000		

These figures are below most of the French estimates, even some of those of Bigot himself.

The finances of the colony were in a state of hopeless confusion. There was no proper check upon payments made at the various posts, no adequate supervision of the manner in which supplies were furnished under contract, and no limitation upon the treasury paper issued by the intendant, who alone signed it. There was thus the most direct encouragement to fraud of every kind.

About the end of 1758 the French government began to wake up to the necessity for numerous reforms in the system, and in the beginning of 1759 a long letter from M. Berryer, the minister, to Bigot, indicates that the government is quite aware of the very unsatisfactory state of the Canadian finances and currency. He enjoins on Bigot some immediate reforms, and indicates many others which must be made as soon as affairs permit. But even immediate reforms were by this time impossible. All method was abandoned in the effort to avoid destruction.

The value of the paper money was going down rapidly. Even before the loss of Quebec ready money was at a premium of one-third, notwithstanding the repeated assurances of the authorities that the king's obligations would be faithfully met.

To the last Bigot, in his reports to the minister, maintained an attitude of frank and cheerful virtue. In April, 1759, he states that his anticipations of a very considerable increase in the expenditure promise to be more than realized, as he estimates now that the exchanges to be drawn will amount to from thirty-one to thirty-three millions. He still claims freedom from all responsibility for the expenses at the posts and forts. The certificates all come to him through the usual channels, and it is impossible to closely scrutinize them in time of war. He



frankly acknowledges that there is probably a great deal of corruption going on, but it is not within his jurisdiction, at either Quebec or Montreal; it is all at the distant posts. He admits, too, that he has very high prices to pay for everything, but that again is due to circumstances which he has often explained.

On the other hand we have a great mass of material giving evidence and instances of the corruption going on everywhere in the colony, and of Bigot's share in it, which is that of the master mind.

These statements, however, are not all to be taken as gospel. Bigot could not be altogether responsible for bad harvests, deferred payment of exchanges, or the capture of supply vessels by the English. Yet these things all aided in raising prices, augmenting expenditure, and causing a dearth of supplies in certain lines. Nor was it possible for him, even had he been consumed with zeal in economizing the king's resources, to supervise or control the outlay at distant posts for the supply of troops or the bribing of the Indians. When, shortly after this, it was England's turn to go through much the same process, at the period of the American Revolution, the same difficulties were met with, and a still greater outlay entailed, the greater bulk of it being due to these same western posts.

The haste of everyone to make a fortune was the characteristic of the last days of French rule in Canada. People were making sacrifices for money, but few were prepared to make sacrifices from loyalty to France. "They are gorged with money and dying of hunger," is Bigot's picture of the habitant in the last days of the colony.

When once they had learned that the English were not the ruthless and bloodthirsty monsters which the zealous exponents of loyalty had represented them to be, terror of the English and loyalty to France suffered a common fate.

The English at Quebec found no difficulty in getting supplies from the country in return for their ready money, while the French government, further up the river, could command nothing except by force or in return for the small store of specie which the officers still retained. Even the clergy hastened to dispose of their tithe produce for English money, to save it from a forced sale to their fellow citizens for orders on the French treasury.

On the other hand, the English merchants who followed the victors to Quebec, had no difficulty in disposing of their goods for specie to all but the poorest section of the populace. When, therefore, the country passed into the hands of the English, though it was filled with French paper, for the time being almost worthless, yet there was no currency famine. French crowns and louis simply came out of hiding. This explains the rapid restoration of the colony to its normal condition, and even, shortly after, to an unwonted degree of prosperity.

It remains only to explain what became of the mass of paper money and unpaid exchanges which represented the obligations of the French government towards the Canadians when transferred to English rule. The subject has an additional interest at present owing to the existence of a somewhat similar question, in principle if not in form, between Spain and the United States. This matter will occupy the closing paper of the series.

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