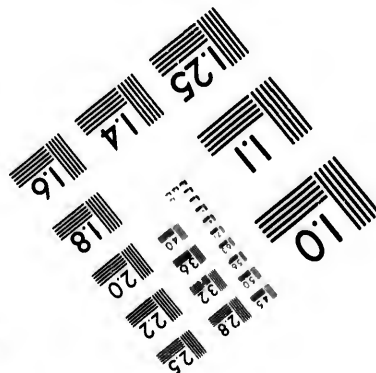
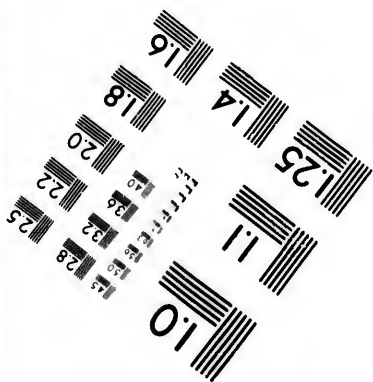
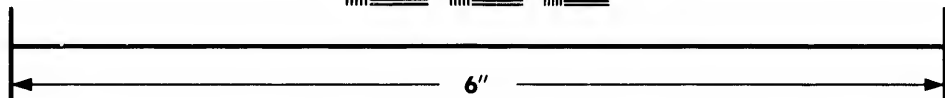
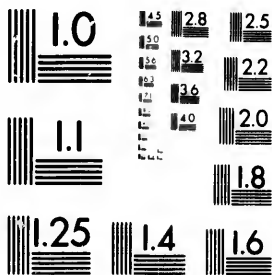


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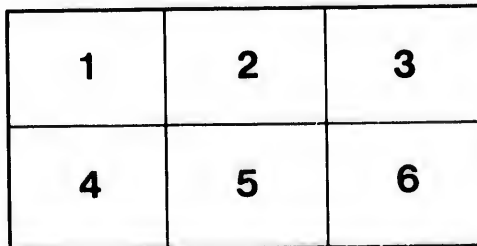
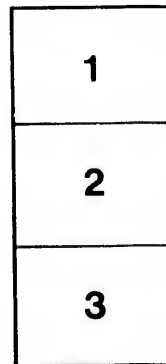
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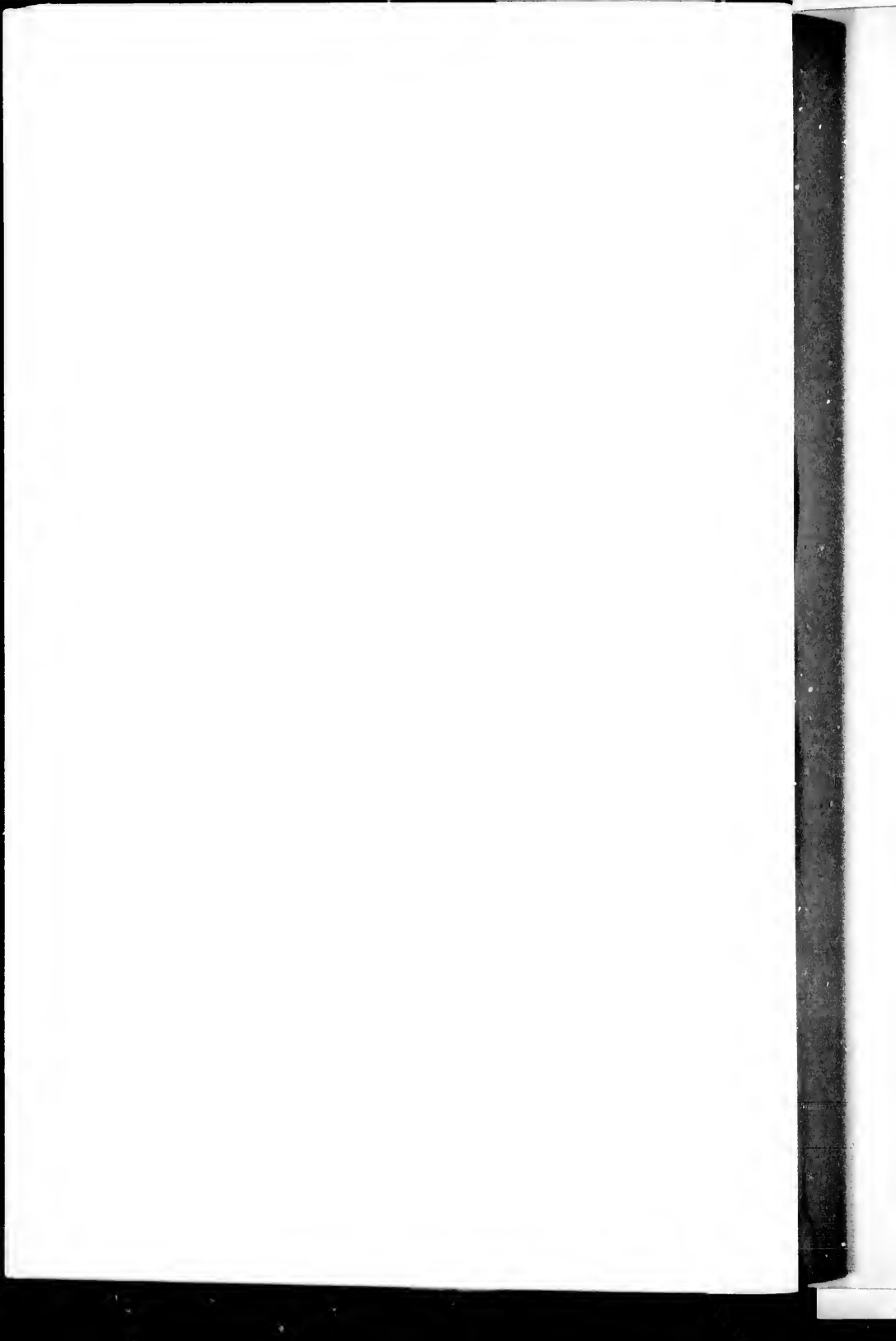
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THE
EARLY HISTORY OF CANADIAN BANKING

