

CHAPTER III.

Americans prepare to continue the war—Treaty of peace—Report on Army Bills in circulation—Bills lost or destroyed „Z'0000—Final close of the Army Bill Office.

The Americans contemplated, with no little apprehension, the pacification of Europe which followed the defeat of Napoleon at Leipsic and his subsequent exile to Elba. They once thought that there would be no difficulty in annexing Canada, that the war, for them, would be a mere promenade ; but instead of annexing Canada, Canada annexed the whole territory of Michigan, and administered its civil Government. And now that peace in Europe had apparently been restored and had set free the veterans of the British army for other service, the Americans considered that they had just cause for apprehension. The President at once communicated with several Governors of States. In July, 1814, he wrote : " Great Britain will now have a large disposable force, both naval and military, and with it, the means of giving the war in America a character of new and increased activity and extent ; " and as a measure of precaution he deems it advisable to strengthen themselves, and the line of the Atlantic, and invites the executive of certain states to organize, and hold in

readiness for immediate service, a corps of ninety thousand five hundred men.

In anticipation of a prolonged state of warfare, for which the Americans were preparing, the committee upon the army bills, report to the House of Assembly on Friday the 17th of February, 1815, that it is expedient to renew the provisions of the two Acts with some modifications, and to increase the amount of army bills which may be in circulation to 4 2,000,000 currency ; and the house having concurred, a bill was read the first time—second reading fixed for Monday the 10th. On that day the bill was read again, and referred to a general committee for discussion on Wednesday the 22nd, when some progress was made : the bill to be further discussed on Friday the 24th. On Monday the 27th, the committee report the amendments, and the house having concurred, it is ordered that the bill, thus amended, be engrossed. On Tuesday the 28th, the bill, as amended, for facilitating the circulation of army bills, was read a third time, and passed the House of Assembly. But the bill was thrown out in the Upper House for reasons which shall presently appear.

On the 1st March, 1815, however, a message was received from His Excellency the Governor-in-Chief, acquainting the House of the Ratification of the Treaty of Peace. This was the Peace of Ghent, concluded between Great Britain and the United States, made substantially on the *status quo ante bellum*, and signed on the 24th December, 1814.

In the Canadian Archives there is the following report respecting the working of the Army Bill Act, showing the amount of bills in circulation in February, 1815.

Copy of report *re* amount of army bills in circulation in February, 1815, together with the report of the board upon the subject.

" Quebec, 19th February, 1815.

" We, the undersigned, having assembled at Your Excellency's desire for the purpose of considering the subject of army bills in circulation, and having had reference to the several representations your Excellency has made to His Nlajesty's Government thereon, we have great satisfaction in stating that all the beneficial effects of the measure which have from time to time been anticipated by Your Excellency, have been fully realized ; in illustration of which the following calculations are submitted. At present there are about Z800,000 in circulation in bills bearing interest, bring a total of Z1,300,000 ; the interest annually upon the '800,000 at 6 per cent is £48,000, deduct paid by the province £15,000, leaving a balance of ,433,000, which is the total interest paid from the army extraordinaries for the use of £1,300,000, being a trifle more than per cent per annum--into this, calculation may also be taken to show the advantage derived by the public, that the loss upon exchange which has fluctuated from 2 1/2 to 22 1/4 per cent. discount, has been altogether saved upon the sum now in circulation, and what further loss the public must have sustained by the exchange, but for the relief afforded by this paper medium, it is not possible to calculate, no doubt it would have been enormous ; another advantage not to be overlooked, is the facility with which army hills have been conveyed to the most remote parts of this extensive command, to meet the exigencies of the service at an inconsiderable expense and risk, whereas the transport of specie would have been attended with danger, delay and heavy cost, besides which, the enemy has been deprived of his booty in two instances in his predatory incursions into Upper Canada, by the facility with which the contents of the military chests at York and Fort George were destroyed, without any loss to the public. In explanation of this circumstance it is necessary to observe that as the army bills do not become cash by the system adopted, until they are issued and dated, and the numbers of the bills having been

kept by the accountants, they were replaced from the army bill office, or a similar amount in lieu thereof.

Understanding that another bill is in progress in the Provincial Legislature now in session, extending the provisions of the former Army Bill Acts, by which a further sum of '500,000 in bills not bearing interest may be issued, which, added to the £1,300,000 at present in circulation, will make a total of '1,800,000, reducing thereby the interest paid the government for the use of this gross sum to a little more than per cent. per annum.

