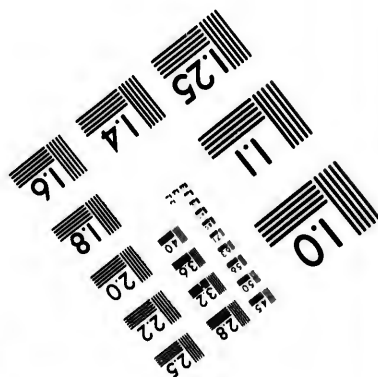
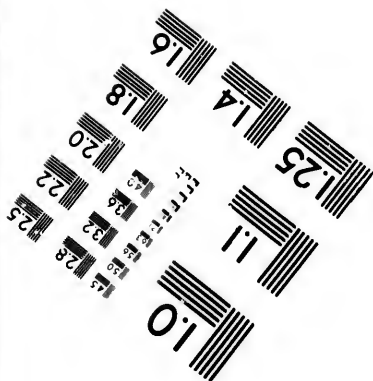
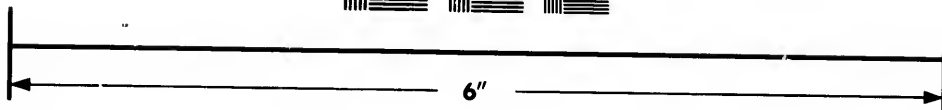
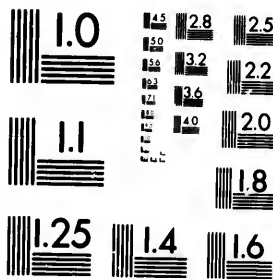
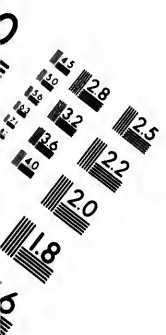


**IMAGE EVALUATION
TEST TARGET (MT-3)**



**Photographic
Sciences
Corporation**

23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4503



**CIHM/ICMH
Microfiche
Series.**

**CIHM/ICMH
Collection de
microfiches.**



Canadian Institute for Historical Microreproductions / Institut canadien de microreproductions historiques



© 1981

Technical and Bibliographic Notes/Notes techniques et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming, are checked below.

L'Institut a microfilmé le meilleur exemplaire qu'il lui a été possible de se procurer. Les détails de cet exemplaire qui sont peut-être uniques du point de vue bibliographique, qui peuvent modifier une image reproduite, ou qui peuvent exiger une modification dans la méthode normale de filmage sont indiqués ci-dessous.

- Coloured covers/
Couverture de couleur
- Covers damaged/
Couverture endommagée
- Covers restored and/or laminated/
Couverture restaurée et/ou pelliculée
- Cover title missing/
Le titre de couverture manque
- Coloured maps/
Cartes géographiques en couleur
- Coloured ink (i.e. other than blue or black)/
Encre de couleur (i.e. autre que bleue ou noire)
- Coloured plates and/or illustrations/
Planches et/ou illustrations en couleur
- Bound with other material/
Relié avec d'autres documents
- Tight binding may cause shadows or distortion along interior margin/
La reliure serrée peut causer de l'ombre ou de la distortion le long de la marge intérieure
- Blank leaves added during restoration may appear within the text. Whenever possible, these have been omitted from filming/
Il se peut que certaines pages blanches ajoutées lors d'une restauration apparaissent dans le texte, mais, lorsque cela était possible, ces pages n'ont pas été filmées.
- Additional comments:/
Commentaires supplémentaires:

- Coloured pages/
Pages de couleur
- Pages damaged/
Pages endommagées
- Pages restored and/or laminated/
Pages restaurées et/ou pelliculées
- Pages discoloured, stained or foxed/
Pages décolorées, tachetées ou piquées
- Pages detached/
Pages détachées
- Showthrough/
Transparence
- Quality of print varies/
Qualité inégale de l'impression
- Includes supplementary material/
Comprend du matériel supplémentaire
- Only edition available/
Seule édition disponible
- Pages wholly or partially obscured by errata slips, tissues, etc., have been refilmed to ensure the best possible image/
Les pages totalement ou partiellement obscurcies par un feuillet d'errata, une pelure, etc., ont été filmées à nouveau de façon à obtenir la meilleure image possible.

This item is filmed at the reduction ratio checked below/
Ce document est filmé au taux de réduction indiqué ci-dessous.

10X	14X	18X	22X	26X	30X
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12X	16X	20X	24X	28X	32X

The copy filmed here has been reproduced thanks to the generosity of:

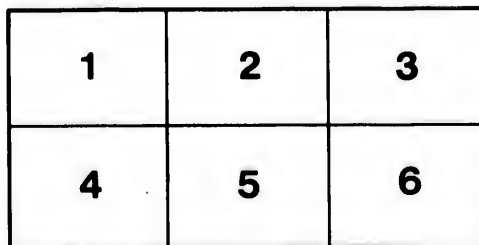
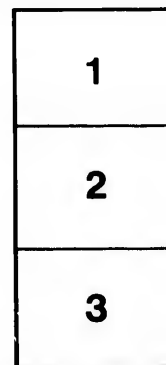
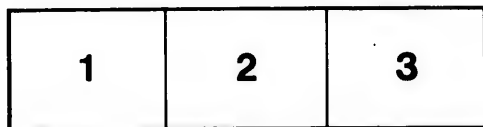
Library of the Public
Archives of Canada

The images appearing here are the best quality possible considering the condition and legibility of the original copy and in keeping with the filming contract specifications.

Original copies in printed paper covers are filmed beginning with the front cover and ending on the last page with a printed or illustrated impression, or the back cover when appropriate. All other original copies are filmed beginning on the first page with a printed or illustrated impression, and ending on the last page with a printed or illustrated impression.

The last recorded frame on each microfiche shall contain the symbol \rightarrow (meaning "CONTINUED"), or the symbol ∇ (meaning "END"), whichever applies.

Maps, plates, charts, etc., may be filmed at different reduction ratios. Those too large to be entirely included in one exposure are filmed beginning in the upper left hand corner, left to right and top to bottom, as many frames as required. The following diagrams illustrate the method:



L'exemplaire filmé fut reproduit grâce à la générosité de:

La bibliothèque des Archives
publiques du Canada

Les images suivantes ont été reproduites avec le plus grand soin, compte tenu de la condition et de la netteté de l'exemplaire filmé, et en conformité avec les conditions du contrat de filmage.

