

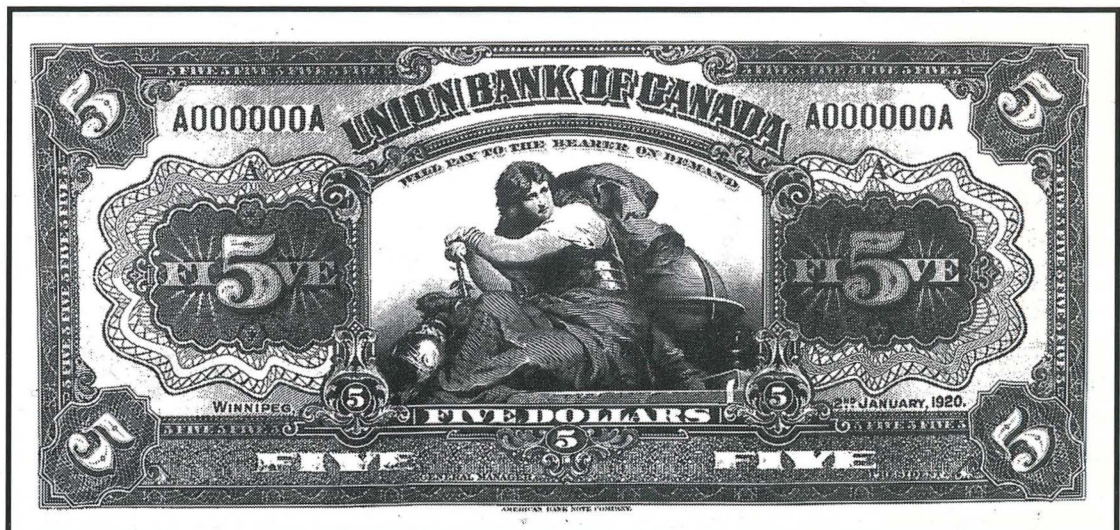
# The Canadian Paper Money Journal

PUBLICATION OF THE CANADIAN PAPER MONEY SOCIETY

Vol 31

1995

Serial No 115





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ESTABLISHED 1964

Publication of the Canadian Paper Money Society



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## CONTENTS

Christopher D Ryan	THE QUEST FOR A GOVERNMENT PAPER CURRENCY IN THE PROVINCE OF CANADA .....	5
Walter D Allan	THE UNION BANK OF CANADA, NOTES AND ESSAYS .....	25
Walter D Allan	BANK OF CANADA 1935 AND 1937 ISSUES — ADDENDA .....	44
E B Banning	THE GOVERNMENT COUNTERFEIT DETECTOR .....	48

## REGULAR FEATURES

<b>COVER:</b> The cover illustrates a \$10 Province of Canada legal tender and a \$5 essay of the Union Bank (front); \$5 of the Park Union Bank and \$20 of the Union Bank (back)	The President's Report .....	3
	Editorial .....	4
	The Origin of Banknote Vignettes, IX: James G Worts .....	24
	The Origin of Banknote Vignettes, X: Winterhalter's Prince of Wales .....	42
	National Currency Collection: New Acquisitions .....	46

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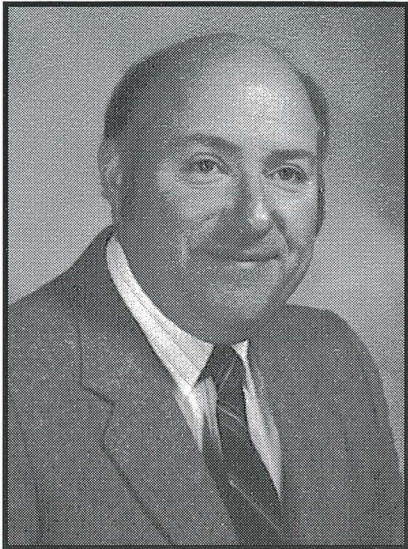
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Recent issues of *Canadian Paper Money Journal* should serve as a guide to the format of articles. Dates are shown in day-month-year format except when part of quotations. Initials in people's names are shown without periods. Bolding and underlining should be avoided and italics used for foreign words and the titles of journals and books. Footnotes should be used sparingly and be listed at the end of the manuscript. The recommended format for bibliography is as follows.