CURRENCY AND EXCHANGE AFTER THE CONQUEST

BY
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THE EARLY HISTORY OF CANADIAN BANKING

II

CURRENCY AND EXCHANGE AFTER THE CONQUEST

HAVING seen, in the case of our banking system, whence came the sapling which has grown into the present wide-spreading tree, we have next to enquire as to the nature of the soil into which it was transplanted, the streams of commerce which were to water it, and the social and political atmosphere in which it was to flourish. Especially do we require to know in what manner and to what extent the services rendered by banks had been performed before their introduction. Banking facilities do not burst upon the business community as a quite new and developed service; they simply afford an easier, more effective and generally less costly manner of rendering services which are already performed in more or less primitive fashions.

The period between the Conquest and the appearance of the first banks in Canada has been, from an economic standpoint, the most obscure in the history of the country. To the student of economic history it is almost entirely virgin ground. It is only, indeed, since the valuable collection of documents and papers brought together in the Canadian Archives Office has been made available to the student of our country's history, that a continuous and sure-footed narrative in this department has been at all possible. The other sources of information, valuable though they are on many points, are yet very fragmentary, and require for their full understanding the light which these voluminous records throw upon them. I may be pardoned, therefore, if, in this new field, I give in some detail the prevailing ideas, methods and conditions of exchange which preceded and prepared the way for the introduction of banking.

Practically all of the Canadian trade with the outside

world, being mainly that with old and new England, and much the greater part of the wholesale domestic trade as well, passed, at the time of the Conquest, into the hands of the English traders. It thus took on quite a different complexion, and was conducted on quite different principles from those which prevailed under the French regime. Hence, though the monetary and general economic experience of the French Canadians under French rule, naturally continued to have much influence upon their economic habits, as well as upon their attitude towards the English methods of trade and exchange, yet it is not necessary to go behind the period of the Conquest in seeking a starting point for our narrative.