The total expense of the army bill office establishment for the last year, amounted to about ,44,000, £2,500 of which is defrayed by the Province, and the remaining ,41,500 from the military chest. In all probability, this excess of £1,500 will be more than covered by the accidental loss of army bills, which, from the large amount in circulation, cannot fail of being very considerable.

In August 1817, it is provided by the first Army Bill Act that the province will no longer pay interest upon army bills that the holders may demand specie for them, and that the Governor may at any time previous to that period, call in and redeem with specie the army bills in circulation ; it is for the consideration of Your Excellency, how far it may be expedient to suggest to His Majesty's government to avail itself of any favorable circumstance of furnishing specie for this purpose upon advantageous terms in the course of the ensuing two years, to provide for the redemption of these bills, without waiting the expiration of the period prescribed by the Act.

These suggestions and calculations are submitted for your Excellency's consideration, but the inferences we have drawn will be rendered more conclusive when the state of public affairs will be known with more certainty, when the Army Bill Act shall have passed, when Your Excellency shall have received on the 27th inst. the periodical report of the commissioners for fixing the rate of exchange, and the next monthly account of the amount of hills in circulation from the director of the army bill office.

(Signed) **W. H. RoBtxsoN,**

(Signed) **J. HALE,** Corny Genl.

Dep.- Paymaster Gent.

(Signed) **NOAH FREER,**

Military Secretary.

The bill referred to in the foregoing report as in progress in the Provincial Parliament was thrown out in the Upper House ; and I find a letter in the Quebec Gazette of the 31st March, 1815, respecting its rejection, headed :

ARMY BILLS.

The fate of the new Army Bills Act, lately passed by the House of Assembly and rejected by the legislative council, having excited public curiosity, we are happy in being enabled by a correspondent, to gratify our readers with the following observations on that interesting subject.

The Act of 1814. authorised the issue of army bills up to the 1st day of February, 1815, to an amount not exceeding '1,500,000 currency at any one time in circulation. This Act remains in full force in respect to all bills issued within the above limits, and will continue in force until the end of five years, counting from August 1812, and by the monthly returns from the army bill office laid before the legislature, it appears, that the above sum of £1,500,000 was amply sufficient for the public service in both provinces, the largest amount stated to be in circulation at any period during the last year being only about .41,205000.

At the time this Act was passed, the public were suffering for want of small money ; a clause was therefore inserted, requiring that, of the amount so to be issued, a sum not less than £200,000 nor more than '500,000, should be issued in small bills bearing no interest—and at the same time, to guard against the pernicious effects of a superabundance of small bills in circulation, a proviso was wisely added, entitling the holders of such bills, "to demand and receive at the army bills office, on demand, army bills of \$50 and upwards, bearing interest for the amount of all such bills." This proviso is still in force but was wholly omitted in the new bill.

Immediately after the passing of this Act on the 17th of March, 1814, the issue of small bills commenced, and was continued through the summer and fall, and by the end of November, it would appear the circulation of both Provinces was more than fully supplied, for early in the following month we find by the monthly returns, that the public began for the first time to avail themselves of the above proviso, by bringing in small bills in exchange for large ones. Accordingly it

appears, that between the 12th of December, 1814, and 31st of January, 1815, no less than £43,925 was issued in large notes bearing interest, in exchange for small ones. As there is no reason to suppose that government exceeded the limits prescribed by the Act, here is plain proof that even half a million in small notes was more than sufficient for the circulation of both Provinces, seeing that in about ten months no less than £44,000 worth of them were brought back in exchange for large bills, exclusive of what were paid in during that period for bills of exchange. The presumption therefore is, that a smaller sum would have been quite sufficient during the war, and that a still smaller sum might suffice during peace.

Here it may be proper to remark, that the operation of the above proviso had the most salutary effect, by counteracting any excessive issue of small bills, and to this circumstance, in conjunction with the management of the exchange commissioners, may fairly be attributed the high and unprecedented degree of credit in which the paper hath hitherto been so happily maintained.

With this experience before our eyes, the object of the framers and advocates of the new army bill is altogether inconceivable. It began by extending the authority to issue army bills to an amount not exceeding £2,000,000 at any one time in circulation. This extension was surely unnecessary in a time of peace ; seeing that the former limits afforded more than sufficient for the public service, even during war. But this was not the principal objection to the bill.

In a subsequent clause it was enacted, that of the amount so to be issued, a sum not less than one million should be issued in small notes, bearing no interest, and the wise proviso in the former Act, for converting small notes into large ones, was entirely omitted. This extraordinary clause having passed in the Assembly, and the bill arrived at the third reading, a rider was proposed and agreed to, in that House, authorising the Commander of the forces, at any time, to buy up with cash, the whole or any part of the army bills bearing interest, whenever he might think proper.

