

**CIHM  
Microfiche  
Series  
(Monographs)**

**ICMH  
Collection de  
microfiches  
(monographies)**



**Canadian Institute for Historical Microreproductions / Institut canadien de microreproductions historiques**

**© 1995**

## Technical and Bibliographic Notes / Notes technique 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.

- 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
- Only edition available / Seule édition disponible
- Tight binding may cause shadows or distortion along interior margin / La reliure serrée peut causer de l'ombre ou de la distorsion le long de la marge intérieure.
- Blank leaves added during restorations 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:

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 modifications dans la méthode normale de filmage sont indiqués ci-dessous.

- 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
- Pages wholly or partially obscured by errata slips, tissues, etc., have been filmed 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.
- Opposing pages with varying colouration or discolourations are filmed twice to ensure the best possible image / Les pages s'opposant ayant des colorations variables ou des décolorations sont filmées deux fois afin d'obtenir la meilleur image possible.

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

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

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

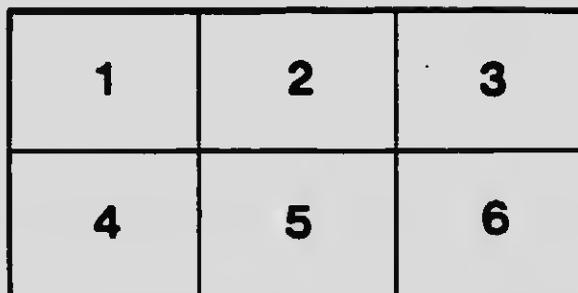
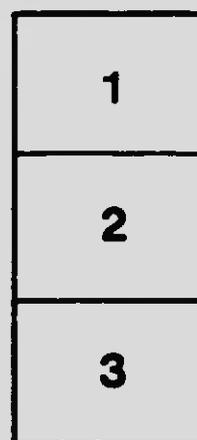
Library of the National Archives of Canada

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 sheet contains the symbol  $\rightarrow$  (meaning "CONTINUED"), or the symbol  $\nabla$  (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 nationales 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 feuillet et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second feuillet, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par le premier feuillet 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  $\nabla$  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.

MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



APPLIED IMAGE Inc

1653 East Main Street  
Rochester, New York 14609 USA  
(716) 482-0300 - Phone  
(716) 288-5989 - Fax

THE  
HISTORY OF CANADIAN CURRENCY, BANKING  
AND EXCHANGE

---

ONE CURRENCY FOR THE EMPIRE

---

BY

ADAM SHORTT, M.A.

QUEEN'S UNIVERSITY,  
KINGSTON

TORONTO  
JOURNAL OF THE CANADIAN BANKERS' ASSOCIATION  
1900



## THE HISTORY OF CANADIAN CURRENCY, BANKING AND EXCHANGE\*

### II. ONE CURRENCY FOR THE EMPIRE

IN entering upon the next phase in the history of Canadian currency and exchange, we have to deal with a very extensive and interesting experiment in currency regulation. This was the attempt, undertaken by the British Government in 1825, to extend the British currency and its standards throughout the Colonial Empire.

While the great wars were going on round the turn from the last to the present century, while the currency was demoralized and specie payment by the Bank of England suspended, throughout the Empire Britain made use of whatever coins she could command in exchange for bills on the Imperial treasury.

The internal trade of Lower Canada, so far as carried on with the French Canadians, employed almost entirely the old French currency, to which the Habitant clung as part of that cherished nationality which marked his independence of British institutions. But in the extensive payments of the British Government, in the wholesale and foreign commerce, and in the

---

\*Chief sources:

Dominion Archives; State Papers, Lower and Upper Canada.

Journals of the Assembly and of the Legislative Council, Lower Canada.

Journals of the Assembly and of the Legislative Council, Upper Canada.

The Laws of Lower Canada, Vol. VIII.

Statutes of Upper Canada. Revised 1831.

A History of Currency in the British Colonies. By Robert Chalmers, B.A., of Her Majesty's Treasury. With Appendix of Documents. London, 1893.

Review of the Proceedings of the Legislature of Lower Canada in the Session of 1831. (By Andrew Stuart). With Appendix. Montreal, 1832.

Considerations on the Currency and Banking System of the United States. By Albert Gallatin. Phila., 1831.

*Montreal Herald*, 1825.

*Montreal Gazette*, 1830.

*Kingston Chronicle*, 1825-31.

settlements of Upper Canada, the Spanish and American dollar, assisted by a miscellaneous fringe of gold coins, furnished the chief metallic currency and standard of value.

In 1816, however, Britain, chiefly with a view to preventing her silver currency from going abroad, definitely adopted a gold standard. Silver was made a token money by raising its face value above its bullion value and limiting its legal tender to forty shillings. Under improved conditions of British trade the foreign exchanges became more favourable. No premium on bullion for export threatened to exceed the seigniorage on British silver coins; consequently they remained as a permanent medium of exchange, and lent colour to the theory that not trade but legislation had relieved the country from its currency famine.

The coinage of the new silver currency being profitable for the Government, it was a matter of some interest to extend its circulation.