The chief feature of interest to us in connection with the passing of French power in Canada, was the enormous issue of paper currency during the closing years of French rule. The magnificent scale upon which corruption flourished in that small community, and the exhaustion of the French treasury, left an immense amount of paper currency, or bills of exchange obtained for it, unpaid, and the cession of the colony to Britain left little hope of the paper being redeemed. For some time before the Conquest, practically nothing but paper currency was in circulation; while after the Conquest, and before the extracting of a promise from France to make a partial redemption of its obligations, the paper money was almost worthless, and was not receivable in trade by the British merchants. It might seem at first sight, then, that the new British administration found in Canada a country almost entirely without a circulating medium. When, however, we look into the matter more closely, we find that when the last great issue of paper money began, though the metallic money in circulation rapidly vanished, yet very little of it left the country. It simply disappeared into the stockings and strong boxes which were kept by the people, even in the narrowest of circumstances, in accordance with a well known national characteristic of Frenchmen. The same fate befell the considerable quantities of specie which accompanied the officers and troops coming to Canada under Montcalm. Soon after their arrival they complained that nothing but paper money was to be found in circulation. When, therefore, the paper money suddenly became practically

worthless at the Conquest, though of course many of its possessors were greatly impoverished, yet the people generally were not entirely ruined, nor was the country quite deprived of a circulating medium. Metallic money began to come out of hiding, and the English merchants drove quite a brisk trade, even though they declined to take the paper money until there was some prospect of its being of value.

That the people of Canada were in possession of a large quantity of metallic money immediately after the ceding of the country to Britain, and that the money was French, and not British, is evident from the two first ordinances passed by the British government for the regulation of the Canadian currency. The first was passed in 1764 and the second in 1766; in both the Louis d'ors and the French crowns are rated somewhat above their normal value, with the express intention of retaining them in the colony as the chief features of its currency. That the French population generally still retained under British rule their characteristic habit of hoarding specie, is shown in an account of the colony given by an observant American revolutionist, Charles Carroll, who was in Canada in 1775-6. Speaking of the French Canadian farmers he says: "It is conjectured that the farmers in Canada cannot be possessed of less than one million pounds sterling in specie; they hoard up their money to portion their children; they neither let it out at interest nor expend it in the purchase of lands." This peculiarity of the French Canadian is well worthy of note, as it had a marked influence upon the whole economic character of Lower Canada, and was a very important factor in connection with the beginning of Canadian banking.

We pass over the whole of the interesting negotiations and regulations connected with the collection, registration, long delayed, and in the end very partial redemption of the French paper money, which, as necessitated by the conditions of payment, at once passed out of circulation in the colony.

Among those who were the chief sufferers from the vanishing value of the paper money, were the Canadian noblesse, or seigneurs, and the leading French merchants, or purveyors for the troops. The aristocracy had also suffered from the curtailment of their feudal privileges, and the loss of the numerous

offices and perquisites which they enjoyed under the French government, and which caused the maintenance of the colony to be such a heavy drain upon France. This aristocratic element was, naturally enough, the class with which the English governors almost exclusively associated, and from whom they obtained their ideas of the country, the people, and the proper administration of the colony. How fatally mistaken these ideas were, after events clearly proved.

The English element which followed the Conquest consisted almost entirely of traders or merchants, mainly from the other English colonies to the south, though many of them were originally from Britain, several of them from that Highland emigration to America which followed the disaster of Culloden. These men were not slothful in business, but fervent in spirit, mainly serving themselves. The slipshod, easy-going, antiquated business methods and corresponding law of the French Canadians did not suit these men who naturally believed, and with reason as the future was to prove, that the advantages of English commerce could only be secured under English methods and English laws. They were not by any means all of one class, for while some were certainly not over-scrupulous as to their methods, others were exceptionally able and upright men. Unfortunately for themselves, they were all more or less tainted with the spirit of British freedom and independence, and had an obstinate conviction that the British system of law and government was in every respect superior to all others, and was the proper system to be introduced into British dominions, taking little account of any practical difficulties in the way. These ideas did not accord well with the opinions of men of purely military training and experience, suddenly converted into civil governors. The governors had to admit, indeed, that the Canadian colony owed its rapid recovery and flourishing trade almost entirely to the English merchants, yet they found them extremely troublesome to get on with, as they were always pestering the government for innovations and improvements in the administration. How much more attractive, to governors with military and aristocratic leanings, were the Canadian noblesse, with their polite flattery, their military training, and their feudal abhorrence of trade, enterprise, popu-

lar freedom and independence. How extremely natural that eighteenth century English governors should gravitate to the side of the Frenchmen, with their admirable tastes, and their highly proper ideas of the majesty of the governor. Such men were surely to be encouraged and supported. Did not, in fact, a dignified and well ordered government owe them a living?