In this shape the bill made its appearance in the Legislative Council, where, luckily, the members were too well acquainted with the subject to suffer its dangerous imperfections to escape their notice.

The words " not less than one million" were tit! first that struck their attention. By that clause as it originally stood, government might

have issued the whole two million in small notes, at same time that they were authorized by the rider to buy up all the large ones. But a communication having taken place between the two houses, it was agreed to consider the words "not less" as a clerical error, and to substitute in their stead the words "not exceeding" which was accordingly done in a private way by the two speakers, etc. This was considerable improvement to the clause, but it was liable to insurmountable objections, for want of the old proviso so often mentioned, to relieve the circulation from superfluous small notes, there being no other mode of redemption provided than that of bills of exchange on London, which are only wanted by a very small portion of the community, and therefore, the issue of small notes to the extent of one million, must inevitably have produced a depreciation, seeing by the experience of last year, while the war expenditure was going on to its full extent, that even half a million was too much. Had the Legislative Council been at liberty to amend this bill, by inserting the old proviso for converting the superfluous small bills into large ones, everything would have found its level by means of that salutary check, and all might have gone well—but unfortunately, this all along had been considered (very erroneously) as a money bill, which the Upper House must not touch, and therefore they had no other option than to pass it or reject it. We do not pretend to give any report of the debates in council on this subject, but we understand it was very fully discussed during several sittings, and that finally the members were unanimous in rejecting the bill, as being the safer of the two alternatives.

The introduction of this paper currency, at the commencement of the late war with the United States, as the substitute for specie, at a time when there was very little specie in the country, and when the public service could not have been carried on without it, was certainly a seasonable and judicious experiment, and its unprecedented success has not only been a great pecuniary saving to Great Britain, but it has also contributed in no small degree to the preservation of these Provinces.

The credit of this paper ought, therefore, to be considered as an object of the first importance and carefully supported to the last, being a most valuable resource, to be again resorted to by government on future occasions in case of need. Mistaken notions of economy in attempting to save the interest by buying up the large bills and making



excessive issues of small ones, if carried into practice, would be fraught with most dangerous consequences, and ought always to be resisted, for when depreciation begins, there is no knowing to what extent it may go, and the credit of the paper once lost will be remembered for a century to come, and render it impossible again to resume the system with any success.

Finding by experience that this paper is so advantageous to Great Britain, while at the same time it affords accommodation to moneyed men in this colony, some well-informed persons are of opinion, that it would be good policy to continue the system in peace as well as in war, and have expressed their surprise that no steps were taken after the rejection of the New Army Bill Act, to introduce a short bill, to authorize a further issue of army bills for a limited time, under the Act of 1814, which it is supposed would have met with no opposition in either house, the provisions of that Act having been found by experience to answer every desirable purpose. And we confess we are much inclined to this opinion, when we reflect that Great Britain has no money lying idle—that on the contrary, she is paying many millions annually for the interest of what she owes as a nation, and that she cannot send specie or anything else to this country, without adding so much, in some shape or other, to her national debt. It is true, the legal interest in England is only 5%, while here it is 6%. But it must at same time be recollected, that all our paper serves as a substitute for specie, that only about two-thirds of what is at present in circulation bears interest, and that the Province contributes ,415,000 per annum towards that interest. To this must be added the advance of money in England (equal to perhaps six or eight months interest) and the ordinary expenses of purchasing and sending out the specie—and it must also be recollected that specie as a circulating medium, frequently finds its way into the neighbouring States, and therefore requires a frequent supply to keep up the requisite quantity, while, on the contrary, our paper remains at home, and requires only a judicious regulation of the rate of exchange, and due precaution against forgery to keep it in full credit.

Further to illustrate these observations, we have only to present our readers with the following statement in round numbers, which, by the returns from the army bill office, cannot be very far from the truth.

Suppose £1,200,000 in army bills at present in circulation. Of

which 4800,000 bears interest at 61, £48,000, and 4400,000 bearing no interest, being small bills, £1,200,000. Deduct so much paid by the Province 415,000, balance of interest (being only 23½% on 41,200,000), -433,000. Suppose bullion at the mint prices, and that Great Britain were to purchase and send out specie for the redemption of all these army bills, the expenses in freight on £1,200,000 cannot be less than 1% , say £18,000, one year's interest on £1,200,000 @ 57½, .460,000—478,000.

