

good these notes passed freely from hand to hand, and were the chief circulating media in the Canadas. In some cases bank notes were preferred to those issued by the colonial governments.

The Bank of Montreal began business towards the end of 1817 as a private institution. In the following year the Quebec Bank was established as well as the Bank of Canada at Montreal. These three Lower Canada institutions obtained their charters in 1822. In Upper Canada the Bank of Upper Canada was established at Kingston in 1818, but the first bank to receive a charter was the second Bank of Upper Canada established at York (Toronto) in 1821. In Nova Scotia, unsuccessful efforts were made as early as 1801 to form banks, and in 1812 the Government began to issue treasury notes not bearing interest and re-issuable, sometimes redeemable and sometimes not. This policy was continued down to Confederation. It seems to be in part because of these treasury issues of notes that no bank was started in Nova Scotia before 1825, when the Halifax Banking Company (private) commenced business. The Bank of Nova Scotia received a regular charter in 1832. A bank, the Bank of New Brunswick, was incorporated in New Brunswick in 1820.

Before the union of the two Canadas, the privilege of issuing paper money had been enjoyed almost entirely by the banks alone. Lord Sydenham now proposed a provincial bank of issue with the chartered banks gradually relinquishing the right to note issue, and Hincks,* a young financier of promise, became chairman of the Joint Committee on Currency and Banking established in 1841. This Committee supported the provincial bank idea in principle. The chartered banks, of course, opposed it, and the bill was ultimately defeated, but the principle re-appeared in subsequent measures and ultimately became the basis of the Dominion note issues. Lord Sydenham and Hincks did much, nevertheless, to strengthen and control the banking system.

A period of crisis in 1848-49 forced the adoption of a policy which led to the withdrawal from the banks of the right to issue notes of lower denominations than five dollars. The Government also now issued provincial debentures to the amount of one million dollars payable on demand. They were made acceptable in all payments due the Government and were re-issuable. This is often regarded as the introduction of government paper into the currency system of the country, although, as already noted, Nova Scotia had issued government paper in 1812. Its success led to the revival of the project for a provincial bank of issue and in 1850 the Free Banking Act, designed to restrict note issue privileges and so reduce the number of different media of exchange, was passed, but the chartered banks would not agree to avail themselves of its provisions, nor were conditions in Canada altogether ripe for a change from the elastic system of note issue which had now become established in spite of the fact that, from the point of view of the note-holding public, the proposed system would have been safer.

Between 1840 and 1867 the problem of establishing a uniform metallic currency standard for united Canada was also dealt with. The majority of Canadians strongly favoured the United States decimal system and Hincks declared in its favour. Authorities in the United Kingdom, on the other hand, pressed for the sterling system. In 1853 and in 1858 the decimal system was adopted in the Canadas and thus duplication of sterling and decimal systems was removed and the Canadian dollar, equivalent to the United States dollar, was established with the sovereign as legal tender. After 1860, the official accounts in Nova Scotia and New Brunswick were kept according to the decimal system.

* Later, as Sir Francis Hincks, he was Dominion Minister of Finance (1869-73). His influence on the development of Canadian banking was very marked until his death in 1885.