

THE WAR OF 1812

IN CONNECTION WITH

THE ARMY BILL ACT

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BY

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PREFACE.

Some years ago I delivered a Lecture before *The Literary and Historical Society* of Quebec, on THE CURRENCY OF CANADA AFTER THE CAPITULATION, which was published, and copies were sent to my friends. I closed my lecture with a promise to proceed with the subject. " We have now reached," I said, " the most interesting part of our financial History, that which is related to the War of 1812, when our Militia and our monetary resources were taxed to the utmost. I shall leave it to others to deal with the incidents of war : it will be my endeavour to show how the exigencies of the Army were provided for, under circumstances particularly trying, by the establishment of a Government BANK OF ISSUE, which all our writers upon the History of Canada have alluded to; but which few, if any, have described in its operations, from its inception to its close, on the return of peace." Having been frequently reminded of my promise by brother Bankers, and by several friends, I have considered it my duty to redeem my pledge—hence the following pages.

JAMES STEVENSON.

QUEBEC,

14th March, 1892.

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THE
CIRCULATION OF THE ARMY BILLS

WITH SOME

REMARKS UPON THE WAR OF 1812.

CHAPTER I.

Declaration of War—Embargo on Goods—Meeting of Provincial Parliament—Introduction of the Act—Legal tender coins—Capture of Detroit—Death of General Brock.

The American declaration of war was received in Quebec on Monday, the 29th June, 1812. On the 30th, a proclamation was issued by His Excellency Sir George Prevost, requiring all American citizens to depart from the Province within fourteen days ; and, by order of police, within seven days from the city and district or Quebec: Great activity prevailed in the city in putting into operation the means of defence at the immediate disposal of the government, which consisted of the ordinary peace establishment of the British troops in the Province and the colonial forces.

A militia general order was issued by the Adjutant-General, F. Vassal de Monviel, from the headquarters in Montreal on the 6th July, ordering the battalions of militia throughout the Province to hold themselves in readiness to be embodied, and to march on the shortest notice to such points as the safety of the Province might require. In Quebec the militia of the city mounted guard in company with the regular troops, and each battalion continued to furnish a proportion of its number daily for garrison duty. The flank companies belonging to the militia battalions of Montreal, were formed into a battalion under Lieut.-Col. Auldjo and Lieut.-Col. Guy. A proclamation was issued by General Isaac Brock, Governor of Upper Canada, from his headquarters, Fort George, on the 22nd July, announcing the invasion of the Province by the Americans, with the intention, he said, of conquering Canada and restoring it to the Empire of France. "Are you prepared," he said, "inhabitants of Canada, to become willing subjects, or rather slaves to the despot who rules the nations of Europe with a rod of iron,—if not, arise," etc.

On the 16th July, a temporary embargo was laid upon all goods, wares, moneys, merchandise and commodities in and within the Province of Lower Canada; upon all arms and ammunition; upon scalping knives, daggers and Indian lances, bullion and specie of every description, none of which were allowed to be exported from any port within the Province of Lower Canada. All vessels were prohibited from sailing,

save such as were actually loaded or loading, and which were bound for any port in the United Kingdom, or any of the colonies in America or the West Indies. The Provincial Parliament met on the same day, and His Excellency Sir George Prevost alluded in his speech to the fruitless endeavours of His Majesty for the preservation of peace; to his implicit confidence in the loyalty of his subjects; to their attachment to his person; and to their ardent love for the true interests of their country. He observed with concern that the necessary establishments of the militia forces and the operations of the approaching campaign, would be attended with considerable expense; but he relied implicitly upon their wisdom and public spirit for such supplies as the circumstances and exigencies of the affairs of the Province would be found to require.

Loyal responses were made by the Legislative Council and House of Assembly on the 18th, the latter expressing itself prepared to grant such supplies as the exigencies of affairs might require.

The people and authorities of Canada had for a long time been alive to the imminence of war; but at the time of the declaration of war, Canada was in a comparatively defenceless state. To man the fortresses of Quebec and Kingston, and to cover a frontier of 1,700 miles in length, the whole available force consisted of 4,450 regulars of all arms. In the Upper Province, which presents a war frontier of 1,300 miles, there were about 1,450 soldiers. The militia consisted

of about 2,000 men in the Lower, and 1,800 in the Upper Province. The total population of Upper Canada at this time was under 100,000 , while that of the Lower Province did not exceed 300,000.