Deduct the foregoing balance of interest	433,000
Loss to Great Britain by sending out specie exclusive of the risk and advance of money	445,000

Thus it appears that Great Britain gets a substitute for specie in Canada to the amount of £1,200,000, for which she pays 247½ per annum, and that it would cost her at least £45,000 to replace that substitute with specie !

Where can Great Britain get so advantageous a loan?

But even supposing the whole of our army bills were to bear interest—still we are of opinion that they would be advantageous to Great Britain, particularly when it is considered, that without them, we should require an annual supply of specie to a certain extent, to keep up the requisite quantity for circulation.

Expense of sending out £1,200,000 in specie as above stated, including one year's interest	£78,000
£1,200,000 in army bills, all bearing 61 interest.	472,000
Deduct so much paid by the Province	15,000 57,000
Balance saved to Great Britain, supposing that all our bills bore interest	21,000

Again we may ask where can Great Britain obtain a cheaper loan ?

N.B. What is meant by the " advance of money " is the difference between the time when money would be paid in England for the purchase of specie to send here, and the time at which bills drawn here for the public service get home and become due, which, in the ordinary course, is found on an average to be six or eight months—and the interest for that time is of course so much more to be added in favour of our army bills, which are only issued when they are wanted, and Great Britain is so much more the gainer. It would be easy to prove that at least half a million has been saved to Great Britain in one way or other, by means of our army bills up to this date.—Quebec, 24th March, 1815.



The following statements relating to the circulation of the army bills, copied from official documents in the Canadian Archives Bureau, will prove interesting to professional bankers.

Circulation of Army Bills.

ARMY BILL OFFICE,

24th April, 1815.

ACCOUNT OF THE AMOUNT OF ARMY BILLS IN CIRCULATION.

Balance of army bills remaining in circulation the 27th March, 1815	41,249,996 5
---	--------------

DEDUCT :—

So much redeemed by bills of exchange on London since the 27th March, 1815, viz:—

In large bills	443 5
In small bills	3,594 5 4 3,638 0
175 four dollar bills, worn out, have been redeemed with specie since last report	175 0
459 one dollar bills, rendered useless by wear, have also been redeemed since last report	114 5

The following bills have been redeemed at, and received from the military chest at Montreal, viz:—

19,463 bills at 4 dollars	£19,463 0
56,354 bills at 1 dollar,	14,088 10 33,551 10
117 hills at 10 dollars Of the new issue of	
137 " " 5 " small bills rendered	
105 " " 3 " useless by wear, or	
" " 2 " otherwise, have been	
308 " " 1 " redeemed between	
	the 27th March and

2,640 dollars J 24th April, 1815_	660 0 438,139 5
-----------------------------------	-----------------

Balance of army bills remaining in circulation the 24th April, 1815	12,211,857 0
---	--------------

To the Commissioners
for fixing the rate of exchange,
&c. &c. &c.

(Signed) JAMES GREEN,
Director.

64 Amount of Army Bills in Circulation.

Circulation of Army Bills.

ARMY BILL OFFICE,
22nd May, 1815.

ACCOUNT OF THE AMOUNT OF ARMY BILLS IN CIRCULATION.

Balance of army bills remaining in circulation the 24th
April, 1815 '1,211,857

DEDUCT :-

So much redeemed by bills of exchange on London
since the 24th April, 1815, viz.:-

In large bills.	831 5
In small bills	2,932 5
	<u>£3,763 to</u>

150 four dollar bills, worn out, have been
redeemed with specie since last report 150 0
708 one dollar bills, rendered useless by wear,
have also been redeemed since last report 177 0

64 bills at to dollars'
5 8 " " 5 "

Ito " " 3 "	Of the new issue of
209 " " 2 "	small bills rendered
619 " " "	useless by wear, or
Affidavit	otherwise, have been
before the	redeemed between the
Judges... "	24th April and 22nd
	May, 1815

574 10 £4,665 0

2,298 dollars

Balance of army bills remaining in circulation the 22nd
May, 1815. £1,207,192 0

To the Commissioners	(Signed) JAMES GREEN,
for fixing the rate of exchange,	Director.
&c. &c. &c.	

Amount of Army Bills in Circulation. 65

Circulation of Army Bills.

ARMY BILL OFFICE,
19th June, 1815.

ACCOUNT OF THE AMOUNT OF ARMY BILLS IN CIRCULATION.