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## THE PRESIDENT'S MESSAGE

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Allan, W D, ed (1989). *The Charlton Standard Catalogue of Canadian Bank Notes*. Toronto: The Charlton Press.

Kaslove, H (1990). Bank of Canada essay notes for the 1935 issue. *Canadian Paper Money Journal* 26: 102-110.

McCullough, A B (1984). *Money and Exchange in Canada to 1900*. Toronto: Dundurn Press.

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Illustrations, wherever possible, should be black-and-white glossy photographs, preferably scaled to make the image either 4.5 inches or 5.4 inches in width. Even where this is not possible, please try to avoid photocopies of poor quality, extremely small images, or mixing illustrations of varying sizes. Photocopies never reproduce very well and so should be a last resort. Please do not send unsolicited original notes or artwork, as the Canadian Paper Money Society and its officers cannot be responsible for their safe return.

In addition to regular articles, we encourage the submission of short reports, reviews of books on Canadian paper money or banking, and 'fillers' consisting of short quotations or observations relevant to Canadian paper money, or short research notes or enquiries.

Why is it that the older I get, the faster time flies? Is it perhaps that I'm having more fun and everyone knows time goes by quickly when you are having fun. This collecting of paper money and related items is a terrible disease, contagious and incurable. Well, here we are with another great annual!

Organizationally, CPMS is doing just fine, thank you. Membership is solid and soon will grow because of our internet exposure on World Wide Web. Bill McDonald is helping position us for the 21st century. Bob Graham continues to produce interesting and informative newsletters every two months. This annual, put together by Ted Banning with the help of his team of contributors, maintains a very high standard of research and writing. On top of all this, our library will soon be consolidated with that of the Canadian Numismatic Association, which will give us a first-rate reference source for research and enjoyment. My thanks to the past executive who retired last July under

the watchful eye of Walter Allan. Collectively with Dick Dunn, our faithful Secretary-Treasurer, they have kept our society vibrant and fun. Paper money collecting is experiencing a real high with many new collectors collecting currency, cheques, documents, scrip, photographs and the like. As a relatively new collector of paper money myself, I kick myself for not becoming involved many years ago. I thoroughly enjoy the newsletters, the annual and the fellowship with friends at the yearly convention of the Canadian Numismatic Association. Speaking of the convention, it is just about time to ready a nice display. Not only will you enjoy doing it, but the rest of us will learn from and enjoy it. I hope 1996 proves to be a year of continued acquisitions, research and writing and, most of all, lots of fun and satisfaction.

Geoff Bell  
President, CPMS



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## FROM THE EDITOR'S DESK

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In this issue I am pleased to present two fine articles by Chris Ryan and Walter Allan. Chris traces the fascinating story of the steps toward a paper currency for the Province of Canada, while Walter continues to make use of the volumes of material on vignettes, essays and correspondence from banknote company archives.

Once again, we are somewhat behind schedule, but I hope to catch up in the new year so that *CPMJ* 32 will be published in September. To do this, I need to have submissions well in advance. Fortunately, I already have two of the articles for the next volume in hand, so that I can begin working on them in the spring. It is a long process to review submissions, ask for modifications if necessary, edit the material and do the layout, and summer is the only good block of time available to me to finish off the journal. If I don't have everything in hand by late spring, it simply isn't possible to complete the journal on time. So, please be patient if you have submitted something to me and it does not appear in these pages; it is crucial for me to build up a file of articles a year or so in advance of publication.

One feature that I would like to include more regularly in future volumes is reviews of recent books on Canadian banknotes and banking history. These do appear from time to

time, and often do not come to the attention of numismatists for many years because their publishers do not advertise in places such as Krause Publications' *Bank Note Reporter*.