In 1821 the Bank of England resumed specie payment, and was followed by the other banks having paper issues. At this period, too, the Spanish American colonies were achieving their independence. Spain losing control of the silver mines, the supply of the Spanish dollar was checked. Further, the period from 1820 to 1824 was one of commercial distress in several of the colonies, particularly the West Indies and Canada, which had suffered in common with the United States.

In the face of this combination of circumstances, the success which had attended the readjustment of the British currency at home naturally suggested an extension of the system to the colonies, especially as it promised to facilitate the constant payments which the Home Government had to make in most of them. It was resolved to make the attempt, and to introduce and promote the change by means of the payments to the troops and the purchase of military supplies in the various colonies.

The Lords of the Treasury, in a Treasury Minute dated 11th February, 1825, set forth the conclusions at which they had arrived, and the grounds on which they were based. They have had under their consideration the state of the currencies in the several British colonies and possessions abroad, as they

affect the expenditure for the public service, both military and civil. The present time of peace affords an excellent opportunity to remedy the many evils and inconveniences which have accumulated during and since the last war. In most of the colonies the Spanish dollar is at once the prevailing coin in circulation, and the standard by which the values of all other coins are determined. Yet the rate at which it is paid out by the Government, namely 4s. 8d. stg., is not in accordance with its intrinsic value. As compared with British standard silver, the value of the dollar is slightly less than 4s. 4d., while at the prevailing market price for silver it is scarcely above 4s. Recent complaints with reference to the rates at which the Spanish dollars are paid are therefore well founded.

But, in further considering the subject, it has been found that recent conditions affecting the supply and standard of the dollar make it necessary to look for some other and better means of payment. Under the circumstances it appears to the Lords of the Treasury that at once the fittest medium for the payment of the forces, and the best standard of circulation for the colonies, will be the silver and copper currency now in circulation in Great Britain. Means, however, must be afforded of converting the currency at will into the standard gold coins of the United Kingdom, by means of bills of exchange to be issued at a specific rate.

They fully expect that since the British silver currency is issued at a nominal value higher than its bullion value, it will tend to remain in the colonies as a permanent circulating medium; while its ready convertibility into bills on Britain, should maintain it at the same value in the colonies as in the mother country. The rate at which the exchange on Britain is to be fixed must be such as to prevent the coin being sent back to Britain, in preference to being converted into bills of exchange. Such a rate they estimate to be about three per cent. premium, for the majority of the colonies. Hence they direct that the proper officers be authorized to draw bills, in the colonies, on the Treasury Board in Britain, on the basis of £100 stg., payable in Britain, for every £103 stg. paid to the officer of the Treasury in the colony. On this basis the Lords

of the Treasury will direct supplies of British silver coins to be sent to the various colonies to the extent of the probable needs of the Government payments.

But, as it may not be expedient to dispense with the use of the Spanish dollar all at once, even in Government payments, they recommend that it should be rated in future at 4s. 4d., and that all other coins employed be rated in proportion.

The necessary instructions to accomplish these objects are to be sent to the proper officers in the various colonies.

All existing contracts are to be fulfilled on the conditions stated in them; but in all future contracts the Commissariat should reserve to itself the option of paying the contractor either in British silver, or in bill on the Treasury Board, at the rate of £100 payable for every £103 of the contract. When any commissary has not sufficient silver on hand for the needs of his service, he is required to advertise for Spanish dollars, or other coins, to be offered in public competition for his bills on the Treasury. The money thus obtained is to be paid out at the rate of 4s. 4d. for the Spanish dollar.

Copies of this Treasury Minute were to be sent to the various departments of the Government having dealings with the colonies, and especially to the Colonial Secretary, Lord Batburst, that the necessary instructions might be sent to the colonial governors, to insure due attention to the execution of the prescribed measures. Such are the essential features of the comprehensive scheme devised in 1825, and which it was confidently hoped would unite the whole British Empire in the use of one uniform medium of exchange. All parts of the Empire should henceforth hold commercial intercourse in one currency language, to the great benefit of trade within the Empire and its extension beyond it. Wherever the British flag waved the British shilling would circulate, each an emblem of British rule.

To the eye of pure reason the scheme was faultless. Even official minds trembled on the verge of sentiment in contemplation of its vast imperial possibilities. But, unfortunately, the shield had another side, the colonial, from which it excited little enthusiasm. Hence, in the course of the official attempts to put the ideal in practice, it encountered the most unlooked for obstacles and caused no little bitterness. So far as actually

put in operation, it produced many abnormal results, bringing to light numerous latent peculiarities of currency never before fully recognized or understood.