On Sunday, the 19th July, orders for the whole of the militia of the Province to hold themselves in readiness to be embodied, was read on the Esplanade of the city of Quebec to the militiamen under arms. His Excellency was present on the occasion, and expressed his approbation of the zeal shown by the men in voluntarily doing duty with His Majesty's regular forces.

To meet the pecuniary exigencies of the war the Provincial Parliament of Lower Canada, which assembled on the 16th July, 1812, and remained in session till the 1st of August, being the third session of the seventh Parliament holden in Quebec, passed the Act to facilitate the circulation of army bills, which provided as follows :

First. That His Excellency the Governor, as Commander of His Majesty's forces, from time to time should cause to be prepared and made any number of bills, to be denominated army bills, containing one common sum, or different sums, in the principal moneys, not to exceed two hundred and fifty thousand pounds currency. Second. That such bills should be issued from an office to be called the "army bill office." Third. That the said army bills of twenty-five dollars each and upwards should bear interest at the rate of fourpence per centum per diem, upon or

in respect of the several amounts of each. Fourth. That the principal sums of the said army bills of twenty-five dollars each and upwards should, at the option of the Commander of the forces, be payable on demand to the holders of such army bills, in cash or in Government bills of exchange on London, at thirty days' sight at the current rate of exchange. Fifth. That the interest of all such army bills of twenty-five dollars each and upwards, upon the payment thereof in cash or in bills of exchange as aforesaid, should be paid in army bills or in cash at the army bill office, at the option of the holders of such army bills. Sixth. That the principal sums of all such army bills of twenty-five dollars each and upwards, if paid in cash, should be paid at the 'army bill office; but if paid in government bills of exchange, should be paid at the office of the Commissary-General, upon a deposit in army bills of the amount of the bills of exchange to be so paid, and a certificate of such deposit under the hand and seal of the superintendent of the army bill office to the Commissary-General. Seventh. That it will be advisable for His Excellency the Commander of the forces, from time to time to cause to be prepared and made, such number of army bills of the value of four dollars each as he shall see fit, provided the said army bills of four dollars each and the said army bills of twenty-five dollars each and upwards do not together exceed the aforesaid sum of two hundred and fifty thousand pounds currency. Eighth. That the said army bills

of four dollars each should be payable at the Army bill office in cash, to the bearer on demand. Ninth. That all army bills whatever should be issued as cash, upon the warrants of His Excellency as Commander of the Forces, to such person or persons, as he by such warrants shall see fit to direct such payments to be made. Tenth. That the current rate of exchange should be established on oath once in every fortnight by five persons, to be named by His Excellency, and publicly notified before any army bills whatever shall be issued. Eleventh. Makes provision for the cancellation of defaced army bills, and the re-issue of new army bills of same number, tenor and date as those cancelled. Twelfth. That no army bills should be re-issued, those of four dollars each excepted, and that all army bills whatever should at all times be redeemable by being called in and paid, both principal and interest in cash. And whereas His Excellency hath been pleased to prepare and cause to be prepared such army bills to the value of two hundred and fifty thousand pounds currency, which from time to time, as required, will be issued. And whereas it is the bounden duty of the Legislature to furnish every possible aid and assistance towards the defence of the Province, and to this end it is necessary to facilitate and support the circulation of all such army bills, be it enacted that the Governor, Lieut.-Governor or person administering, the Government be authorized and empowered to pay and allow or cause to be paid out of all moneys,

customs, taxes and revenues of the Province, and in preference to all other claims and demands whatsoever, all such interest at the rate of four pence per hundred pounds per diem as shall have arisen and grown due upon all every and any such army bill which shall be so issued as aforesaid, not exceeding in the whole, the sum of fifteen thousand pounds currency per annum, which said interest shall run from the day of the date of such bill or bills, and such other charges as shall be necessarily incurred in, to or for the issuing, circulating or cancelling of the said army bills, not exceeding in the whole, two thousand five hundred pounds currency per annum.

SECTION II. Provides that whatever moneys shall be issued out of the aforesaid moneys, customs, &c., shall be replaced out of the first supplies granted in the Provincial Parliament.