Speaking of which, Krause has recently released its 1996 calendar, which features pictures of the face and back of the Canadian Bank of Commerce \$5 of 2 January 1917 for December. Other months show various US and foreign coins and notes, including Canada's 1935 silver dollar (August) and 1882 \$10 "brown backs" (June). Readers interested in buying the 1996 Krause Publications Coin & Paper Money Calendar can send US\$7.95 plus \$1.50 for shipping to Coin Calendar, Krause Publications, 700 E State St, Iola, WI 54990-0001, or can order by credit card by phoning (800) 258-0929.

Canada has now begun to replace its \$2 note with a circulating \$2 coin ("doubloon"?) and the Bank of Canada has offered collectors uncut sheets of the last \$2 notes, as they did with the last \$1 sheets. It will be interesting to see what other changes might be in the offing for Canada's currency.

EBB □

# The Quest For a Government Paper Currency in the Province of Canada

Christopher D Ryan

The Province of Canada and its immediate predecessors were frequently beset by debt and financial difficulties brought on by a large program of public works. The troubles stemmed primarily from an inability to raise revenue and funds within the Province and an excessive dependence upon the money markets in London, England.

As part of the ongoing effort to resolve the situation, several attempts were made to establish a government bank, a government paper currency or some other form of short-term, interest-bearing note intended to serve as a circulating medium. These attempts began in 1834-35 and, through several failures and one limited success, culminated in the Provincial Notes of 1866.<sup>1</sup>

## William Hamilton Merritt and the Provincial Bank of Upper Canada

The quest for a government paper currency in Upper Canada was initiated in 1834 by William Hamilton Merritt. In the latter part of that year Merritt composed a bill to establish a government-controlled bank called, "The Provincial Bank of Upper Canada."<sup>2</sup> Merritt described his intentions behind creation of this bank as follows.

... This Bank will operate as a most salutary check on all chartered, as well as private banks — by regulating or restraining any undue issue of paper money; it will also, by lessening the profits of Banking, prevent so many from entering into the business.

It will offer to the Public an abundant capital — a safe currency in which every man will feel an equal interest from a knowledge that he is an equal participater [sic] in the profits; place under the control of our Legislature a revenue equal to that derived

from all other sources; pay off the Provincial debt in a few years — and thereafter leave a fund which may be appropriated to education or any other purpose for all future time.<sup>3</sup>

On 19 January 1835 a committee of the House of Assembly was struck, with Merritt as chairman, to study the "expediency" of establishing such a bank.<sup>4</sup> A draft of Merritt's bill was released on 27 January and public hearings upon the proposals began on 3 February.<sup>5</sup> Despite the concerns expressed and suggestions made by the witnesses at the hearings, the committee concluded in support of Merritt's original bill.<sup>6</sup>

This legislation proposed to establish a new chartered bank with an initial capital stock of £500,000 divided into twenty thousand shares of £25 each. Of this total, 15,000 shares would have been held by the government while the remainder were to be available for sale to the public.<sup>7</sup>

Initially, there was to be a single branch in Toronto. A branch in each of the other eleven districts of Upper Canada was to be established only when the inhabitants of any such district subscribed to £25,000 worth of stock and paid up 10% of the subscription. The establishment of these other branches was to occur only after a minimum of a year had passed since the founding of the bank itself. With respect to banknotes the legislation restricted the issues of the government bank to denominations of £1 or higher. The most significant item in the bill, however, was the absence of any

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<sup>3</sup> Merritt, W H (1835a), Report of the Select Committee appointed to examine and report on the expediency of establishing a Provincial Bank, 13 February, *Journals of the House of Assembly of Upper Canada*, 5 Will. IV, 1835, Appendix 3, p. 4, Archives of Ontario Microfilm B57, Reel 3.

<sup>4</sup> Upper Canada (1835), *Journals of the House of Assembly*, 5 Will. IV, 1835, p. 30, Archives of Ontario Microfilm B57, Reel 2.