On June 7th, 1762, while Canada was still under military rule, and its ultimate possession, though fairly certain, yet still unfixed, Governor Murray sends to Egremont, the Secretary of State, a lengthy report on the state of the country, which is of considerable interest for our present inquiry, on account of the plan for a provincial currency which it contains, and which incidentally throws considerable light on several associated points.

The Canadians, he says, labor under difficulties for want of cash, and hence the English merchants find some difficulty in disposing of their goods. He wishes some means could be devised for obtaining a circulating medium to enable the Canadians to stock their lands, and the English merchants to dispose of their goods. It would be a very good thing for both Canada and Britain. It will be observed that the governor is quite unconscious of the radical difference between capital and a circulating medium. With this end in view he has a plan to submit. He proposes to put in circulation a certain sum in paper bills, say £100,000 to start with. However, as the Canadians are naturally rather shy of paper bills, after their late experience, it will be necessary to adopt special measures to get them into circulation, and to this end he would suggest :

First. That his scheme should receive the sanction of the home Government.

Second. As it would be a popular act to assist the people in rebuilding their church, the first paper issued might be used for this purpose. This would enlist the interest of the clergy and give credit to the bills. Then some of the bills might be used as loans to the people of Quebec, to assist them in rebuilding their houses and improving their lands, security being taken.

Third. The British merchants should be got to consent to receive this money in return for their goods, and for this pur-

pose the duties on imports should be made receivable in this paper, either in whole or in part.

Fourth. A tax should be levied and the proceeds set apart for the gradual redemption of the paper money. This might take the form of a tax of half a dollar upon each house in the province, while the houses of the seigneurs, gentry, merchants and publicans, and all those in the towns, might be taxed one dollar each. The revenue to be thus derived he estimates at £3,000 annually, reckoning the dollar at five shillings. After a time the tax might be increased or some other taxes added.

As soon as this currency is well established it might be used for every purpose of government, such as repairing old and making new fortifications, etc. Thus, he concludes, surveying his plan with sprightly confidence, Canada could be made to flourish without any aid from the mother country such as the other colonies in America constantly require.

No one, I fancy, with any sense of humor would have the temerity to attempt a criticism of such a financial work of art as this.

The following year, 1763, when the fate of the country was settled and there was some prospect of a partial redemption of the Canadian paper money, Murray again brings forward his self-acting scheme for Canadian prosperity. Now, however, the new issue of paper money is to be given to the holders of the old paper money, at a certain proportion of its face value. A general tax is still to be levied in order to provide a sinking fund to retire the paper in time, though fresh paper is to be immediately issued to replace the old, in its joint function of circulating medium and working capital. In these schemes the simple directness of the relation of means and end, the delightful inconsequence between the objects for which the money was to be issued and the sources from which the redemption fund was to be drawn, are strongly suggestive of the turn of mind and financial experience of a military man or a populist.

Nevertheless, it is quite evident that Murray was considerably influenced in his views as to the necessity for the government coming to the assistance of the needy French Canadians, by his intercourse with the Canadian aristocracy. As I have already indicated, it was the most natural thing in the world,