Les exemplaires originaux dont la couverture en papier est imprimée sont filmés en commençant par le premier plat et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second plat, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par la première page qui comporte une empreinte d'impression ou d'illustration et en terminant par la dernière page qui comporte une telle empreinte.

Un des symboles suivants apparaîtra sur la dernière image de chaque microfiche, selon le cas: le symbole \rightarrow signifie "A SUIVRE", le symbole ∇ signifie "FIN".

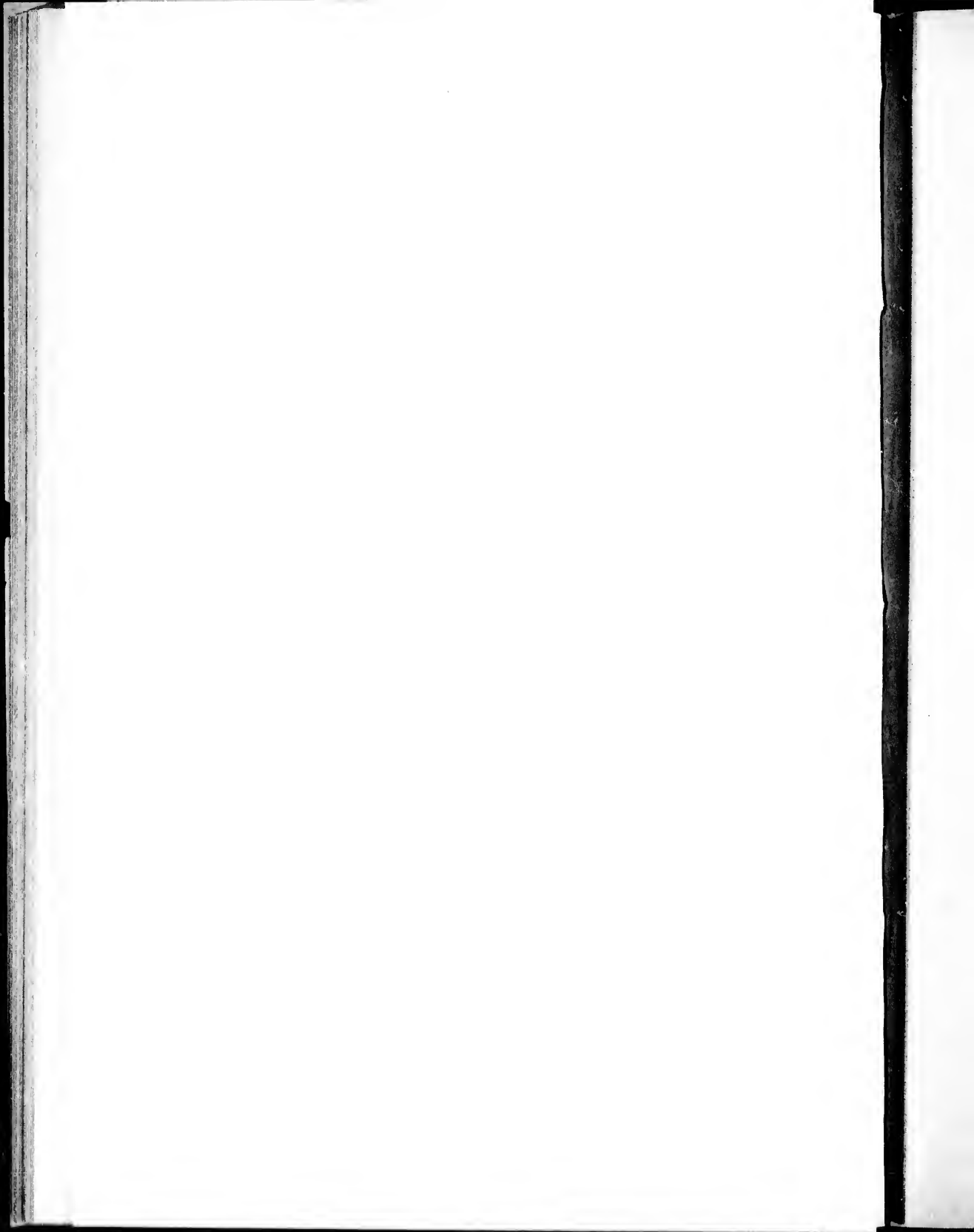
Les cartes, planches, tableaux, etc., peuvent être filmés à des taux de réduction différents. Lorsque le document est trop grand pour être reproduit en un seul cliché, il est filmé à partir de l'angle supérieur gauche, de gauche à droite, et de haut en bas, en prenant le nombre d'images nécessaire. Les diagrammes suivants illustrent la méthode.