III. Provides that the army bills shall be current in the revenue, and taken by all collectors, and receivers in the province, and that the same in the hands of such collectors and receivers, and in the hands of the Receiver-General shall be deemed as cash.

IV. Provides that in payments to the revenue, interest shall be allowed to the day of payment, i.e., that the interest which from time to time shall be due upon any such army bill, shall be allowed to all persons, &c., paying the same to the Receiver-General or any collector or receiver up to the respective days whereupon such bill or bills shall be so paid ; Provided always that every such Receiver-

General, collectors and receivers as aforesaid, shall be accountable for the interest on every such bill, so by them or either of them received for and during which such bill shall remain in their hands.

V. Provides that all interest upon such army bills shall cease from and after the fourteenth day next after the day on which the same by any proclamation shall be called in to be redeemed in cash, and that money shall be reserved in hand for discharging the same.

VI. Sets forth the penalty on forging army bills.

VII. Enacts that all contracts shall be void in which any distinction shall be made between army bills and cash.

VIII. No arrest if a tender in army bills be made.

IX. No attachment shall issue if a deposit in Army Bills be made within the time limited by order of court.

X. *On capias ad satisfaciendum* a deposit of the debt and costs in Army Bills shall stay proceedings.

XI. *On fieri facias, &c.*, a deposit of the debt and costs in army bills shall stay proceedings.

XII. Provides relief for bills destroyed or lost in case of satisfactory proof of such destruction or loss being given, together with security for payment if the bill or bills certified to be lost, burnt or destroyed, shall be thereafter produced.

XIII. Provides Provincial security for ultimate payment of army bills and loans in the following terms : And whereas there may be many persons

desirous of coming forward in aid of His Majesty's Government, with the loan of monies, who, having no commercial concern whereby to dispose of bills of exchange, and who, on that account may be deterred therefrom, for remedy thereof ; be it enacted that from and after the expiration of five years after the passing of this Act, each and every the holder of any and every such army bill as may remain unpaid and unsatisfied shall be entitled to receive out of and from the monies that then may be in the hands of the Receiver-General of the Province, or from the first monies that may thereafter come into his hands arising out of any taxes or duties heretofore imposed or that may hereafter be imposed, levied or raised by virtue of any Act or Acts of the Provincial legislature, or from the rents and revenues of His Majesty's territorial domains in this Province, the full amount of all such army bills in money, with the interest remaining due thereon.

XIV. Refers to the duty of the Receiver-General on the receipt and payment of army bills, viz., that he shall pay over the same to the Commissary-General for the time being and get from him the amount thereof in Government bills of exchange, at the current rate of exchange, or in cash at the option of the said Commissary-General, and the Receiver-General shall immediately thereafter render a true and exact account of all such payments and receipts to the Governor, in order that the same may be laid before the House of Assembly at the next session thereafter.

XV. And be it further enacted by the authority aforesaid, that for and during the period of five years from the passing of this Act, no person whatever shall export or otherwise carry out of this province, any gold, silver, or copper coin of any description whatsoever, or any molten gold or silver in any shape or shapes whatever, and if any person whatever shall export or otherwise carry out of this province, or procure to be exported or otherwise carry out of this province, or shall in any manner or way whatsoever, attempt or endeavour to export or otherwise carry out of this province, or attempt or endeavour to procure to be exported or otherwise carried out of this province, any gold, silver or copper coin of any description whatever, or any molten gold or silver in any shape or shapes whatever, then, in each and every such case, such gold, silver and copper coin, and such molten gold and silver shall be forfeited, one half to His Majesty, his heirs and successors, and one half to the person who shall sue for the same, and the same shall and may be seized, sued for, prosecuted, condemned and recovered in such courts, and by such and the like ways, means and methods, and the produce thereof disposed of and applied in such and the like manner, and to such and the like uses and purposes as any forfeiture incurred by any law respecting the revenue of the Customs may now be seized, sued for, prosecuted, condemned or recovered, disposed of or applied.