Balance of army bills remaining in circulation the 22nd
May, 181541,207, 192 0

DEDUCT :-

So much redeemed by bills of exchange on London
since the 22nd May, 1815, viz. :-

In large bills £13,512 to

Four dollar bills worn out have been re-
redeemed with specie since last report

One dollar bills rendered useless by wear
have also been redeemed since last report

30 Bills at to dollars

8 " " 5 "

26 -- -- 3

79 14 11 di

18 " " "

Affidavit

before the

Judges... <<

Of the new issue of
small bills rendered
useless by wear, or
otherwise, have been
redeemed between
the 22nd May and
19th June, 1815..

148 to £13,661 0

594 dollars

Balance of army bills remaining in circulation the t9th
June, 1815 1,193,531 0

To the Commissioners	(Signed) JAMES GREEN,
for fixing the rate of exchange,	Director.
&c. &c. &c.	

E

66 *Amount of Army Bills in Circulation.*

Circulation of Army Bills.

ARMY BILL OFFICE.
11th September, 1815.

ACCOUNT OF THE AMOUNT OF ARMY BILLS IN CIRCULATION.

Balance of army bills remaining in circulation the 14th
August, 1815 £ 628,792 15

DEDUCT:—

So much redeemed by bills of exchange on London
since the 14th August, 1815, viz.:—

In large bills £75,125 0
In small bills.... .. 47,240 0
£122,365 0

976 four dollar bills, worn out, have been
redeemed with specie since last report 976 0
4294 one dollar bills, rendered useless by
wear, have also been redeemed since last
report 1,073 10

—Bills at to dollars
.. 44 500
3 - -
11 44 244
cc 46 cc

Of the new issue of
small bills rendered
useless by wear, or
otherwise, have been
redeemed between
the 14th August and
11th September,

Affidavits
before the
Judges 6
6 dollars 1815 Affidavit 1 10 £124,416 0

Balance of army bills remaining in circulation the 11th
September, 1815 504,376 15

To the Commissioners (Signed) JAMES GREEN,
for fixing the rate of exchange Director.
&c. &c. &c.

Amount of Army Bills in Circulation. 67

Circulation of Army Bills.

ARMY BILL OFFICE,
9th October, 1815.

ACCOUNT OF THE AMOUNT OF ARMY BILLS IN CIRCULATION.

Balance of army bills remaining in circulation the 11th
September, 1815 £504.376 15
No large or ten dollar bills issued since 11th
September, 1815.

DEDUCT:—

So much redeemed by bills of exchange on London since
the 11th September, 1815, viz.:—

In large bills £43,331 5
In small bills. 25,649 0 £68,980 5

240 four dollar bills, worn out, have been
redeemed with specie since last report 240 0
663 one dollar bills, rendered useless by
wear, have also been redeemed since last
report

165 15 69,386 0

Balance of army bills remaining in circulation the 9th
October, 1815. L434,990 15

To the Commissioners (Signed) JAMES GREEN,
for fixing the rate of exchange, Director.
&c. &c. &c.

(Signed) JAMES GREEN,
Director.

Circulation of Army Bills.

ARMY BILL OFFICE,
4th December, 1815.

ACCOUNT OF THE AMOUNT OF ARMY BILLS IN CIRCULATION.

Balance of army bills remaining in circulation the 6th
November, 1815. £407,151
• No issue of large or ten dollar bills since that date

DEDUCT :-

So much redeemed by bills of exchange on London since
the 6th November, 1815, viz :-

In large bills 41,187 10
In small bills... 4,582 15 £5,770 5

So much redeemed by specie, commencing
the 24th November, 1815.

In large bills £3,318 15
In small bills..... 801 15 44,120 10

174 four dollar bills, worn out, have been re-
deemed with specie since last report. 174 0

1231 one dollar bills, rendered useless by wear,
have also been redeemed since last report 307 15 .. £10,372 10

Balance of army bills remaining in circulation
the 4th December, 1815 £396,778 10

To the Commissioners (Signed) JAMES GREEN,
for fixing the rate of exchange, Director.
&c. &c. &c.

MEMO.—Letter from James Green, Director, dated 18th December, 1815, asking for further warrant for 410,000 currency, to pay interest on army bills.

Report of Circulation, 1st January, 1816, gives balance in circulation 4th December, 1815, £39⁶,77⁸ 0; from which deduct bills redeemed to 1st January, £65,281 15; leaving a balance in circulation 1st Jan., 1816, of 4331,496 15.

Report of Circulation, 29th January, 1816, says, balance in circulation 1st January, 1816, 433¹,49⁶ 15; from which deduct bills redeemed to 29th January, 1816, £30,213; leaving a balance of army bills remaining in circulation the 29th January, 1816, of £301,283 15.