At present, however, we must confine our attention to the Canadian aspect of the subject. Though not realizing the expectations of its authors in any part of the Empire, yet it was in Canada that the measure most completely failed of its object. In order to give effect to the plan adopted by the Treasury Board, an Order-in-Council was passed, 23rd March, 1825, in which it is stated that in order to secure the circulation of the British silver and copper money in the colonies, "In all these colonies where the Spanish dollar is now, either by law, fact, or practice, considered as a legal tender for the discharge of debts, or where the duties to the Government are rated or collected, or the individuals have a right to pay, in any description of coin, that a tender and payment of British silver money to the amount of 4s. 4d. should be considered as equivalent to the tender or payment of one Spanish dollar, and so in proportion for any greater or less amount of debt;" "And also that British copper should be made a legal tender in all the British colonies, for its due and proper proportions of British silver money, as by law established in Great Britain, but that no person should be compelled to take more than 12d. in copper money at any one payment." The Lords of the Treasury and Lord Bathurst, Secretary of State for the Colonies, are to give the necessary instructions for putting this order into effect.

The only one among the British officials who seems to have doubted the feasibility of the measures taken, was James Stephen, afterwards Sir James Stephen, for many years by common consent the ablest man connected with the Colonial Department, and after 1835 the Permanent Under Secretary of State for the Colonies. He was at this time legal adviser to the Colonial Office. On the 31st of March, 1825, in reporting on the Order-in-Council just referred to, he gave it as his opinion that His Majesty had no power to alter in this way, such rules as had been established by the legislatures of any of the Colonies, with respect to the value of the Spanish dollar or other coins. However, the matter being referred to the Attorney and Solicitor

Generals, they reported that the Order-in-Council was quite legal. It was therefore sent to the colonies with instructions to have it enforced.

Lord Dalhousie, then Commander of the Forces in North America and Governor of Lower Canada, reports to Bathurst on Dec. 20th, that he had called upon the King's law officers in Lower Canada to prepare the draft of a proclamation for giving effect to the instructions sent him, "respecting the establishing of the British metallic currency in this colony." But he has received from them a report, which he encloses, giving it as their opinion that such a proclamation would be an infringement of an act of the Legislature of the Province regulating the currency. By the existing act the sterling value of the dollar is fixed at 4s. 6d., while the proposed measure would reduce it to 4s. 4d. The object of the proclamation, they say, can only be accomplished by an act of the Canadian Legislature. Dalhousie sees no alternative, therefore, but to wait for the meeting of the Legislature in January and recommend the measure to it, yet he has to confess that he has little hope of the Legislature altering the existing regulation of the currency.

When this despatch with the enclosed report was laid before Stephen for his advice as to the next move, he simply said "I told you so," and recommended that the law officers of the Crown, who had over-ruled his opinion, should be called upon to show how the Governor of Lower Canada could remove the objection and issue his proclamation. The matter was of some importance, for, as he remarked, now that the measure is hlocked in Lower Canada the other colonies having representative government will get wind of it, and will be apt to follow the example set. However, they declined to take up the challenge, and Dalhousie was left to do what he could with the Legislature of Lower Canada.

On Jan. 21st, 1826, Dalhousie laid the matter before the Assembly, together with the regulations and instructions sent him. His unpromising forecast of the attitude of the Legislature towards the measure was quite fulfilled, for the Assembly showed no anxiety to deal with the subject. When, over a month later, they took it up, apparently at the special request of the Governor, it was only to refer the whole matter, with the

documents furnished by the Governor, to a committee of five with instructions "To enquire into and report on the expediency of enacting that no coin shall be held to be a legal tender, other than such coins as are legal tender in the United Kingdom, or in the United States of America, or what other alterations it may be expedient to make to the laws now in force declaring what coins shall be a legal tender." And that is the last we hear of it in that quarter.

The Legislative Council, however, to whom the matter had also been referred by special message, in an address to the Governor gave reasons for their opposition to the measure. They admit that it is a matter of indifference what the real value of a money token may be, so long as it is redeemable in coins of standard value or their equivalent. But the British silver which the Home Government is anxious to introduce as the Canadian medium and standard is of such a character that if, on account of the fluctuations in exchange it were found expedient to send it to Britain, it would not be received there as legal tender for more than forty shillings. The remainder would simply drop to the value of bullion, which is considerably below its face value. As regards the mere circulation of the British silver in the colony, they are quite willing that it should be encouraged; but this requires no alteration of the existing law which provides for its circulation on a par with the Spanish dollar. Finally, they object to the proposed change as injuriously affecting the large number of feudal rents and dues in the province, where accounts are kept in livres and sols connected with the Spanish dollar in the ratio of six livres to the dollar. Such was the attitude of the Council, whose tone was normally strongly British, and therefore usually in conflict with that of the Assembly, which was equally strongly French Canadian.

In the meantime the Lords of the Treasury, being informed of the difficulties which had arisen in Lower Canada in connection with the carrying into effect of the proclamation, stated that they would refrain from giving any further instructions on the subject until they learned what action the Legislature of Lower Canada proposed to take. But they took occasion to point out to the Colonial Office that the absence of British coins from the currency of Canada was due to the incorrect manner

in which the different coins had been valued, and especially the silver coins. The British coins have generally been placed at a lower value than the foreign coins, thus leading to their export. The British crown is rated in Canada at 5s. 6d. cy., and by the same standard the valuation of the dollar, Spanish and American, should have been 4s. 8 $\frac{1}{4}$ d. instead of 5s. as at present. Again the French crown should have been rated at 5s. 2d. instead of 5s. 6d. as at present. But the British crown which was thus rated at 5s. 6d. was coined at the rate of 5s. 2d., face value, per ounce of silver, whereas under the new coinage the crown is now issued at the rate of 5s. 6d., face value, per ounce of silver. This should have the effect of correcting the former under-rating of the British crown and will now cause it to be slightly over-rated as compared with the foreign coins.