considering their historic traditions and personal experience, that the distressed Canadian nobility, and the governors on their behalf, should be most anxious to induce the British government to provide a sufficient number of offices, military if possible, which they might fill with becoming dignity to the government and profit to themselves. As a sample of their views on this subject we may take the memoir dated May 1st, 1765, prepared by the principal French citizens, setting forth the present state and abilities of the province. They contrast the flourishing state of the colony under French rule, from 1749 to 1755, with the disastrous condition of the country since the peace. They attribute this decline to the lack of sufficiently large expenditure in the colony by the British government. The remedy proposed for this dangerous state of things consists of two alternatives, namely, that Britain should either support a sufficiently large standing army in Canada, or build frigates and other vessels at an annual outlay of 3,000,000 livres, to be issued in bills or paper money on the credit of the government, and payable in London. In other words, they advocate a complete restoration of the French system of administering the colony. The first alternative was evidently the one most to their liking, and many representations in its favor were forwarded to the home government by Murray and Carleton, and we know how the latter employed it in connection with the Quebec Act, and how, when the critical moment arrived, he found himself, to his great astonishment, with a fine staff of officers and no men.

At the same time that this memoir appeared, representing the decaying state of the province from the point of view of the French Canadian aristocracy, other observers were confirming it, in a manner, by contrasting the rapidly improving condition of the French Canadian farmers, with the poverty and declining state of the Canadian seigneurs. The statistics of the colonial exports for this period also indicate a great improvement in the condition of the common people.

The British government at this time was too much occupied in its struggle with "Wilkes and liberty," and in laying the foundation for future discontents at home and abroad, to give much heed to the condition of the distressed nobility of Canada, or paper money schemes for their relief.

After Murray's departure, in June, 1766, to answer the charges preferred against him, chiefly by merchants of London and Quebec, the command devolved on P. Æmilius Irving, pending the arrival of Sir Guy Carleton. One of his first duties was the framing of a new ordinance on the currency, in which, as he observes in his report to the Board of Trade, the Louis d'ors and the French crowns are still overrated in order to retain them in the country as has hitherto been found successful. He adds that it is now desirable that a quantity of small currency should be sent into the province.

The reason for the scarcity of the small currency is not far to seek. The overrating of the larger French coins already in the province, and of the Portuguese Johannes and moidores, which formed the chief elements of the specie introduced by the agents of the British government, caused values to adjust themselves to their standard. This resulted in a corresponding underrating of the smaller silver coins, which, in consequence, gradually disappeared from the country. When, owing to the great scarcity of fractional silver and even of copper, the merchants found themselves unable to make change for their customers, some of them resorted to the plan of issuing small paper due-bills which were to be received in future purchases of goods at their shops. Once established in this usage, the due-bills began to pass from hand to hand in other exchanges, and thus they afforded practical relief from the difficulties of the situation. The right to issue this fractional paper not being confined to any one in particular, it was issued by any merchant or trader whose credit would enable him to do so, and much confusion must have resulted. Still, it became a firmly established factor in the exchange mechanism of the country, and, in various forms, it survived for many years both in Lower and Upper Canada. The range of circulation and the credit of the bills depended entirely upon the reputed credit of the person issuing them. From the fact that they originated in Lower Canada, and that they were generally introduced with the words, "Bon pour," etc., they came to be universally designated *bons*. We shall have frequent occasion to note their appearance and influence in the course of the development of our subject. Here we may simply observe that the use of the

bons tended to prepare the country people for the appearance of bank notes; at the same time the inevitable difficulties connected with them afforded a basis for several sharp criticisms upon the issues of the first banks.

The scarcity of change continuing, and the system of *bons* becoming general, with obvious advantage to the merchants, it occurred to an enterprising auctioneer of Quebec, named William Titchbourne, that a fortune awaited the man who could obtain a monopoly of the right to issue these small promises to pay. No doubt the general advantage which would result from uniformity of issue, and the consequent avoidance of confusion, seemed to him a strong argument in favour of his scheme. At any rate he decided to apply to the governor-in-council for an exclusive charter. Thus we find in the minutes of Council of August 27th, 1767, a record to the effect that there was read the petition of William Titchbourne, auctioneer, praying for the exclusive privilege to issue promissory notes for small sums by way of change for silver and to supply the want of copper coins. This is undoubtedly the first attempt to obtain a bank charter in Canada. The council, however, dismissed the petition; it was, indeed, beyond their authority to grant it. It was, strictly speaking, the duty of the civil government to put a stop to the circulation of the paper then in use. But experience was showing that the laws and special ordinances then in force for the regulation of the currency, and which had been mostly determined in Britain, were not workable.