ails
du
difier
une
page

rrata
o

elure,
n à

32X



3

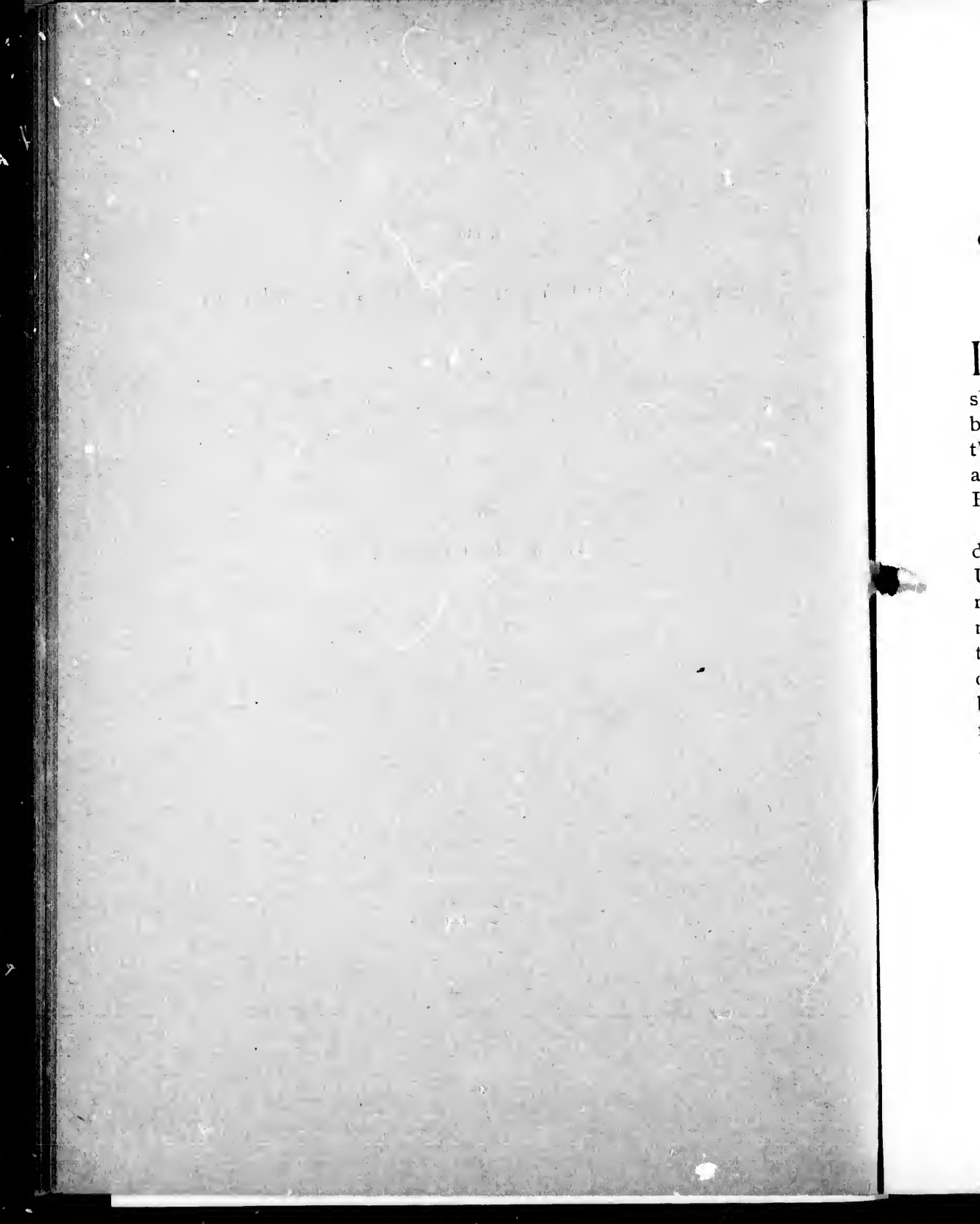
P 443 - 9

THE
EARLY HISTORY OF CANADIAN BANKING

CANADIAN CURRENCY AND EXCHANGE UNDER
FRENCH RULE

BY
ADAM SHORTT, M.A.
QUEEN'S UNIVERSITY,
KINGSTON

TORONTO
JOURNAL OF THE CANADIAN BANKERS' ASSOCIATION
1898.



I
s
b
t
a
E

d
U
r
n
t
c
l
:

CANADIAN CURRENCY AND EXCHANGE UNDER FRENCH RULE

III. SECOND PERIOD OF THE CARD MONEY*

IT was unfortunate for Canada that the close of the first period of the card money, and the return to a metallic currency, should have coincided with the inflating of Law's Mississippi bubble. The Company of the Occident, as was the name of this airy structure, obtained, among other rights and privileges, a monopoly of the Canadian beaver trade, and a lease of the French mint for nine years from 1719.

French currency and finance were found to be in a very disordered condition when the ratification of the Treaty of Utrecht permitted attention to be drawn to them. Their reconstruction had been entrusted to the famous John Law, a man of genius in many respects, whose chief misfortune was the phenomenal success which attended his efforts. Like a cloud-burst after a drought, his projects swept everything before them, completing the ruin which they were intended to mitigate, and themselves being carried to destruction in the flood which they had precipitated.

Just when Canada was being purged of its paper currency France itself was being deluged with it through Law's national bank. By 1719 everything in France was afloat on paper. Values, prices, rates of exchange, monetary standards, all were dancing gaily without anchor on a very tidal wave of pros-

*Chief sources :

Canadian Archives, Correspondance Générale, Vols. XLIV-LXXV.

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

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

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

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

perity. With every one lending a helping hand, the breakers were soon in sight. Then the Government ran wildly about issuing edicts and ordinances, repealing them and issuing others, in the vain hope of casting some anchor that would hold in the midst of drifting chaos.

The people of Canada, away on the outskirts of this commotion, were almost reduced to barter by the wiping out of their paper money before a sufficient substitute had been provided. Nevertheless they found themselves bewildered with a series of regulations about money and prices, sent over from France with the yearly supplies, the latter none too liberal.

Thus a royal edict of May 7th, 1719, declares that the king has issued a new gold coinage, the louis d'or being fixed at 35l., and all persons are forbidden to receive or pay it out at any other rate. This, however, was of no avail. Forces much stronger than royal edicts, the necessities of trade namely, were regulating values, and, in consequence, sending specie to a high premium.

Under Law's management of the mint several changes in the rating of the coins took place during 1719-20. In September, 1720, a special effort was made to fix money values and cheapen provisions. A new issue was made, of which the louis d'or was to pass for 54l., and the louis d'argent or écu for 9l., and the other gold and silver coins in proportion. From Dec. 1st these rates were to be reduced to 45l. and 7l. 10s., respectively, and after Jan. 1st, 1721, they were to be still further reduced to 33l. and 6l. respectively. Special rates were prescribed for the old coins till they could be returned to the mint. But before the end of 1720 it was found that this anchor too was dragging, and the effort to stem the tide was given up.

By this time the flood was in full sweep, and Law's vast edifice was rapidly going down before it. In Jan., 1721, his lease of the mint was annulled, but nothing could be done towards a permanent reform till the waters had subsided. A beginning was made in 1723, and, after various attempts, something stable was secured in 1726, when an extensive recoinage was undertaken on the basis of 20l. for the louis d'or and 5l. for the écu.

To what extent, it may be asked, did these rapid and

extensive changes in the currency of France affect Canada? The colony had two points of contact with the movement of values in the mother country, namely, the commercial dealings of the country with French merchants, and the management of the Canadian finances.

As we have seen, the French commercial system did not respond to every attempt to fix the legal rating of the currency, hence the commercial exchanges between Canada and France followed the range of market values and not the edicts of the Court. In Canada, again, business was not done on a very close margin, and, though trade with France might be somewhat hampered, yet the fluctuations in values would not be rapidly or strongly felt in the internal trade of the country.