Thus the Lords of the Treasury appear to have reached the conclusion that, whether the Canadian Legislature gave effect to the wishes of the Home Government or not, the natural course of exchange would operate to bring the new British silver into circulation. This would be further assisted by the policy to be pursued in the payment of the troops and the purchase of supplies, which were entirely under Imperial control. Hence when the Treasury was informed, in the course of the summer, that the Legislature of Lower Canada would take no action, they stated to the Colonial Office that it did not seem necessary to press this matter further upon Lower Canada.

In Upper Canada the Home Government was apparently somewhat more successful. But the situation in Upper Canada differed considerably from that in the Lower Province. In Lower Canada, as already remarked, a large and important section of the French Canadians possessed small individual hoards of specie, composed almost entirely of old French coins, much worn and considerably over-rated. They were distrustful of paper money, and exchanged it as speedily as possible for coins. In this exchange local prejudice and the interests of the banks favoured French silver. Hence Canada became a haven of rest for all the maimed and wayworn French coins on the continent. Lower Canadian accounts, rents and contracts were chiefly specified in French currency on a silver basis. To alter the value of the French silver, or to adopt a new standard, was

therefore a very serious matter for the French Canadians. Hence the radical objection to any such change as that proposed by the British Government.

In Upper Canada the situation was very different. Among the Anglo-American settlers and traders there was no tendency to hoard coin. The few who had money readily invested it. Bank notes, Canadian and American, circulated freely and constituted the greater part of the exchange medium, even fractional currency for change being scarce. Alterations in the values of coins which few possessed could not affect many interests. A change in the currency standard, however, would have been a serious matter, as that would immediately affect economic obligations and contracts.

When, therefore, the proposals of the Home Government with reference to the currency reached Upper Canada, the people heard with gladness of the prospect of receiving a large supply of British silver and copper coins through the channel of Government expenditure. They received with meekness the statement of the British experts that the dollar was over-rated in sterling, and the British silver under-rated in currency, and they were quite willing that this should be remedied. But as to adopting the British monetary standard, that was quite another story, and the idea was quietly ignored in the action taken by the Provincial Legislature.

It was early in January, 1826, when Governor Maitland, in a special message, laid the subject before the Assembly of Upper Canada, together with the documents furnished him from Britain, and before the end of the same month the responding act was passed. In this act, the Legislature, without in the slightest altering the existing currency system with the five shilling dollar as its basis, simply raised the value of the British silver and copper coins. They made British silver unlimited legal tender at the following rates:—The crown to be 5s. 9d. instead of 5s. 6d. as before, and the shilling to be 1s. 2d. instead of 1s. 1d. as before, with all higher and lower denominations in the same proportion. British copper is also made legal tender in the same proportion to the silver as in Britain, but the amount of legal tender in copper is limited to 1s. currency, and 10d. in British copper is declared equivalent to 1s. currency.

Further, to facilitate payments it is enacted that 17s. 4d. in British coins shall be equivalent to 20s. currency. The act had at least the effect of further increasing the differences between the legal regulations of the currency in the two Provinces.

While the British Government got but little assistance from the Canadian Legislatures in carrying out its Imperial currency scheme, it had still the chief instrument of its purpose in its own hands. It entirely controlled the military expenditure in the colonies, and that was then a very considerable factor in the economic life of Canada, being especially influential in the Canadian exchanges. In this field the British Government was free to experiment, so the payment of the troops and the purchase of supplies were regulated accordingly. The command of the exchanges was also employed to the same end.

Some £30,000 sterling in British silver, together with a quantity of British copper coins, were sent out to Canada on Government account. In August, 1825, formal notice was given in the Canadian papers, "That the pay of His Majesty's troops, military departments, out-pensioners and certain other appointments, in this command has been authorized to be issued at the par of 4s. 4d. sterling per Spanish dollar, commencing from the 25th of May last, and that the issue of British silver and copper money (of which a consignment has been received from England) when established to take effect, will be at its nominal value. The same also to apply to all payments to be made into the Military Chest." All tenders sent in to the various commissariat offices, in response to public advertisements for supplies, must be stated in British money. It is to be a condition of all such contracts that it shall be at the option of the commissariat officer to pay for all future contracts, either in specie at the foregoing rates, or in bills of exchange on His Majesty's Treasury, at thirty days after sight, at the rate of £100 in bills on the Treasury for every £103 due on the contract. With reference to the exchanges, notice is given that British money will be received into the Military Chest, in sums of not less than £103 from one individual, and that bills on the British Treasury will be given in exchange for it at the rate of £100 in exchange for every £103 in British silver of standard quality.

