

the introduction and unlimited use of *ordonnances* and *billets* which quickly undermined the financial structure again, and at the time of the cession, the total amount of paper money outstanding was estimated at 80 million livres. It was because none of this paper money in its later issues was paid in full, and much of it was not redeemed in any manner, that the people of Old Canada resisted so firmly the efforts made in 1792, 1807 and 1808 to establish banks of issue under the authority of Parliament.

In 1721 the first effort was made to establish a special currency for the colony, but this was limited to copper coins and was not successful.

The British Period to Confederation.

The period of military occupation (1759-1763) was marked by conditions of chaos in the matter of currency, but with the revival of the business activity of Montreal and Quebec with Nova Scotia and Massachusetts the currency standards of the latter were adopted and the Spanish dollar again made its appearance. It became the medium by which exchanges were balanced with Britain. Normally, the Spanish dollar was valued at 4s. 6d. sterling, but the tendency was to over-value it, and in colonial ratings it varied between 4s. 6d. to as much as 7s. or 8s. In Nova Scotia, for instance, the customary rating for the Spanish dollar was 5s. while in New York colony it was 7s. 6d. to 8s. Corresponding margins of value prevailed in regard to other coins in the different colonies. The former of these two standard ratings, known as the Halifax currency, was accepted by Quebec, and Montreal adopted the latter, known as the York currency. Of course, there was much confusion and hindrance to trade between Montreal and Quebec as a result of the adoption of the dual standard.

In order to iron out the difficulties, Governor Murray passed an ordinance which established an official rating for the Province of Canada. The Spanish dollar was rated at 6s., the French crown at 6s. 0½d., and the British shilling at 1s. 4d. The custom of cutting up larger coins to make small change, which had grown up in the past, was prohibited. To meet such urgent needs for small coin, the merchants themselves issued bills due or "bons" good at their face value for merchandise. Such "bons" were the true forerunners of the bank note. The ratings given by Governor Murray were a compromise which was not permanently acceptable and proved unsatisfactory.

After the outbreak of the American Revolution in 1775, Quebec influences prevailed and Halifax currency became standard, although the use of York currency persisted in Upper Canada (where the United Empire Loyalists supported its use) until 1821, when it was deprived of legal recognition by an Act of Upper Canada.

In order to pay the expenses of the War of 1812, army bills issued against the credit of the United Kingdom were circulated. These, in the main, bore interest and were convertible into bills of exchange on the United Kingdom; they were redeemed within the ensuing four or five years. These army bill issues tended to renew confidence in paper money and familiarize the people with its use, thus paving the way for the note issues of the early banks after 1817. These first banks were created in Lower Canada, at first as private corporations but obtained charters a few years later. The charters granted to the early banks in Lower Canada are the foundations upon which subsequent improvements have been built.

In the early days of banking, one of the chief functions of banks was to issue promissory notes payable to the bearer on demand; where the banks' credit was