In the case of the Canadian finances, the matter was different. The funds sent out on the king's account were estimated on the basis of whatever happened to be the legal standard of values at the time, which was usually something else before the payments were actually made in Canada, the result being to greatly complicate the bookkeeping in connection with the colonial finances. Thus, for instance, a certain sum of money was sent out in 1720, consisting chiefly of crowns (louis d'argents or écus) rated at 2l. 15s., but in Jan., 1720, they had been reduced to 2l., which caused a shrinkage in the colonial appropriation to the extent of 17,952l. 15s. But again, on July 30th, the same coin was increased to 4l., of which, however, prompt notice did not reach Canada, and the coins being paid out on the basis of 2l., great loss resulted, which the colony asked the king to bear.

It will be readily understood that specie being scarce in France itself, and in consequence running to a high premium, as little coin as possible would be sent to Canada. As the balance of trade was against Canada, the Canadian merchants in making their remittances would find the premium on specie a strong inducement to send it as long as they could get it. Hence what funds were sent out by the king, or brought by the company to purchase furs, as required by their charter, would immediately return to France. The colony was thus deprived of the necessary medium of exchange.

The function of a medium of exchange is, of course, quite

different from that of a means of settling international trade balances. If the colony had a medium which could not be used for the settlement of trade balances it would be left to do its work regardless of the unfavorable balance of trade. It was a vague appreciation of this idea that led to the periodical revival of the proposal to issue a special coinage for Canada or the other colonies. It had also led to the extra rating of one-fourth on the French currency in Canada, which, though it had prevailed so long, had availed nothing when once Canadian values had made corresponding adjustment. None of the advocates of a separate coinage for Canada really understood the nature of the interdependence of the currency, the foreign exchanges, and the finances of the colony. The fact was that this three-cornered connection presented an economic problem more difficult of solution than any hitherto met with in French experience.

Naturally enough the condition of Canada after the withdrawal of the card money, which had acted as a special currency for the country, led to the revival of the idea of a separate coinage. The proposal first took shape, however, in a project for supplying the colonies with copper coin through the agency of the Company of the Occident, a project which was more particularly connected with the West Indies, though including Canada in its application.

The edict giving expression to the purpose provided for the issue of copper coins of 12 and 6 deniers. It was published in Dec., 1716, and the following year an order was apparently sent to Quebec and the other American colonies to have the edict registered and currency given to the coins. The copper, however, which was provided for their manufacture, turned out to be of so poor a quality that the process of minting them was suspended, and in the subsequent rush of events the matter was forgotten. In 1721 the Company of the Indies, which had absorbed the Company of the Occident, revived the project. Having obtained suitable copper from Sweden, they prevailed on the king to mint it for them, and give it the necessary legal status. Accordingly, an edict was issued in June, 1721, providing for the minting at Bordeaux, Rochelle and Nantes of 150,000 marcs of copper in pieces of 20, 40 and 80 to the marc. They

were to be current in the Americas and in the other French possessions outside of Europe. Their values were fixed at 18, 9, and $4\frac{1}{2}$ deniers. In the end only the 9 denier piece was struck, and that only at Rochelle.

In 1722 the Company of the Indies sent 20,000*l.* worth of this copper money to their agent in Canada to put into circulation in connection with the purchase of furs. But the Canadians objected to receiving it, alleging as an excuse that the edict of the king had not been registered in the Superior Council. The company made appeal to the Minister of Marine to have instructions sent to Canada to register the edict. This was done, but with the proviso that no one should be required to take more than one-sixth of any cash payment in copper, as was the rule in France. The governor and intendant informed the minister that they did not expect the money to circulate, as it was not customary in Canada to make payments in copper. The people, they say, find it clumsy on account of its weight, and object to these coins in particular, because they are highly over-rated, and because they will not circulate beyond the colony. When the company tried to force the circulation, the merchants steadily refused to take more than one-sixth in copper, and as the company had not the necessary silver to complete the payments, it had to give up the attempt, and pay in bills of exchange. Only 306*l.* 15*s.* had been got into circulation.

It was afterwards proposed to get the government to take over the rest of the copper, and pay it out along with its cash payments. Apparently the minister had received such a proposal, and had referred the matter to the Canadian authorities. The following year, 1724, the governor and intendant report that after discussing the matter with the chief inhabitants of the colony, they are sure that there is no use to attempt its issue. There is no need in the colony, they say, for any coin below the sol marquez. There is, therefore, nothing to do with it but send it back to France, for so long as it remains here it makes the people uneasy. It was finally returned to Rochelle in 1726.

Since these copper coins circulated freely in Louisiana and the West Indies, as they would certainly have circulated in Canada also in the period before the card money, it is quite

evident that their failure to pass now was entirely due to the new monetary habits of the people, owing to the prevailing use of card money for a generation. The abundance and depreciated value of the cards necessarily raised prices, and led to an almost total disuse of fractional denominations either as currency or as a value counter. Hence even when specie payment was restored, the people in their valuations had no place for anything less than the sol.

When the distinction between money of Canada and money of France was abolished by the declaration of the king of July 5th, 1717, some difficulty resulted in fulfilling contracts made on the basis of the money of Canada. As, however, from the economic condition of the country at the time, there could not have been many contracts in force, beyond the narrow range of the commercial element of Quebec, Three Rivers and Montreal, who could readily understand and apply the law, the difficulty in this respect could not have been very great. In one direction, however, contracts were very general and of long duration, in the direction, namely, of the terms on which the common people held their lands. As time passed a number of disputes arose as to whether the land holders were entitled to the reduction of one-fourth on the contracts made on the basis of the money of Canada. Several decisions were given by the Canadian courts, but without complete satisfaction. Hence it became necessary for the authorities in France to attempt to settle the matter, which they undertook to do in the "Declaration in interpretation of that of 5th July, 1717, on the subject of the card money of Canada," dated 25th March, 1730. This reverses several of the Canadian decisions, and declares that in the case of all feudal dues and other contracts made before the registering of the declaration of 1717, and where there is no stipulation for payment in money of France, or money *tournois* or *parisis*, the contract shall be paid in the money of France, with a reduction of one-fourth from the amount stipulated in money of Canada.