Before tracing the practical effects of these measures we have

to note some special circumstances attending their introduction, and connected with payments to be made into the Military Chest.

In 1825, the Home Government, under the influence of Mr. Huskisson, made several important concessions to colonial trade in modifying the old Navigation Laws and permitting a freer trade between the colonies. One phase of this was the permission granted to the East India Company to send its teas directly from China to Canada, instead of through commercial houses in Britain. Messrs Forsyth, Richardson & Co., of Montreal, were appointed agents of the East India Company for the sale of their teas. By an arrangement with the British Treasury, the receipts from the sale of the teas were to be paid into the Military Chest in Canada. This arrangement was notified to Messrs. Forsyth, Richardson & Co., and, in accordance with the new plans of the British Treasury, they were instructed to make the payments in specie.

On receiving these instructions the agents wrote to Mr. Turquand, in charge of the Military Chest, on March 31st, 1825, stating that very serious difficulties would arise if the payments were to be made wholly in specie. They point out that there is very little specie in circulation in the colony, since the greater part of the currency consists of bank notes, and especially the notes of the Bank of Montreal. Payment for the teas will naturally be received in these notes, which, in turn, will be readily accepted for any payments which the Government has to make in Canada. As the bank is thoroughly reliable, they urge that its notes may be received, in part at least, in the payments to be made to the Military Chest. If specie alone is demanded it must be brought from the United States, an operation which is both expensive and risky, and in spring and autumn almost impossible. What supply of specie there is in the country is chiefly in the shape of small silver coins. The dollar pieces and gold, being at a premium, have mostly disappeared. They then proceed to expatiate on the credit and stability of the Bank of Montreal and the entire safety to the Government in accepting its notes. Should there be any doubt on this point they are quite willing to furnish additional security. It is proposed that the Military Chest should accept the bank notes to the extent of £25,000.

It is observable that in this appeal the Bank of Montreal alone is referred to, and the anxiety felt is in the interest of the bank, and not of the agents of the Company, who could have required the bank to furnish specie for the notes which they received for the teas. The promise of the bank to redeem its notes on demand is urged as one of the reasons for the security of the notes. The simple fact was that the bank would have found it rather difficult to redeem its notes in any quantity at that period, and the anxiety of Messrs. Forsyth, Richardson & Co. arose from the fact of their being personally very much interested in the bank.

At the same time it was quite true that the Government would have had no difficulty in obtaining its supplies for the bank notes. The merchants were quite willing to take any kind of respectable currency for their wares, and only the hoarding French-Canadian was to be reckoned with.

Turquand, in forwarding this letter to the Treasury, confirms the statement as to the scarcity of specie and the practical universality of bank notes as a medium of exchange. He admits that the Military Chest could readily employ the bank notes, though they are not legal tender, yet the privilege of paying in paper should be strictly confined to the proceeds of the sale of the East India Company's teas.

When the matter was brought up before the Treasury Board they replied that the very argument urged in favour of accepting the bank notes, namely the dearth of specie in the colony, compels them to decline the application in order that pressure may be applied to bring specie into the country and retain it there. In other words, they see in this an opportunity to promote the special object they have in view, by supplying the want of specie in the colony with British silver.

The following year, 1826, a similar case was presented by the Canada Company which applied to be permitted to pay part at least of its obligations to the Government in Bank of Montreal notes. But the Company is informed that a similar request has been denied to the agents of the East India Co., and cannot, therefore, be granted to it.

A letter from Turquand to Major Hillier, Secretary to Governor Maitland of Upper Canada, dated 21st Feb., 1824, throws

considerable light upon the relation of the Bank of Montreal to Government payments about this time. It appears that, in providing funds for military purposes within the colony, Turquand had an arrangement with the Bank of Montreal, whereby he drew bills upon the Treasury in Britain and transferred them to the bank at something of a premium. Upon the bank, in turn, he either drew cheques himself or transferred the right to do so to others, in this case to Governor Maitland who drew upon the bank in payment for his military supplies. These drafts were of course paid by the bank in its own notes. Thus the net result of the transaction was that the Bank of Montreal purchased bills on the British Treasury with its own notes, and then sold its own exchanges on London at a considerable premium to merchants in Canada or the United States.

A letter to the *Kingston Chronicle*, of the same year, declares it to be well known that the specie which comes to Kingston for the payment of the troops, etc., is not put into circulation, but is paid over to the agent of the bank (Montreal) who issues the bank's notes and sends the specie back to Lower Canada in the very cases in which it arrived. Some five years later, Commissary General Routh states that the contractors on the Rideau Canal and elsewhere, instead of receiving cash, take a draft on Montreal, payable in dollars, and they dispose of this at a premium for bank notes, with which they pay their men and obtain supplies.