On August 17th, 1772, Gramahé, who was administering the government in the absence of Carleton, sends to Hillsborough quite a full and interesting report on the subject of the currency. He confesses that he had found it necessary, in the end, to leave the adjustment of the values of the different larger coins, especially the Portuguese Joes and half-Joes, as they were called, to be settled by the Quebec and Montreal merchants between themselves. The Montreal merchants, we find, were able to turn the scale in favor of their usage, which, in turn, was determined by that of the English colonies to the south, with which the Montreal merchants were always most intimately connected, and from whence both the government and the merchants of Canada obtained their supplies of specie.

In the same despatch Gramahé refers to the continued high price of silver, which, as it circulated in Canada by tale and not by weight, and was underrated as compared with the gold coins, was still the more profitable metal to export to the other colonies in payment for supplies. Referring to the lack of small silver for change, he says, "It is so very scarce that government has been under the necessity of winking at every little retailer's circulating paper bills of his own, some, if not much of which must fall a dead loss to the public, whenever they are cried down, or the issuers come to wind up their affairs." He hopes that when the government here is fixed upon a permanent basis some method will be found to correct these evils. On Nov. 4th, Dartmouth, on behalf of the Board of Trade, replies to Gramahé, admitting that his leaving the determination of the values of the Portuguese coins to the practical arrangements of the Quebec and Montreal merchants, was the wisest thing to do under the circumstances. With reference to the scarcity of the silver coins, he says it is a difficulty to which Quebec, in its present commercial condition, must continue to be exposed; but nothing can be done until the colony has a more permanent constitution. Till then the circulation of foreign silver coin must be regulated by the provisions of the statute of Queen Anne.

Thus were the currency difficulties of the colony left for the present to the practical adjustment of circumstances, and the colonial administration was virtually authorized to continue winking, with as little loss of dignity as possible, at the circulation of the *bons* until the government of the colony should be settled. The measure which was to have that sedative effect was the noted Quebec Act of 1774. But, much to the chagrin of its authors, that unfortunate measure had the very opposite result. It was the attempt to enforce this Act which revealed the utter misconception of the real condition of the country, and the needs and attitude of the general population, which Carleton, like his predecessor, had obtained from his almost exclusive association with the Canadian aristocracy, and his reliance upon their statements. This Act, also, by its intended effect upon the refractory colonies to the south, destroyed the last hope of reconciliation, and precipitate the

general revolution. Instead, therefore, of the Canadian government proceeding to deal with such details as the currency, it found its hands full of quite other work. In 1775 communication with the southern colonies was cut off by a revolutionary army sent to intercept the expected invasion from Canada which Carleton and the English government had planned to follow the Quebec Act, and the anticipated enthusiasm which would be roused among the people of that province, on account of the restoration of the French system of government and civil law. But there was no invasion from Canada. The Quebec Act had indeed secured the enthusiastic support of the distressed nobility of that country, and the higher functionaries of the Church, but it had alienated the great mass of the French Canadian people, who regarded themselves as cruelly duped in being thrust back once more under the feudal power of their old oppressors. Hence, to his amazement, Carleton, instead of raising an enthusiastic army of French Canadians with which to suppress the rising in the English colonies, found himself unable to muster, with the utmost efforts of persuasion, threats, or inducements, a sufficient number to properly garrison the towns. Learning that Carleton was thus in process of being hoist with his own petard, the colonial efforts were changed from the defensive to the offensive. Canada was invaded and almost despaired of before the arrival of the English troops.

Thus for a time was the prosperity of Canada checked. But on this, as on several other occasions afterwards, the distress of England was to be the joy of Canada, until the Canadians came to be credited with including in their prayers joint petitions for a bountiful harvest, and a bloody war. Canada soon became the base of operations of a large British force, and the region from which supplies were drawn both for the forces in the country and for those engaged in the revolted colonies, as well as for the Indians of the west. It can easily be imagined then, that, with an excellent local market for almost everything which the country could produce, prosperity in its brightest form was once more smiling upon the province, and the French Canadian, as he stored away the precious coins, forgot the relapse from liberty which he and his country had suffered, and while for the most part himself refusing to fight, he was eager enough—for a consideration—to feed those who would.