Report of Circulation, 26th February, 1816, says, balance in circulation 29th January, £301,283 15; deduct bills redeemed, 421,563 15; leaving a balance of 4279,720 0.

Report of Circulation, 25th March, 1816, says, from balance 26th February, deduct in bills redeemed, 436,970 to; leaving balance of 424²,749 10.

Report of Circulation, 22nd April, 1816, says, from balance 25th March, deduct in bills redeemed, 416,678; leaving a balance of 4226,071 10.

Report of Circulation, 20th May, 1816, says, from balance in circulation 22nd April, 1816, deduct in bills redeemed, 428,096 15; leaving a balance of 4197,974 15.

MEMO.—From a letter signed James Jackson, dated 3rd June, 1816, to Lt.-Col. Fulton, I see that the value of a silver shilling at that time was 25 coppers.

NOTE.—In a letter from Geo. Wood, Com.-Genl., dated 8th October, 1818, to Major Bowles, Mil. Secretary, he states that during the summer of 1818, the rate of exchange for public bills was at par, while private bills had uniformly been below par, from one to three per cent., the demand for public bills having been very large.

NOTE.—From a letter dated 9th December, 1818, I find that the rate at which the dollar was issued to the troops was 4s. 8d.

NOTE.—From a proclamation issued by His Grace Charles Duke of Richmond, Lennox and Aubigny, Commander of the forces in Canada and British North America, dated 17th December, 1818, I find that the date of closing the army bill office was enlarged to the 1st April, 1819.

NOTE.—Letter from James Green, Director, asking for continuance of army bill office to 1st August, 1820, as it had been accurately ascertained that there remained to the Crown a saving of *nine thousand pounds and upwards on bills lost or destroyed to that amount*, and he wished to have time to carry the affairs of that office to a satisfactory close, as was usual with other public offices similarly situated. (Date of letter, 19th May, 1819.)

Office continued to six months after 1st August, 1819, by sanction of War Department (Treasury Chambers).

MEMO.—Grand total of the number of army bills issued, viz.:—

Bills at 400 dollars each	5, 500. • • •	550,000	
" " 100 " "	34,606....	865.150	
" " 50 " "	63,914 • • •	798,925	
25 " "	92,726....	579,537 10	
		42,793,612 10	
10 " "	127,600....	4-319,000	
„ CC 5 „ ..	72,000. . .	90,000	
14 „ 3 „ ..	64,000	48,000	
cc 4C 2 14 „ ..	106,500.....	53,250	
I 14 cc ..	165,000.....	41,250	£551,500 0
Bills redeemed with at 4 dollars 52,131....	52,131		
specie only at 1 dollar. 179,000	44,750	96,881 0	
Total	£3,441,993 to		

NOTE.—Army bill office is ordered to be continued to 1st August, 1820. Army bill office is ordered to be continued to 24th December, 1820. From a letter, dated Treasury Chambers, 23rd October, 1820, the army bill office was finally closed 24th December, 1820, Mr. Green paying into the hands of Commissary-General Wood the balance remaining in his hands to pay interest, namely, £819 13s. 7d. currency, at the rate of 5s. currency to the dollar.

From the 1st of January, 1815, to the 23rd November, when notice was given of the intention of the government to redeem the army bills in circulation, there is no official notice respecting the rate of

exchange for bills on London at 30 days sight. Neither can I find any quotation in the newspapers of the day, save one in the Quebec Gazette of the 14th September, 1815, under the head of " money," which is as follows :

" For sale at par, for cash ; a few government bills of £300 and 100 sterling, at thirty days on London. Apply to the Editor."

The pacification of Europe had effected a great change in the value of bills drawn on the treasury in London. As the demand for such bills appears to have been limited in Canada, resort was had to the Boston and New York markets. The following correspondence, however, shows that financial operations in the United States, for the purpose of procuring specie to meet the exigencies of the public service in Canada, were attended with no little difficulty. The Commissary-General writes to the Military Secretary as follows :

COMMISSARY-GENERAL'S OFFICE,

QUEBEC, 15th May, 1815.