I have already referred to the difficulties of the Canadian treasury in trying to keep pace with the bewildering changes in the rating of the French coinage. This continued till about 1727-28, when conditions became somewhat more stable. A

return of the specie in the treasury at Quebec, derived from the duties on liquors, dated 2nd Sept., 1726, shows that a separate account had to be kept of the coins of different issues, owing to their different values, and also another account, stating the increase or decrease on each class of coins, owing to the latest edict altering the rating of the currency after the duty had been paid. In this report the issues represented range from 1642 to 1725, and amount altogether to 3,000*l.* But, since collecting, an edict had raised their value by 156*l.* 8*s.* 10*d.*, of which the treasury would have the benefit unless rates fell again before the money was paid out. This is merely a sample of the intricacies of Canadian finance at that period, owing to the unstable condition of the money standards.

While France was suffering from the effects of a disastrous war and the collapse of a financial and commercial boom, we are not surprised to find that trade languished, and hard times prevailed throughout the empire.

After the treaty of Utrecht the rivalry between the English and French colonies in America was sharper than ever. The French were endeavoring, by an aggressive and industrious diplomacy, and a series of most ingenious interpretations of the important clauses of the treaty, to minimize the English successes and to recover, during the interval of nominal peace, what had been lost during the last war.

The western trade movement, accompanied by advancing outposts and unstable Indian alliances, steadily contributed fresh causes for dispute. France managed to establish a connection between her Louisiana colony in the Mississippi valley, and the Canadian territory in the valley of the St. Lawrence and the great lakes. She then pressed east and south upon the advancing English settlements.

There is a striking contrast between the French and English methods of expansion. The French simply over-ran the country; the English settled as they went. Consequently, almost everywhere the French had the prior claim of discovery, almost nowhere had they a claim of settlement. By the policy which they adopted the French gave themselves up to the purely negative work of checking the expansion of the English, sacrificing to this their own opportunities of development.

The effort required in grasping and attempting to hold such a vast range of frontier entailed a heavy drain upon the energy of the Canadian settlers, and a great outlay on the part of the French government. While the home country was recovering from her financial exhaustion, more was required to be done in Canada than could well be paid for by France, hence the Canadian treasury was chronically scraping the bottom of the meal barrel.

The Marquis de Beauharnois, governor in 1727, complains that the intendant M. Dupuy has so many commissions to execute for the king, that no one knows where he is to get the money, and the colony is in danger of finding itself quite without currency. The officers and soldiers are often in straits for their pay, and he hopes that the king will make a separate fund for paying the officers and troops, which the intendant cannot apply to other uses.

Unaware, like his predecessors, of the reasons for the draining away of the colonial currency, he falls back upon the usual proposal in such cases, namely, to artificially prevent the export of money. To him, as to others, the simplest expedient appeared to be the supplying of the colony with a special money not current elsewhere. His particular plan is to have the king issue a separate coinage for Canada, and to use this in making payments from the colonial treasury. And since the Company of the Indies is obliged by its charter to pay cash for the beaver, there might be sent out annually 200,000 fr. for several years, to be given to the company with which to make its payments. Obviously this was to be given to the company in exchange for regular money, paid over to the government in France. In this way, it was said, the whole currency of the colony would come to consist of the special issue, which, being of value only in Canada, could not be sent abroad, while all over-sea payments would have to be made in letters of exchange. The governor seems quite undisturbed by the reflection that there would have been no occasion for undertaking the risk and expense of sending specie abroad if the colony had anything to its credit there upon which to draw letters of exchange.

During the same month the intendant makes his proposal

for preventing the export of specie. As in the case of the governor's scheme, the basis of his proposal is nowise new, being no other than the long used method of increasing by one fourth in Canada the ordinary money of France. He admits that when formerly in force, this arrangement was of no avail, because prices in Canada simply increased in like proportion. The novel feature in his plan is that this should be prevented by the king and the company providing goods at the same rates as before, and trusting to make up for the loss on the money by the corresponding advantage which they would have in making payments in the country.

It were hard to tell which scheme shows the more trusting confidence, or charming simplicity.

In a despatch of the same autumn, combining the views of both governor and intendant, it is indicated that they would be thankful to have the Company of the Indies send out their copper again in the shape of suitable coin, and they hope that the company will be strictly held to the requirement of their charter to pay for the furs in ready money. Lately, it appears, the company had been making nearly all their payments in bills of exchange. Under the circumstances, these were better for the colony than money.

In making his report on the finances of the country for the same year, the intendant closes with the plea that the minister will see from his report how much the colony will be in need of money for the coming year. He has referred to the want of money in other despatches, but now he urges it more strongly than ever.

Money had indeed become so scarce that ordinary exchange was greatly hampered. As a consequence, the expedient most naturally suggested by the circumstances and the former experience of the country, was resorted to. Private individuals began to issue notes or bons on their own account, and the needs of trade soon extended their circulation. Probably the first notes appeared shortly after the recall of the card money. The first mention of them which I have found is in a despatch of the governor and intendant in Nov., 1728, where they are referred to as already extensively used, and beginning to show their evil effects through failure in redemption. It is interest-

ing to find that the French Canadians had become acquainted with private notes at so early a date.

The same document states that the people have made representations to the Canadian authorities, praying for the reintroduction of the card money, on the original plan of redeeming it each year, after the arrival of the vessels from France.

Finding that the merchants and other inhabitants were thus anxious for another issue of the card money, and recognizing in it a very considerable profit to the treasury, the king yielded to the request. The necessary authority was conveyed in an ordinance of the king, dated March 2nd, 1729. The preamble to this ordinance briefly states the situation, referring to the fact that the money taken out to Canada returns each year, leaving the country without currency. And since the people of Canada of all classes have expressed their desire to have the card money restored, the benefits to be derived from which are enumerated, therefore the king makes an ordinance, of which the following are the chief features. There shall be made 400,000l. of card money, of 24l., 12l., 6l., 3l., 1l., 10s., 15s., and 7s. 6d. The cards are to be stamped with the arms of the king, and written and signed by the Controller of the Marine at Quebec. The cards of 24, 12, 6 and 3 livres are to be signed also by the governor and the intendant or commissary-general of the country. The smaller cards are only to be initialed by them. The cards are not all to be made at once, but at different times as needed. Special regulations are made to safeguard their preparation and issue, and on no account are they to exceed the authorized amount of 400,000l. They are to circulate in the colony at their simple face value, and are to be received at the king's stores in Canada for powder and all other merchandise sold at those stores. They will also be received by the treasurer in return for letters of exchange drawn on the Treasurer of the Marine in France, and they shall be a legal tender for all payments in the colony.