At the time of inaugurating the new currency scheme it was still one of the anomalies of Canadian public finance that duties were levied on imports to Canada by both Imperial and Provincial statutes. The Imperial statute was 14, Geo. III., cap. 88 (1774), and the duties exacted under it were required to be paid in sterling, whereas the Provincial duties were collected in Halifax currency. Up to 1825 the sterling rating of the dollar had been 4s. 6d. But, on the basis of the new British coinage, it was accepted at 4s. 9½d. after 1816. Then, in accordance with the last move, it was reduced in 1827 to 4s. 4d. This had the effect of considerably raising the duty for Canadian importers when they paid, as they commonly did, in dollars or other coins rated on that basis. The Canadian merchants considered the action of the Treasury Board as illegal

and refused to pay the extra duty. The result was a law suit in which the question was argued with considerable show of reason and not a little subtlety on both sides, but the judges decided in favour of the Treasury.

At first sight it might appear that, in consequence of all the influences brought to bear upon the Canadian currency, the new policy of the British Treasury should have been fairly successful and that a large amount of British silver should have been infused into the circulation, which might in time have led to the adoption of the British standard. Yet such was not at all the result, and for the following reasons :

The specie sent to Canada by the Government was not greater than the requirements of her international exchanges. Indeed, the more the British Government spent in the colony the greater the quantity of goods purchased abroad, and therefore the greater the amount of exchange required to pay for them. Most of those supported by the Imperial payments were not commercial producers, and hence did not furnish additional exports to meet the increased imports. From the very necessities of a poor, though developing country, the imports tended to out-run the exports, including all specie of standard value. Such being the case, the British silver sent to the country always found itself at a premium, and was eagerly bought up by those who had payments to make to the British Treasury, either for duties or in return for bills of exchange.

It had been hoped that, inasmuch as the new silver coinage had, in virtue of its being over-rated, remained steadily in Britain, it would likewise tend to remain in circulation in the colonies. But the inference was not well founded. The new silver coins remained in circulation in Britain because there was no other country which would receive them at their face value. In the colonies, however, these coins found a country which would receive them at their face value, namely, Britain itself. So that, whether in the purchase of exchanges or in actual shipment, they were as good as gold in their command of the British market. Their intrinsic deficiency counted only with reference to the American exchanges, and that was one chief reason why they were confined to the function of procuring

British exchanges. For all purposes of internal trade, the hank notes and the greatly over-rated Spanish pistareens and French coins were still used.

Thus every one of the expedients adopted by the Treasury for insuring the circulation of the British coins in Canada, directly operated to put them out of circulation, for no sooner were they paid out of the Military Chest than they returned to it through the medium of the hanks or the importing merchants.

As the currency chiefly employed to buy up the British silver was the hank notes, the consequence was that the chief result of the new policy was to increase the circulation of bank notes, which were all expressed in dollars.

Though at first the British coins steadily returned to the Commissary General for the purchase of exchanges at the fixed premium of three per cent. yet it was afterwards found to be more economic to export the coin. The British coins leaving the country, the Military Chest itself began to depend on dollars for its supply of specie. The Treasury had, therefore, to meet the new situation, and the result was that by the middle of 1828 the premium on Government bills was reduced from three to one and a half per cent., or £101 10s. were accepted for a bill of £100 on the Treasury, and similarly in the case of the Government contracts. This had the effect of checking the further export of British silver, though it had no influence in keeping it in circulation.

British silver being exclusively associated with the British exchanges, the values of the coins themselves fluctuated with the rates of exchange. Thus the British half crowns, which were legally rated in Upper Canada at 2s. 10½d., and in Lower Canada at 2s. 9d. when exchange was high, passed for 3s., and when it declined for 2s. 11d.

After a few years of unpromising experiences it became apparent to the British Treasury that if any real progress was to be made it must be accomplished by changing the basis of legal tender in Canada, which meant a legislative readjustment of the currency.

It must not be supposed that the ill success of the British authorities in their efforts to introduce the Imperial coins and standard was due to the fact that the Canadians were entirely

satisfied with the existing currency system. The business men of both the Canadas were anxious to get rid of a currency condition which both Montreal and Kingston papers agreed in describing as "a disgrace to any civilized nation." The country was at this time a very paradise for the coin collector, since its metallic circulating medium consisted of the odds and ends of the coinage of all the commercial nations. Had it not been that the bank notes formed the greater part of the circulating medium it would have involved much time and patience on the part of the merchants to simply keep account of the money received for their goods. The very difficulty of dealing with such a medley of coins greatly favoured the circulation of the bank notes, and thus reduced the chief practical evils of the metallic currency to the smaller coins used as change.

Gold coins were rarely met with. Now and again a glimpse of a sovereign was to be had while on its way from the pocket of an immigrant to the frontiers of the colony. The copper currency was in a worse condition, being composed chiefly of discarded British half-pence and farthings, various sorts of tokens, native and foreign, and even brass buttons beaten smooth. Still the supply was inadequate to the needs of the country. In Upper Canada the enterprising firm of Edward Leslie & Sons, who had stores at Dundas, York and Kingston, finding constant inconvenience from the want of small change, and especially coppers, determined to import on their own account a considerable quantity of copper tokens. Their first importations were absorbed so rapidly that they felt compelled to continue the operation from year to year. Other merchants sought supplies from them, but, being doubtful of the legality of their enterprise, they declined to furnish them and confined their issue to the needs of their own business. It was yearly expected that either the Government would meet the want or that one or more of the banks would be authorized to issue tokens. These expectations not being fulfilled Messrs. Leslie & Sons in 1831 formally applied to the Government to either furnish an adequate copper currency or sanction their method of meeting a public want. Governor Colborne, in forwarding this petition to the Home Government, stated that about

£50,000 in copper coins would be necessary to adequately supply the Province, and failing that importations such as those mentioned in the petition would be constantly received.