XVI. Refers to action against the exporter of

specie or bullion as follows : And be it further enacted that every person whatever, who, during the period of five years from the passing of this Act shall export or otherwise carry out of this province, or procure to be exported or otherwise carried out of this province, or shall put on board of any ship, or vessel, or boat, or into any land carriage to be exported or otherwise carried out of this province, or shall in any manner or way whatsoever attempt or endeavour to export or otherwise carry out of this province, or attempt or endeavour to procure to be exported any gold, silver, or copper coin of any description whatever, or any molten gold or silver, in any shape or shapes whatever, for every such offence over and above the forfeiture of such gold, silver and copper coin, and if such molten gold or silver, if the same shall be seized, shall forfeit the sum of two hundred pounds, and double the value of such gold, silver and copper coin, and of such molten gold and silver, one half to His Majesty, and one half to the person who shall sue for the same by bill, suit, action or information, in any of His Majesty's courts in this Province.

XVII. Provides that nothing in the Act shall prevent persons taking out of the Province the sum of £10, or such further sum with license from the Governor.

XVIII. Penalty on persons convicted of perjury.

XIX. Refers to fines, &c., to be paid into the hands

of the Receiver-General and to be accounted for to the Crown.

XX. Refers to limitations of action. At the close of the session, on the 1st of August, 1812, the Provincial Parliament of Lower Canada presented, to His Excellency Sir George Prevost, Baronet, the foregoing "Act to facilitate the circulation of army bills" for the royal assent, which was duly given. The Honorable Speaker of the Assembly said: "They, the representatives of the Province of Lower Canada, are under the greatest obligation to your Excellency for having communicated to them the means to ameliorate and insure for several years the punctual payment of the army, by the circulation of bills, the reimbursement of which is guaranteed in England. To give them greater credit, this bill limits the sum necessary, and moreover provides for the interest, the advantages accruing therefrom, and for the entire payment of the principal in specie in this Province, which has become expressly bound for the same at a fixed period."

In connection with the establishment of the army bill office, a notification was made to the public by His Excellency, that James Green, Esquire, had been appointed Director, and Louis Montizambert, Esquire, Cashier, and that they had given the required security for the faithful performance of the trust reposed in them. The office was opened at the Court House, and from thence by order of His Excellency, an issue of army bills was made, consisting of the denomina-

tions, twenty-five dollars; fifty dollars, one hundred dollars and four hundred dollars ; signed by His Excellency the Commander of the Forces, by the Director, by the Military Secretary and made payable to the bearer, on demand, at the army bill office, in Government bills of exchange at the current rate of exchange or in cash, at the option of the Commander of the Forces, with interest.

Prior to the passing of the "Act to facilitate the circulation of army bills," the currency of Canada consisted of a variety of coins. In the absence of a colonial coinage, the gold and silver coins of several nations were in circulation. Spanish, Portuguese, French and German, circulated simultaneously with the gold and silver coins of Great Britain. During the session of 1795, the following statute was passed, viz: "An Act to prevent the diminution of specie circulating in this Province, that the same may be regulated according to a standard that shall not present an advantage by carrying it to neighbouring countries ; and whereas, by an ordinance now in force for regulating the currency of this Province, an advantage does arise by carrying gold coin out of the same, be it therefore enacted that the gold and silver coins hereafter mentioned, shall pass current and be deemed a legal tender in payment of all debts, and demands whatsoever in this Province, at the weights and rates following, that is to say :

NAMES OF COINS.	Canada			
	Weighing.		Currency.	
	Dwts.	Grains.	£	s. d.
The British guinea	5	6	1	3 4
The Johannes of Portugal.	18		4	0 0
The Moidore of Portugal	6	18	1	to 0
The Four Pistole piece of Spain	17		3	14 0
The French Louis d'or coined before 1793.	5	4	0	18 0
The American Eagle... ..	ti	6	2	10 0

With regard to silver, the American dollar shall pass current at five shillings currency, and every other coin current in the Province as already provided for, viz :

	Canada
	Currency.
The Spanish dollar at	• \$*0 5 0
The British Crown	0 5 6
The French Crown or piece of 6 livres Tournois....	0 5 6
The French piece of 4 livres, 10 sols	0 4 2
	Canada
	Currency.
The British shilling.	£0 1 1
The French piece of 24 sols Tournois.	0 1
Pistareen..... ° ... N.	0 1 0
The French piece of 36 sols Tournois	0 1 8

A similar Act was passed by the Parliament of Upper Canada on the 3rd of June, 1796.