As these cards were to be prepared and issued in Canada, Hocquart, the new intendant, before leaving France in 1729, purchased 2,000 packs, 52 in each, of white cards of two qualities, with which to prepare the card money. Unfortunately, however, two-thirds of them were lost in the shipwreck of the

king's vessel ; hence they were compelled to use ordinary cards, to be had in Canada, for a part of the issue.

The intendant requests that the following year a fresh supply of 2,000 packs be sent out, in order that new card money may be prepared if any attempt is made to counterfeit that issued.

The proportions of the various denominations of the cards to be sent are to be as follows, which are also the proportions of those issued in 1729 :

4,000 cards of 24l.	making	96,000	livres
10,000 " " 12	"	120,000	
10,000 " " 6	"	60,000	
10,000 " " 3	"	30,000	
20,000 " " 1 10s.	"	30,000	
50,330 " " 15s.	"	37,747	10s.
70,004 " " 7s.6d."	"	26,251	10s.
<hr/>		<hr/>	
174,334		399,999	

On these he asks to have engraved the year and the sum, with the names of the controller, the governor and the intendant. He asks also for three new stamps (poinçons)—on one the arms of the king, on another the arms of the governor, and on the third the arms of the intendant—in order that they may stamp the money at Quebec, apparently as it is issued. The stamps, he says, should be difficult to counterfeit, and well engraved.

In the report of Beauharnois and Hocquart, Oct. 25, 1729, it is stated that of the first issue, which was then being made, 63,337l. 10s. in cards had already been prepared and handed over to the treasurer to be paid out.

The remainder of this report, taken in connection with a number of other documents of the period, is of special interest, as it enables us to understand clearly an important expedient to which the Canadians had resorted in their efforts to make exchanges.

It appears that each year from 1725 to 1729, the expenses incurred by the Canadian Government had exceeded the receipts of the colonial treasury. When the cash was all gone the expenses were met by what were known in English finance

of the period as exchequer bills, but were known in Canada as ordonnances on the Treasury of the Marine. The ordonnances, however, unlike the exchequer bills, did not bear interest. As these could not be cashed until the treasury was replenished, and as the persons receiving them, being either military officers, civil servants, or contractors, had necessarily many payments to make, the ordonnances came to be offered and accepted in lieu of money. Soon they were in general circulation in the business centres, being welcomed as a relief from the dearth of money, and much safer than private bons.

The circulation of the ordonnances naturally quickened the departure of what specie remained in circulation, because they represented an extra demand for goods, with no corresponding exports to balance them, hence there was a more urgent demand for specie to meet the adverse balance of trade. One special difficulty was met with in using these ordonnances as currency. Like ordinary promissory notes, they represented values of considerable amounts and inconvenient sums. Some one bethought himself of going to the official to whom they were ultimately to be presented, and asking him, in giving his receipts for them, to break them up into smaller and more convenient amounts. This he agreed to do, apparently with the sanction of the intendant. He gave small notes in exchange for the ordonnances, which, according to the intendant, produced a very beneficial effect on trade.

Here we have the circumstances which attended the first use of ordonnances as a currency in Canada. Although, as money, they were immediately suppressed, yet in a short time we find them in circulation again. It was this instrument of finance, somewhat modified in form and adapted for circulation, which enabled Bigot and his associates to carry on their system of wholesale corruption and embezzlement which contributed to the loss of the colony, the ruin of the French treasury, and the transfer of Canada to England, flooded with paper money in a state of confusion and discredit.

How many of the notes given for ordonnances were in circulation in 1729 the intendant did not know, but, after the departure of the vessels, he intended to call them in and replace them with card money.

The Canadian authorities were not very sure whether the sum of 400,000*l.* in card money would be sufficient to meet all the demands of the fiscal year then beginning. In case it should not, they ask the king to permit them to issue another 100,000*l.* of card money.

The king had evidently expected the issue of the card money to relieve him of all expenses in Canada for the year 1729-30. He had accordingly given instructions to draw no bills of exchange on France in 1729.

Nothing could have been more unfortunate, on the very threshold of another experiment with the card money. The order is one more evidence of the hopeless confusion in the official mind of the period, with reference to the nature of money and the principles of exchange? The card money might have supplied the place of specie in the internal trade of Canada, but it could not purchase supplies from abroad other than by relieving specie from circulation, and thereby permitting it to be exported. But the Canadian specie had already been almost entirely exported, hence the clamor for card money to meet the currency famine; hence, also, the resort to private notes and ordonnance notes for the means of exchange. Bills of exchange were, therefore, of as great necessity as ever to aid in making payments in France for the imports of the year.

The refusal to issue bills brought dismay to the colony. It threw discredit on the card money, the prices in which began to go up at once, much to the alarm of the officials whose salaries were paid in cards. It also entirely upset the arrangements of the holders of the ordonnances, or the notes given for them, who had counted on converting them into letters of exchange before the sailing of the ships. The Canadian authorities did what they could to minimize the fears and disappointment of the people. To enable them to restore confidence, they requested the king to permit letters of exchange to be drawn, the following year, for not less than 250,000*l.*, the exchanges given to each person to be in proportion to the amount of cards held by each.

The vessels which arrived in 1730 brought a severe reprimand to the Canadian authorities for permitting the circulation

of small notes in return for ordonnances. By this time, however, they were all called in.

When these and other outstanding claims had been presented they amounted to 108,557l. 19s. 10d. The card money brought in for conversion into bills of exchange amounted to 167,791l. 2s. 6d. Both sums together made 267,349l. 2s. 4d. As only 250,000l. was authorized to be drawn in exchanges, the balance of the amount presented was returned to the holders in the shape of new card money. This transaction completed, it was estimated that the treasury would have on hand not more than 140,000l. in coin or beaver.

