

CHAPTER XXII.—CURRENCY AND BANKING; LOAN AND TRUST COMPANIES.

Section 1.—Canada's Monetary System.

Historical.—Early trade in Canada was carried on by barter, which at times resulted (e.g., in transactions between Indians and fur traders) in the adoption of beads, blankets, etc., as recognized media of exchange. Later, during the French period in Canada, while barter still formed perhaps the most important means of exchange between individuals and merchants, a more or less satisfactory currency system developed. Beaver and other furs, tobacco and wheat were at times used as substitutes for currency, the last named being at one time a legal tender. A makeshift currency system was also developed during the French *régime* when playing cards, stamped with a value and redeemable yearly on the receipt of bills of exchange on Paris, came into circulation. Other paper money was also issued, and the total amount outstanding at the time of the cession was estimated at 80,000,000 livres, which was nearly all lost to its holders.

The British Government next sought to establish a uniform standard of colonial currency, but since at this time French coinage again began to come into circulation and the Spanish dollar also rivalled the English shilling as the most common medium of exchange, this was not universally possible. English sovereigns were overrated in terms of dollars in an endeavour to encourage their circulation. A rate of 5s. to the dollar was set in Halifax and was in use in government accounting systems, while in Montreal, York currency (the rates prevalent in New York), giving the dollar an exchange value of 7s. 6d. or 8s., was in common use.

Canadians again became more or less familiar with the characteristics of paper money as a result of the experiences of the various neighbouring Northern States during the first half of the nineteenth century. During the War of 1812 this familiarity was increased by the establishment of an army bill office, issuing bills of various denominations, redeemable on presentation. The growing volume of trade between Canada and the United States also resulted in a tendency toward a decimal coinage, and in 1853 a measure was passed providing for the adoption of a decimal currency, with a dollar equivalent to the United States dollar; the British sovereign was made legal tender at \$4.86 $\frac{2}{3}$. An Act of 1857 requiring all government accounts to be kept in dollars and cents came into force on Jan. 1, 1858; the formal adoption of decimal currency in the Province of Canada dates from that time.

By the Uniform Currency Act of 1871 (34 Vict., c. 4), the decimal currency was extended throughout the Dominion, the British sovereign was made legal tender for \$4.86 $\frac{2}{3}$ and the United States eagle legal tender for \$10, while authority was given to coin a Canadian \$5 gold piece. No Canadian gold coinage was issued, however, prior to the establishment of the Canadian branch of the Royal Mint in 1908, the first coins struck being sovereigns similar to those of the United Kingdom, but with a small "C" identifying them as having been coined in Canada. In May, 1912, the first Canadian \$10 and \$5 gold pieces were struck, but the Canadian gold coinage has so far been limited in amount, since Canadians have generally preferred Dominion notes to gold for use within the country, and, when gold is needed for export, bullion or British and United States gold coin serve the purpose equally well.