SIR,

I have the honour to report to you, for the information of His Excellency the Lt.-General Commanding, that I have this day received letters from Dy. Asst. Corny.-General Wybault, dated New York, the 3rd inst., in which he states, on the subject of his mission, that exchange at that place is at 4 per cent. discount, and that as the banks to the southward of Massachusetts have not yet commenced paying out specie, it is at a premium of four p. cent. at New York, making a loss of 8 per cent. on negotiation, and it appears there would be the same loss at Boston. Mr. Wybault regrets that he is directed to sell bills for specie, as that will betray the secret of his mission. The first bill he attempts

to sell, and the knowledge that he has bills for sale, will at once reduce the price, as it will naturally be supposed he requires a' very large sum ; besides, as there will be a premium on the specie, the discount on the bills, if paid for in specie, will appear much higher than the current rate, which, for obvious reasons, ought not to be the case ; under these circumstances, and considering our extreme distress for money, not having a thousand pounds in the Canadas, without a chance of being relieved by an importation from England to any great extent, in consequence of the reports we have lately received through the press of extraordinary events in Europe, I beg to submit to His Excellency whether Mr. Wybault should not be directed to procure specie for the government bills in his possession upon the best terms he can effect the negociation ; receiving in payment American bank notes and then exchanging them for specie, making the real exchange upon the bills, and charging the premium upon the specie in his account of disbursements, with expenses of transportation and other charges generally attending the transaction. I trust you will be pleased to lay this letter before His Excellency, that I may be honoured with his commands as early as possible.

I have the honor to be, Sir,

Your most obedient humble servant,

To MAJOR O. FOSTER,

Military Secretary.

(Signed) W. H. ROBINSON,

Comy.-Genl.

[From Canadian Archives, Series C 331, page 98.]

COPY OF LETTER RE BRINGING SPECIE INTO COUNTRY.

HALIFAX, 9th June, 1815.

SIR,

Finding that Commissary-General Robinson had written to the Deputy Commissary-General here, representing the very pressing demand for specie in the Canadas, I have made every exertion to afford you a supply, which I could not have been able to do but by obtaining a loan from the Naval Storekeeper ; with the assistance of which I have directed to be shipped on board H.M.S. Bulwark L'30,000 consigned to Mr. Robinson.

I think it right to apprise you of our poverty, that you may not place

too much reliance on supplies from hence. At the same time I shall always be willing to make every exertion to afford you all the aid in my power.

I have the honour to be, Sir,

Your most obedient humble servant,

(Signed) J. C. SHERBROOKE,

Lt.-General.

Those letters were written after the news of the escape of Napoleon from Elba had reached this side of the Atlantic. All Europe was astir with excitement over his escape ; and the consequent certainty of war had a depressing effect upon the rate of exchange. Bills on the Treasury were quoted at 12% discount. But Waterloo brought peace. Bills on London rose in value ; and the discount on 30 days sight bills was reduced to 1% to 2% in Boston, at which rate it stood in October 1815, and continued at from 2% to 3% discount, till the 17th of April, 1815, when a temporary increase in the rate occurred.

The quotations in New York for Bills on London were rather misleading. They were quoted at a premium of from 10% to 12% ; but a correspondent in Halifax of the Quebec Gazette, enlightens the public on the subject. The letter is dated 7th October, 1815, and is headed Bills of Exchange. " By the late arrivals from New York, we observe that Exchange on England is quoted at a Premium of from 10 to 12%, which causes much more speculation in this place. A person, unacquainted with the mode of transacting business in New York, would

naturally infer that specie of some kind was the equivalent, and at the quoted Premium ; but their insolvent Bank paper is the payment—which paper is at a discount of 14% for silver or gold, consequently Bills on England, which are nominally at 10 to 12% Premium, may be bought in New York by sending on hard coin at a discount."

The price of gold in England from January, 1816, to June 9th of the same year, did not average over 44. . is. 6d. currency, the mint price as I have before stated being 3 17s. 10 d. per ounce ; and from June to January 1817, the average for currency was 43 19s. The Bank of England, however, did not resume specie payments till 1823 ; but the difference between the price of gold in the currency of the country, and the mint price per ounce, seldom exceeded 2s. 6d. during the last years, i.e. from 1817 to 1823.

A plentiful supply of specie appears to have reached the Treasury in Quebec at last ; for in November it was announced that the army bills would be redeemed in cash. The following is the announcement :—

PROCLAMATION.

On the 23rd November, 1815, by His Excellency Sir Gordon Drummond, Commanding His Majesty's Forces, and Administrator-in-Chief of the Governments of Upper and Lower Canada.