This amount, as the intendant points out, will be quite inadequate for the needs of the year, and he foresees the possibility of having to issue an extra 100,000l. or 150,000l. in cards. Now that confidence in the cards is restored by the exchanges drawn that year, he is of opinion that an extra issue to the extent suggested will be readily taken, without any risk to their credit. An alternative proposal is to permit them to draw a larger amount in letters of exchange, which would cause more card money to be returned to the treasury to be used again.

The 2,000 packs of new cards requested by the intendant were sent out, also two of the three stamps or dies asked for. But his request to have the cards printed before being sent, instead of having them written in Canada, had not been met. The intendant complains that the work of signing so many cards is most tedious, the first issue having occupied the greater part of his time for the past year. He strongly presses his request to have them printed next time, maintaining that they will be perfectly safe. What reply was made to this I have not been able to discover, but, from the fact that the ordinance of 1733 provides for the issue of an extra 200,000l. in cards stamped with the arms of the king, and written and signed only by the Controller of the Marine at Quebec, would indicate that, while still not printed in France, yet the governor and intendant were relieved from the labor of signing each card.

In replacing the old issue of cards by a new one, the cards redeemed in letters of exchange were burned, and a corre-

sponding amount of new cards turned over to the treasurer in their place.

Once confidence in the cards had been restored they were found to circulate very freely. It is worth observing, also, that, as soon as their conversion into bills of exchange was assured, specie ceased to leave the country, and apparently began to accumulate in the shape of savings in the hands of the ordinary citizens.

The reason for this is not far to seek. Bills of exchange, as a form of remittance, were much more convenient and less costly, counting risks, than specie, hence importers sought exchanges in preference to specie. But bills of exchange were obtained for card money, hence to the importing merchants card money came to be preferred to specie, especially towards the close of the summer. Specie, therefore, as it came to the country, tended to drift into the hands of those making savings, while the card money remained in the channels of commerce. At this period, however, there were not many avenues through which specie was likely to be brought to Canada, so that later on savings tended to be made in cards as well, their credit being good. Had the card money been issued on the authority of Canada, instead of France, or had it not been convertible into bills of exchange, the opposite effect would have been experienced, the cards driving out instead of conserving the specie. These features will receive further illustration, chiefly on the negative side, under later and altered conditions.

Meantime, with the limited issue of 400,000*l.* of card money there was always a competition between the demand for cards with which to obtain exchanges, and the need for cards as a medium of exchange. These competing demands enhancing their value, a third demand for them as a saving fund, just referred to, was stimulated. Owing to the increase of rival claims, a diminishing proportion of the cards came back for redemption in exchanges. As the French government was sending little specie to Canada, permitting exchanges to be drawn instead, the Canadian treasury was continually in straits for ready money, and was forced to resort to ordonnances in increasing quantity. Under these conditions the treasury paper increased, and the card money decreased in the funds brought

in for conversion into exchanges. These facts plainly indicated that more currency was needed to take the place of the treasury paper. So long as the exchanges were promptly paid in France there was no occasion for specially restricting the quantity of card money, the exchanges affording an automatic safety valve.

As matters stood, during the year 1731 the intendant found himself, as he had expected, in straits for ready money, and, with the sanction of the governor, had taken it upon himself to issue an additional 60,000*l.* of card money. For this presumption the Canadian authorities were again severely reprimanded. The extra cards, however, were rapidly absorbed, being actually far from meeting the need.

When the time came for drawing bills on France in 1731, only 136,489*l.* 9*s.* 8*d.* were presented in cards, about 95,000*l.* more being treasury paper. When, therefore, the 60,000*l.* of cards, which had been over-issued, were withdrawn and burned, the intendant was left with only about 75,000*l.* in the treasury to meet the expenses of the coming year. If he were not to be permitted to issue more cards the intendant wished to know how he was to meet his obligations. For the present he was left to the device of paying with ordonnances.

At this time letters of exchange were issued at Quebec for the expenses of Isle Royale (Cape Breton), and Fort Michillimacinac, the distributing centre for the north-western Indian posts, but these accounts were kept separately.

The fear of the intendant that some of the first issue of the card money might be counterfeited was realized. In June, 1731, the first counterfeits were discovered. The increasing tendency for the cards to pass into the country districts made it difficult to trace the false money, and as a great part of them no longer returned for redemption, the issue of the cards could not be readily changed.

The lowest denomination of the card money was 7*s.* 6*d.*, which allowed of a considerable demand for copper sols as small change, which was increased by the greater facility for exchange afforded by the card money. In 1731 we find a special request made to the home government to send out the following year about 6,000*l.* in sols marquez. This request

was granted, but the coins sent were a mixture of new and old, which were circulating in Canada at the time at two different rates, the new at 27d. and the old at 18d. In France they were indiscriminately rated at 24d. or 2s.

By an ordinance of the Canadian government, September 12, 1732, they were all rated at the same value as in France. In 1734 a second instalment of 6,000l. worth of sols marquez, or two sol pieces, were received, and a request was made for a similar amount to be sent the year following.

Before October, 1732, still more of the card money had leaked away from the commercial centres into the interior of the country, thus the governor and intendant had not only good ground for pleading justification, in reply to the reprimand for the over-issue of the 60,000l., but they were able to claim that an even larger issue was urgently required. This year, they say, very little card money will be brought in for conversion; it is now everywhere regarded as equal to coined money, and they are compelled to work almost entirely on ordonnances and treasury receipts, without which they would have to draw for more than the 250,000l. allowed them. It would be much better, they think, to use cards instead of this treasury paper.

The treasury paper, up to this time, included what are named in the documents, "ordonnances" and "acquits." The former were orders on the treasury given in discharge of claims on the government. When these reached the treasury, receipts (acquits) were given for them, which were to be converted into bills of exchange just before the last vessels sailed for France.

From 1726 till 1729, inclusive, the expenses of the government had exceeded the actual payments made from appropriations, by 273,153l. 13s. 3d., which amount was represented chiefly by the cards and partly by the outstanding treasury paper.

The continued appeals of the Canadian authorities at length convinced the home government that an addition to the card money should be made. Accordingly, an ordinance of the king was passed, May 12, 1733, providing for an increase of 200,000l. of card money. The preamble to the ordinance recites the advantages which have resulted from the former issue of 400,000l. Being once more pressed both by the

officials and the merchants of the country, the king has recognized the need for an extra issue to meet the expanding exchanges of the country, and accordingly authorizes this additional amount. The new cards are to be of the same denominations as the others, to be stamped with the arms of the king, and to be written and signed by the controller of the marine at Quebec.

