

CHAPTER XXII.—CURRENCY AND BANKING; MISCELLANEOUS COMMERCIAL FINANCE.

In this chapter are assembled the statistics regarding financial institutions and transactions, other than those pertaining to insurance which are dealt with separately in Chapter XXIII. The important subject of currency and banking is treated in Part I of the chapter, while trust and loan companies, sales of Canadian bonds, corporation dividends, and foreign exchange, constitute sections of the miscellaneous commercial finance covered in Part II.

PART I.—CURRENCY AND BANKING.

Section 1.—Historical Sketch.

The early history of the currency of Canada, both of the central provinces and of the maritime colonies, from the time of the first settlements to Confederation, is the story of a polyglot currency and the involved difficulties of determining exchange rating for the various coins and pieces.

The salient influences of early political and commercial affiliations upon the types of currency in use are reviewed below.

The Development of Currency in New France.

So long as trade remained in the hands of a few private traders, barter was the rule. Beads and other trinkets which appealed to the Indians, blankets and other useful articles, were traded directly for furs. With the further development of the colony during the French *régime*, while barter still remained, the growing complexity of social organization and trade emphasized the need for a convenient monetary unit, which was met by the adoption of French currency, but, in order to retain in the colony the gold and silver coin which arrived there, it was 'over-rated' to the extent of about one-third of its value in France. Thus there was a dual valuation of the same coinage, officially recognized as 'money of France' and 'money of the country'. Copper coins were given an even higher over-rating. Nevertheless, money remained very scarce and at one time wheat at current market rates was made legal tender in spite of the difficulties and hindrances to trade inherent in fluctuating values. The illicit fur traffic with English fur traders resulted in the introduction of Spanish silver dollars as well as various worn and mutilated coins to help fill the need. In 1681 foreign coin was officially recognized but it was stipulated by ordinance that it should pass by weight; it was given the one-third increase in value which custom had established for French currency.

One of the earliest forms of fiat paper money in the western world was introduced into New France in 1685. This 'card money', as it was termed, was not introduced primarily to meet the lack of circulating media (although, incidentally, it did relieve the prevailing scarcity) so much as an official expedient to meet the pay of soldiers until the annual Royal supplies were forthcoming. The first issue was backed by such annual supplies and was duly redeemed when the supplies arrived, but five years later another issue was made without such backing. This was the beginning of an inflationary move. By 1713, the amount of such unbacked currency outstanding was such as to reduce trade to a chaotic condition and confidence was seriously undermined. Later, card money was again resorted to, but on a sounder basis. The expanding needs of the Treasury, however, unfortunately brought about