Among the small silver coins used as change the pistareens had become the most numerous, chiefly in consequence of the reform in the American currency. The gravitation of pistareens towards Canada is no mystery when it is known that here they were valued at one shilling, or 20 cents, while in the United States they were accepted at only 17 or 18 cents. The pistareens and their halves were among the most worn and defaced coins in circulation.

But while the people were not at all satisfied with the existing currency, there were few of them disposed to accept the British standard. The fact was, that though still using, as a nominal and illegal standard, the Halifax currency, represented by no coins whatever, the business of the English section of the country was being done on the basis of the American dollar, which was also the basis adopted by the banks, their notes being all expressed in dollars. Hence currency reformers in Canada already strongly favoured the system which has since been worked out, namely, a special silver and copper coinage for British North America, expressed in the American decimal currency of dollars and cents, but coined at a higher value than the bullion in it to prevent its being either melted down or exported.

However, the Home Government was not yet prepared to give up the struggle for a single Imperial currency, and once more turned its attention to the Canadian Legislatures.

In January, 1830, Sir James Kemp, in his speech at the opening of the Legislature of Lower Canada, introduced the subject of the currency. He intimated that some measure was necessary to prevent the circulation of the pistareens and other small silver coins at a value greatly in excess of their intrinsic worth. He also urged that steps be taken to insure the circulation of British silver at its real value. His Majesty's Government, he says, has sent out a considerable quantity of it with a view to its ultimately becoming the common circulating medium of the colony.

Early in the session the matter was taken up in the Assembly and referred to a committee. The Committee ordered

the Receiver General, the Commissary General of the Forces and the cashiers of Quebec and Montreal banks to furnish statements of the numbers of the legally rated coins which they have had in possession on the first of each month, during the years 1828 and 1829, and to give any other information they can on the subject of the currency.

The Commissary General stated that the only coins received into the Military Chest were dollars, half-dollars and English money. French coins were not offered on account of being over-rated in circulation. Of the gold coins only a few sovereigns were received because they were accepted at their face value. The average amount of specie in his possession was about £200,000 in Upper and Lower Canada, of which he estimates £150,000 to be in foreign and £50,000 in British coins. The cashier of the Quebec Bank sends in a list which indicates that the chief coins in the possession of the bank were dollars, half-dollars, quarter dollars, French crowns and half-crowns. Of gold coins he has seldom more than £150 worth, including, however, samples of seventeen different coins, but chiefly sovereigns, half-sovereigns, half-eagles and Mexican doubloons. The cashier of the Bank of Montreal makes a very full report, showing that the chief silver coins in the hands of the bank were dollars and half-dollars, Spanish and American, French crowns and half-crowns, with a considerable quantity of pistareens or shillings. The statement of the coins in the Provincial Treasury shows that in quantity they range as follows:—Dollars, half-dollars, crowns, pistareens, half-crowns, quarter-dollars and York shillings or sixpences.

In addition to these statements, the committee was supplied with a great many important facts and some doubtful argument by Commissary General Routh, who presented the case for the British Government in a number of communications from October, 1829, to February, 1830.

While recognizing many of the difficulties in the way of adopting a change of standard, and especially the peculiar interests associated with the French coins in Lower Canada, he still urges the adoption of the sterling system and the breaking connection, as far as possible, with the Americans and their currency.

After discussing the matter at considerable length, to the refuting of many and the convincing of few, he sums up the practical aspect of the situation in the following propositions :

" It is expedient to fix the corresponding values of the English coins, and to make them a legal tender at those rates."

" It is expedient to establish sterling money as the money of account, and exclusively recognizable in courts of law."

" It is expedient to restrict the bank notes on the renewal of the several charters, to sums of five pounds sterling and to prevent their issue under that amount."

" It is expedient to repeal the provincial Act of Parliament which fixes the rate of the Spanish dollar at 4s. 6d. sterling, establishing it for the purpose of calculation at 4s. 4d. sterling, which is found to be the intrinsic value of that coin, whilst such coins shall remain legally in circulation."

" It is expedient to fix the rates at which the old French coins and pistareens are to pass, and to name a period from which that regulation shall commence."

" It is expedient to name a period after which foreign coins shall not be considered a legal tender, or otherwise than bullion."

These propositions sufficiently indicate how radical was Mr. Routh's scheme.