In a letter from the intendant Hocquart to the minister, dated October 10, 1734, we get a glimpse of another feature introduced into the Canadian financial system, which was to prove of great service to Bigot and his friends.

Hocquart complains that he is losing control of the expenditure of the colony, inasmuch as very considerable expenses are incurred by other officers of the government over whom he has no control, but for whose orders on the treasury bills of exchange have to be drawn, while he is limited in his total drawings to 250,000*l.* each year.

This new feature was incidental to the Western expansion of the French power. Where work was being carried on and Indians bribed in regions so far away from Quebec, as the territory included between the Ohio, the Mississippi and the lakes, it had become necessary to permit the officers in charge to incur certain expenses in the king's service on their own responsibility, and to pay for them by giving orders on the treasury at Quebec. In this way there grew up an independent claim, very difficult to control, upon the limited amount of exchange at the disposal of the intendant. How Bigot turned this method to account will be shown later.

The Western expansion, besides adding to the king's expenditure in the colony, was also increasing trade. At the same time the commercial interests of France were steadily recovering from the disasters of the bubble period, and the trade with Canada shared in the revival.

The extra 200,000*l.* in cards was easily absorbed, and still a steady increase was observed in the use of treasury paper as currency. The reputation of the card money was so firmly established that little of it came in for redemption. The treasury receipts being also convertible into exchanges shared the same confidence as the cards, among the merchants at least,

and came to be that part of the circulation which they chiefly accumulated with a view to conversion into bills of exchange.

A distinction, in credit, had now appeared between the two elements of the treasury paper. The ordonnances becoming more numerous, and hailing from distant quarters, were not always promptly accepted by the treasurer. But when accepted and receipts issued for them the receipts were always received for exchanges. Hocquart says in 1734, that when drawing bills he makes no distinction between treasury receipts and cards. At the same time the intendant, observing that the receipts had a narrower circulation than the cards, proposed to the minister a third issue of the card money, to the extent of 120,000*l.*, to pay off the receipts, and thus give to the country a medium of wider range, and consequently of greater usefulness. This plea, however, was not heeded at the time.

In 1735 we get a glimpse of currency and exchange aspects at Montreal, which may be taken as representative of places not immediately in touch with the colonial treasury at Quebec.

De Beaucourt, commandant at Montreal, writing to the minister in that year, says there is no coined money at Montreal, at least it is never seen. He apparently obtains his supply of funds but once a year, and that in letters of exchange brought up from Quebec. These he is obliged to sell for cards and notes, the latter issued by M de l'Evy in connection with the fortifications. It is to be remarked that for a time after this the ordonnances on the treasury were referred to as notes (*billets*). That the notes did not enjoy the same currency as the cards is evident, for he speaks of the difficulty of passing the notes in exchange for the services of which he stands in need. Quite generally he says prices are higher in paper than in specie.

The amount of card money remaining limited, and the expenses of the government increasing, without apparently a corresponding expansion in the amount of exchanges authorized to be drawn, the country began to fill up with treasury paper, especially the unaccepted notes or orders on the treasury. Thus governor Beauharnois, writing to the minister in October, 1740, desires to bring to his notice the great quantity of notes in circulation, issued partly at Montreal and partly at Quebec. As the governor complained, there was no proper check on

these issues. In most places of issue everything was in the hands of the commanding officer, or some other single individual appointed to look after supplies. In this way the field was being prepared for Bigot, who is not to be accused of creating a system which he found on his arrival all too temptingly arranged for him.

The same year, 1740, de Beaucourt, again writing from Montreal, complains that he has no money, and has been compelled to borrow from the merchants, not having time to go down to Quebec to get letters of exchange. As they refuse to grant letters of exchange for the treasury notes which he has given, he finds himself completely discredited.

Thus we perceive the beginning of that over-issue of treasury paper, which ultimately destroyed its own credit and that of the cards as well. And yet throughout the second period the cards were penuriously limited in amount to prevent this very danger. The reason for the over-issue was that the treasury paper in its origin had nothing to do with currency, but was simply used as part of the financial machinery of the government. Yet, from passing into circulation by reason of the small supply of money, and, when increased in amount, ceasing to be freely and completely converted into exchanges, it produced a dropsical condition of the currency, and vitiated the normal function of the card money. Meantime, as if to emphasize the contrast, a temporary improvement took place.

About 1740 the restriction on the exchanges drawn on the French treasury, hitherto limited to 250,000*l.*, was removed, and the amount drawn for rapidly increased under the influence of another open struggle between the English and French colonies in America. At the same time Canadian trade had reached a very flourishing condition, with remarkable consequences for the currency and exchanges.

Meanwhile, the proportion of treasury paper to card money was rapidly increasing, though owing to the removal of the restriction on the exchanges, it ceased to injuriously affect the currency of the colony. In the autumn of 1741, there was returned to the treasury, for conversion into bills on France, 176,000*l.* in card money, and about 464,000*l.* in receipts and notes. Letters of exchange were drawn to the extent of 622,-

063l. 13s. 7d., which may have included the amounts for Isle Royale and Michillimacinac. All the cards presented were converted in full. Of the treasury paper, three-fourths were converted into exchanges, and the remainder paid in card money.

This transaction completed, there remained in the Canadian treasury only 52,000l. in cards. Of this, 15,000l. was sent to Montreal, 22,000l. set aside for the purchase of provisions, etc., leaving only 15,000l. in the treasury at Quebec for current expenses.

This same year it is reported that the Canadian exports of all kinds have exceeded the imports by about 300,000l., causing an advance in the price of French goods to the extent of ten or twelve per cent. As a consequence of the favorable balance of trade, taken in connection with the very great increase in the exchanges drawn by the government, for the first time in the history of Canada exchanges on France were at a discount, and card money passed to a premium. The treasury receipts were well sustained, and only the treasury notes, or unaccepted orders, were below par. When the last vessels had sailed the merchants and others sought to convert the surplus exchanges into currency for use in the internal trade of the country.

In the presence of this situation, the governor and intendant again urged the feasibility of issuing an extra 200,000l., or at the very least, 120,000l. of card money.

Having brought the country to this high water mark of monetary soundness, we may pause before beginning the descent towards the era of the Conquest.

ADAM SHORTT