During the period of interrupted intercourse with the other colonies, one of Carleton's despatches to Dartmouth, from Montreal, dated 7th June, 1776, throws considerable light on the intimate commercial and financial relations which normally existed with the southern colonies. After dealing with other interesting matters, he refers to the condition of the money supply. "Our communications with the other provinces being entirely stopped, we run the risk of being at a great loss for money, to defray the ordinary and extraordinary expenses the service here must be attended with, the money contractors as well as trade, at this time of the year, being used to procure large supplies of cash from New York and Philadelphia, with which places we have at present no intercourse; if £15,000 or £20,000 were sent here as soon as possible, it would be of great use to government, which must lose considerably by the present low course of exchange, likely to fall every day; could it be procured in dollars, and some part in small silver, the same would prove highly beneficial to this country, where that species has become extremely scarce."

Here, among other things, we have an indication of that three-cornered system of exchange, which, beginning immediately after the Conquest, has prevailed with modifications down to the present time. The form in which it existed at that time may be briefly sketched.

The general income of Canada was derived from two sources, namely, the exports to England or the other colonies, and the expenditure of the British government in the country. This was only partially offset by direct imports from England. A very large proportion of the Canadian imports came from the other colonies, being partly the product of these colonies, and partly imports from Britain or the East and West Indies. The Canadian claims on Britain were drawn in bills of exchange on London—those for exports by the merchants, those for government expenditure either by the governor or his representative, or, more commonly, by the resident agent of the money contractors, who were London bankers or brokers. After paying for the direct imports from England, the balance of the bills were sent to the colonial centres, such as Boston, New York and Philadelphia, partly to offset the imports from those and

neighboring places, and partly in exchange for specie, which was returned to Canada, usually by way of the Champlain route to Montreal. A great part of the specie so obtained again flowed back in small streams to the northern fringe of colonies from which the Canadians received many supplies, as well as produce for export by the St. Lawrence route. A certain amount of this specie continued to pass, in prosperous times, into the small hoards of the French Canadians, who managed to make up by thrift for their lack of economic enterprise.

Such being the normal circulating system of trade and exchange, when the connection with the American colonies was temporarily broken off, the bills of exchange on England found a very narrow market, the price fell, and the government suffered loss and inconvenience. Carleton therefore recommends the sending of specie, and asks that it be sent in dollars, to which the Canadians were now quite accustomed. The further request that a considerable quantity of small silver be included indicates the persistent scarcity of fractional currency, and the continued use of *bons*. After several urgent calls for specie the home government began to send some. But the troops accumulated in the province, increasing supplies were required for the swarms of Indian retainers of the west and north-west, and some of the troops in the revolted colonies had also to be supplied; thus the expenditure of the government in Canada increased enormously, and with it the need for a corresponding expansion in the medium of exchange. The special situation of the country caused the amount of circulating medium required to be unusually large. Canada being frozen off from the rest of the world for about one half of the year, bills on Britain were saleable there during a very limited portion of the year. It would require, therefore, an enormous amount of ready money in the hands of the merchants to enable them to purchase all the bills of exchange in the autumn, and before they had well begun to dispose of their yearly supply of goods. On the other hand, the same system involved the holding of a very large sum of idle money in the military chest or provincial treasury during a considerable part of the year. If the agent of the money contractors would consent to forego the immediate delivery of specie at the close of naviga-

tion, when the bills were purchased and sent off, and would permit the merchants to deliver it during the winter and spring in proportion as they disposed of their goods, then a better price might be obtained for the bills, and a smaller amount of currency would answer the needs of the country. Haldimand, then in command in Canada, joined his voice to that of the merchants in urging this concession. The agent gave way; bills on the money contractors in London were disposed of on credit, which, coming to the ears of the contractors, brought forth a strong rebuke to the agent and a peremptory refusal to take any such risks for the future. This precipitated trouble in the colony, and a sort of financial crisis ensued, the particulars of which, however, do not belong to our subject. After this, for a time, the government continued to send large quantities of specie to Canada, until there was a plethora of it, and a corresponding scarcity of bills of exchange. About 1783 the Canadian merchants found it necessary to send a petition to the Treasury, praying that no more specie be sent to Canada, as the merchants there could supply all that was wanted in exchange for bills on the Treasury.