Great inconvenience was experienced in consequence of the scarcity of specie, which gave rise to a kind of barter, or store pay, prejudicial to the interests of the farmers and labouring classes. Farm produce, furs, and labour were paid for in goods which had to be taken at unreasonably high prices at the shops or stores, because specie was hardly to be had.

Under the Army Bill Act, however, a paper currency was introduced, which proved of essential

service, not only in meeting the exigencies of the public service, but in facilitating commercial transactions. The measure proved, in practice, a complete success. Bills of the denominations \$25, \$50, \$100 and \$400 were not re-issued. They bore interest, as provided for in the Act, \$400, fourpence per diem, \$100, one penny per diem, \$50, one halfpenny per diem, and \$25, one farthing per diem, being substantial interest at the rate of six per cent. per annum.

Four dollar bills bore no interest, and they were re-issued. They were payable at the army bill office in cash on demand.

Many years ago I ascertained from merchants who were engaged in the retail business in Quebec in 1812, and during the war, that the army bills circulated freely, the larger denominations with interest from the date of issue added. The calculation of interest which had accrued was an easy one : \$400 for 30 days was just 120 pence, equal to 10 shillings currency ; \$100, 30 pence ; \$50, 15 pence, and so on ; consequently the increased value of each bill was easily ascertained ; and it passed, with its increment, from one to another in the purchase of goods or settlement of account.

The Act provided for the redemption of bills of \$25 and upwards, in cash or exchange on London, at 30 days sight, at the option of the Commander of the forces, at the current rate of exchange ; but the interest which had accrued on all such bills was paid in cash or exchange at the option of the holder.

The current rate of exchange for bills on London at 30 days sight was established once in every fortnight, by a committee of five persons named by His Excellency.

The rate of exchange for bills on London, in consequence of the suspension of specie payments by the Bank of England, which took place in 1797, and which lasted till 1823, was very low. This subject, however, has to be considered in connection with the price of gold in England.

The mint price of an ounce of Standard gold is L3 17s. 10d., being one-twelfth part of L46 14s. 6d. the value set upon a pound weight of gold.

During the Napoleonic wars, the price of gold in England per ounce rose, in 1800 to 5s. currency ; in 1809 to L4.1s.; in 1810 to L4.19s.; and in 1812, when Napoleon was in the zenith of his power, to L5. 10s. British currency. In order therefore to effect a settlement in Canada on a specie basis, bills drawn at 30 days sight on the Treasury in London, were subject to a large discount, frequently as much as 22%, as determined by the committee appointed by His Excellency to regulate the rate of exchange. Consequently, a bill at 30 days sight for 100, at that rate, yielded only 77 sterling, equal to \$356.46 in specie. In 1812 100 sterling in gold in England was worth £120 4s. 9d. ; in 1813, 100 sterling in gold was worth £122.18s. currency of Great Britain.

It has to be borne in mind that the dollar in gold of 1812, was of greater value than the dollar in gold

of the present day on account of its greater weight and fineness. It required only \$4.57 to constitute the par of the pound sterling in 1812 ; whereas it now requires \$4.86 to constitute the par now, being 9127 over the ninth or old par of Queen Anne. In other words, the American eagle of 1792 contained 247 grains of fine gold—the American eagle of 1837 contains only 232.2 grains of fine gold. There has been no change since that year in the quality or weight of the American eagle.

In the early part of August 1812, the war, both by land and sea, began to assume its proper character. The American General, Hull, with a strong force, crossed from Detroit to the Canadian shore on the 12th of July. Hull, however, had calculated upon a friendly reception in Canada, but found the people hostile ; and, being warned of the advance of General Brock with a force of over 3000 regulars, 4000 militia, and several hundred Indians, led by Tecumseh, made a hasty retreat, recrossed the river and occupied his old quarters in Detroit. General Brock, however, with characteristic daring, crossed in pursuit, attacked and captured the town with 33 pieces of cannon, and the military chest ; and took General Hull and 2,500 troops prisoners of war.

During the autumn, several raids were made along the frontier of the Upper St. Lawrence, and at other points ; but none of them of any importance, and none of them very creditable to either party. The Americans were repulsed at Presqu'ile on September