The committee of the Assembly having accumulated a miscellaneous mass of facts, opinions and special pleadings, and having attempted to digest them, framed a bill which was reported on March 9th, 1830. The bill adopted the sterling rating of the dollar at 4s. 4d., and revised the coinage list. These gold and silver coins and none other to be current at the following rates :

GOLD COINS		s. d.
British sovereign of standard weight.....	23	1
Half sovereign.....	11	6½
SILVER COINS		
British crown .....	5	10
British half-crown .....	2	11
British shilling.....	1	2
British sixpence .....	0	7
Spanish milled dollar (weighing 17 dwt. 8 grs. and being in fineness 5 dwt. worse than British standard)....	5	0
Spanish half dollar (weighing 8 dwt. 16 grs. and of the same fineness) .....	2	6
Spanish quarter dollar .....	1	3
Spanish eighth dollar.....	0	7½
Dollar of the United States.....	5	0
Half dollar of the United States.....	2	6
French crown (weighing 18 dwt. 18 grs.) .....	5	6

The quarter and eighth dollar pieces were to be legal tender to the extent of £10 currency, the others to any amount. British copper coins were to circulate freely, but to be legal tender only to the extent of 1s. currency, 10½d., British copper to be equal to 1s. currency.

Provision is made for the calling in by the Receiver-General of the Spanish pistareens and French half-crowns, and the giving of lawful money in return to the extent of their nominal value as previously rated.

In the matter of gold coins the bill is quite radical as it drops the whole of the previous list and adopts the new British sovereign alone. In the silver list the dollar remains at 5s., while the French crown, in deference to the French Canadian element, is still rated at 5s. 6d., though it had fallen to 5s. in the neighbouring States, but the other French pieces and the pistareens are distranchised. The British silver is rated at its token value in gold.

The bill, however, did not pass, being regarded by the majority as too radical. A rough practical measure, dealing merely with pistareens and bank notes, took its place and was rushed through, apparently under the influence of what was being done in Upper Canada. The new act consisted simply of two clauses. The first reduced the legal rating of the pistareen from 1s. to 10d. and its half to 5d., and the second excluded from circulation in Lower Canada any bank notes, or other notes, under five dollars, except those of the incorporated banks of the province.

I have said that this measure was apparently hastened by the action of Upper Canada. In the Upper Province an ill-digested act was passed, March 6th, which was intended to deal with the accumulation of depreciated silver coins which then formed the metallic currency of the province. It was a short act formally excluding from the list of legal tender coins all British coins which were depreciated more than one twenty-fifth of their standard weight, together with all pistareens, French crowns, French pieces of 4l. 10 sols and of 36 sols, and all higher and lower denominations of these coins, and it was declared no longer penal to counterfeit them. The result of this hasty measure was that, while no regular provision had been made to

supply the province with an adequate fractional currency, practically the whole of the change then in use was suddenly deprived of the privilege of legal tender, and hence of the benefit of any rating whatever. Thus while, in default of a substitute, the people were compelled to use the disfranchised coins as change, yet their current rating was demoralized, and the evils which formerly existed were multiplied. The people were left to bring order out of chaos as best they could. The Kingston merchants set the example by calling a public meeting in the Court House, at which it was resolved to accept French half-crowns at 2s. 6d., pistareens at 11d., and half-pistareens at 7½d., these being the chief coins used as change.

During the same session the currency question was taken up by the Legislative Council of Lower Canada. A bill was introduced there, under the influence of the Executive, to assimilate the money of the province to that of Great Britain. It was referred to a committee which took a good deal of pains to obtain from various quarters expert information on the subject of currency standards and equivalents. As a result they discovered so much disagreement among the doctors that they were fain to confess themselves rather more in the dark at the close of their investigation than at the beginning of it.

The committee was divided on the question as to how a change from currency to sterling standard would affect contracts and vested interests. Some contended that it would greatly affect values, others that it would make no appreciable difference. The latter regarded the change as little more than a matter of terms, and held that securities would be worth as much under any other name, but they need not have gone further than those Canadian merchants who were suffering from a change of standard in the case of the customs duties, for vigorous proof that the adoption of the sterling standard was not a mere matter of names.

On certain points, however, the committee were unanimous. They were in favour of calling in all the deteriorated coins in circulation and redeeming them at their nominal value at the public expense. In this they agreed with the committee of the Assembly. It may be interjected that Commissary General Routh had said in his haste that he believed the Home Govern-

ment would redeem the colonial currency to get rid of it. Safeguards, however, would be needed to prevent such coins from being brought into the province for the profitable purpose of being redeemed.

They further agreed that a supply of proper copper coins should be imported to "supersede the necessity of using the trash at present in circulation."

But, unfortunately, the points on which the committee managed to agree were just those on which the Council could not originate bills as they involved the appropriation of money. As regards those points upon which they had both the power and the will to legislate, they found them under discussion in both Britain and the United States, and therefore considered it inexpedient to do anything at the time.

Before anyone had the courage to take the question up again the political troubles of the country had obscured all minor issues. Much the same is to be said of Upper Canada.

Having once more failed to accomplish anything of any consequence the British Treasury seems to have given up the struggle, though the commissariat regulations were not withdrawn till 1838.

We must now return to deal more particularly with the part played by the banks during this period.

ADAM SHORTT

QUEEN'S UNIVERSITY, Kingston