Many Canadians during this period accumulated considerable fortunes. The prodigal expenditure in the western parts of the country in particular, enabled quite a number of Montreal merchants to lay broad and deep the foundations of an extended trade with the western fur country and the newly established settlements in Upper Canada. The more prosperous French Canadians, in virtue of good prices and abundance of specie, converted considerable quantities of their private hoards into family plate, a steady source of pride and satisfaction while it continued in that shape, and a visible insurance against any future day of need. Much of this old plate is still to be found in Quebec province; the people of Britain have a souvenir of it also in the shape of a considerable fraction of their national debt.

During the revolutionary war English specie came to Canada for the first time in any quantity. The currency of the colony then consisted of three distinct elements—the French coins left in the colony at the Conquest, the Portuguese and Spanish coins introduced from the English colonies, and the

British coins brought directly from England when the southern supply was shut off. These different coins were also of varying values, according to the wear, mutilation, or sweating, which they had undergone. A good idea of the miscellaneous state of the currency may be gathered from the following extract from the report of the merchants of Montreal to Carleton in 1787, on the question submitted to them as to whether it would be advisable to attempt to bring all the gold coin of the country to a certain weight: "By the present laws respecting gold coin we pay considerably more than the mint price for all Portugal gold, all guineas and French Louis d'ors, and considerably less on Spanish and some kinds of French gold, yet we apprehend that the loss occasioned by this difference is not so great as the inconvenience would be of altering the present rate. We are of opinion that guineas should not be taken at 23s. 4d. unless they weigh fully 5 dwts. 8 grs., because they are at that rate about 1s. per oz. higher than in England, and to take them at a less rate would heighten the difference and likewise encourage the sweating and clipping that is already too much practised. We presume that to recommend plugging coin is encouraging that fraudulent practice of taking out good, and inserting false plugs, and that the attempt to bring gold coin to a certain weight would be attended with bad consequence and loss to the province."

With such a plethora of specie in the colony we may naturally expect to hear little for some time of the necessity for paper money either in the shape of government issues, bank notes, or even *bons*. Indeed, had it not been for the retrograde political and commercial movement introduced by the Quebec Act, Canada might at this time have entered upon a period of unusual prosperity. It was the only colony in America, except perhaps Vermont, which was intimately associated with it in commerce, which had emerged from the revolutionary struggle without debt, and in a rich and prosperous condition. Chief Justice Hey, of Quebec, who was at first inclined to favor the general scheme of the Quebec Act, after observing the practical effects upon the colony, reports to the Lord Chancellor that Carleton had been most injudicious in his concessions to the seigneurs,

whose elation at the restoration of their old privileges "has given "just offence to their own people, and to the English merchants ; "they insist that there be no alteration in the ancient laws, particularly in the article of commerce, the whole of which is in "the hand of English merchants, without whom there was not, "and will not be, any trade." While the Act remained in force there continued to be much trouble, confusion, and impediment in legal and commercial affairs. The French Canadian mercantile law was so antiquated and obstructive that business was immensely hampered, enterprise stifled, and the merchants discouraged. Even the remedy afforded by the new constitution of 1791 was very partial. Still that constitution by its permissive clauses brought liberty to the new settlements in Upper Canada, and as Montreal existed mainly by its trade with the northern States, the new settlements in Upper Canada and the north-west fur country, it did not suffer severely from the shackles which continued to bind the province in which it was situated. It also communicated considerable life to the city of Quebec, which, being the chief seaport of the country, likewise derived considerable advantage for a time from the timber and ship building industry which connected it with the outer world.

However, as the Constitutional Act of 1791, and the beginning of the settlements in the western country, bring us to a new point of departure in the history of Canada, we may reserve our considerations of the currency and exchange features of that period for the next article.

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