Whereas, heretofore, for the purposes of maintaining the means of circulation and answering the exigencies of the public service, His Excellency Sir George Prevost, Baronet, then Commanding His Majesty's Forces in British North America, did make and prepare a number of bills denominated army bills, and caused the same from

time to time to be issued from the army bill office, established for that purpose at the City of Quebec, agreeably to the provisions of the several acts made for the purpose of facilitating the circulation of army bills: And whereas, in and by the said acts, it is, amongst other things, enacted, 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 or other public requisition by the Commander of His Majesty's forces for the time being, shall be called in, to be redeemed in cash : I have, therefore, thought fit to issue this Proclamation, and hereby do signify and make known, , to all whom it may concern, that all Army Bills heretofore issued, and at present in circulation, are called in, to be redeemed in cash, at the said Army Bill Office, in the said City of Quebec; and that all Interest upon such Bills as aforesaid, shall cease from and after the fourteenth day next after the date of these presents. Of all which the Officers of His Majesty's Government, and generally all to whom these presents shall come, or may in any wise concern, are hereby required to take notice and govern themselves accordingly.

On the 20th of December, 1815, His Excellency Sir Gordon Drummond called Parliament together for the Despatch of business; and in his Speech from the Throne, he alluded to the army bills as follows :—

" You have had the satisfaction of seeing that the Executive Government has completely redeemed its pledge to the Public, by calling in and paying in cash the army bills which were in circulation."

To which the House replies :—

" We have seen with great satisfaction, that the Executive Government has completely redeemed its pledge to the Public, by calling in and paying in Cash the Army Bills which were in circulation. A measure which exemplifies, in a most striking manner, the national good faith, and which will, we trust,

facilitate similar arrangements hereafter, should the Public interests ever require a renewal of them."

At the Provincial Parliament held at Quebec on the 15th of January, 1817, the Fifteenth section of the original Act prohibiting the exportation of specie and bullion from the Province, for a period of five years from the 1st August, 1812, was repealed.

And it was provided that the Army Bill Office should be continued for a limited period beyond the 1st of August, 1817, for the purposes of calling in and cancelling and paying all Army Bills that might remain in circulation after the 1st of August ; and that it should be lawful for the Governor to issue his warrant for a sum not exceeding seven hundred and fifty pounds currency, for the payment of such officers in the Army Bill Office as it may be found necessary to continue in the service till the 1st of August, 1818, for the purposes aforesaid.

But the date of closing was enlarged to the 1st of April, 1819 ; and further to the 24th December, 1820, when the Army Bill Office was finally closed.

This ends my exposition of the Army Bill Act, by means of which the exigencies of the public service were provided for during the war of 1812, a war which was entered upon by the British with the greatest reluctance ; but which was forced upon them by the Americans, with the ostensible object of establishing the principle that the Flag covers the merchandise, and the right of search for seamen who have deserted is inadmissible ; but really, " to wrest from Great

Britain the Canadas, and, in conjunction with Napoleon, to extinguish its maritime power and Colonial Empire." *

I have now the pleasure of stating that I am indebted to Mr. George Bethune of the branch of the Quebec Bank in Ottawa, for important information on the subject of this paper, which he obtained in the Archives Bureau at Ottawa ; and to the kindness of Mr. Douglas Brymner of that office, in directing him to records relating to operations under the Act.

* Alison's History.

NOTE.

Since the issue of a certain number of copies of my sketch of *The War of 1812 in connection with the Army Bill Act*, I have been favored by my friend, Mr. Cyrille Tessier, President of *The Literary and Historical Society of Quebec*, with two specimens of Army Bills : one for *Ten dollars*, and another for *Twenty-five dollars*. A fac-simile of each is now appended to some spare copies, which I held in reserve, of the above work. I regret that I omitted to provide them for the previous issue.

JAMES STEVENSON.

QUEBEC,

8th October, 1892.



A. 7r)0,, 25 D● ARMY BILL. 25 P

Twenty-five Dollars. Vingt-c* q Piastres.

Arm', Bill Office ctebec. Issued /1

rri

Eff The Bearer hēfēof Is entitled to receive ou Demand, at the A k isa Y BILL yEzr Ck the Sum of **ZUI tntp:t.TiDt)11 oltatz.** in Govornment ZfiTS tf **etchimgc**, at Thrty Days Sight, at the Rate of Exchange as fixed by Authati ty, or in CASI, at the option of the Commander of the Forcts with the 3utegt5t, of *Oita Fartitzns'* inr Day, on the same,

By Command fHis Excellency

The COMMANDER OF T 7 FORCES.

EN•Er.rD,

O

CAR-BIER.

J 1

REGISTERED

it. the Office of the M I iirmtv SETFETA RV.



D ECTOR

XX EMI.

r A ViA,