<sup>5</sup> Ibid, p. 69; Merritt (1835a).

<sup>6</sup> Merritt, (1835a).

<sup>7</sup> Merritt, W H (1835b), Bill for establishing a Provincial Bank in Upper Canada, *Toronto Patriot*, 3 February, p. 2.

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<sup>1</sup> See also, Haxby, J A (1975a; 1975b).

<sup>2</sup> Sprigg, D (1834), Letter to W H Merritt dated 4 December, National Archives, MG 24 E1, Merritt Papers, Vol. 9, Folios 1065-1068.

provision to restrict or eliminate the issues of other banks and thus make the notes of the government bank the sole paper currency in the province.<sup>8</sup>

Merritt's bill died before its second reading in the parliament of 1835 and was reintroduced in 1836.<sup>9</sup> This time its expressed purpose was once again,

To establish a Provincial Bank, with Branches in every District, with a view of extending a safe circulating medium, based on the public credit, throughout all parts of the Province: the profits for the first ten years to be loaned exclusively to promote works of internal improvement, under the direction of the Legislature, and thereafter to form a revenue to be applied to the general purposes of the Country.<sup>10</sup>

As in 1835, the bill died, this time on 24 January 1837, before its third reading.<sup>11</sup>

On this occasion, however, not only the House but also the British authorities, who had previously directed the Lieutenant Governor to refuse assent to any and all bills that dealt with currency and banking, opposed Merritt's plan. On 31 August 1836, the Colonial Secretary wrote to the Lieutenant Governor as follows.

I have to desire that you will not permit any Act, or Ordinance, or Proclamation or Regulation to come into operation in the Colony under your Government relating to the local currency and circulating mediums, or to the rates at which coins should pass current or be a legal tender, or to the circulation of Promissory Notes, or other Paper either by the Local Government or by any Corporate Bodies, or Individuals, without having first received His Majesty's sanction conveyed to you by the Secretary of State.<sup>12</sup>

On 16 January 1837, the Lieutenant Governor informed the House that, as instructed in this despatch, he would not grant assent to any "Bank Bill" that they might pass.<sup>13</sup>

The prohibition against the formation of new banks and paper currency was conditionally withdrawn by a despatch of 28 December 1837. Included with this despatch was a set of rules intended to guide the House of Assembly as to the terms it should include in charters for banks.<sup>14</sup>

Continually frustrated in his attempts to aid Upper Canada's financial situation by means of a government bank, Merritt then advocated the issue of low-denomination "bills of credit" which would also circulate as a form of currency. His report of 22 February 1838 recommended passing a Bill to empower

... the Executive Government to authorize the Receiver General to issue small bills payable on the 1st June, 1839, which shall be received by him as well as all other Public Accountants — the tendency of which would be to supply a Circulating medium, based on the credit of the Province — the operation would be similar to what we now experience by authorizing the suspension of Specie Payments by the Commercial Bank, that paper being now of nearly equal value, in all business transactions, with Specie ....

... This currency would enable us to continue all our improvements, and restore the country to its original prosperity.<sup>15</sup>

It is clear that Merritt intended the bills to act as a government-sponsored paper currency. In November of 1838 the Lieutenant Governor requested permission from England to sanction the issue of these bills. Along with the request were the justification and a precedence for the issue. In his despatch to the Colonial Secretary he said,

I venture therefore, to suggest to your lordship, that in the event of such a measure being proposed in the legislature, I should be provisionally authorised to give the Royal Assent to any provincial enactment, having for its object to allow the Receiver General to issue, on the credit of the government, bills or notes, payable in Toronto, at twelve months after date, to the amount of £100,000; to be used as a circulating medium, and made chargeable on the prospective revenue of the province.

... Though the cases are not exactly parallel, yet in illustration of the principle and as affording a precedent for such a course of proceeding, I would instance the circumstances, that during the last war in these colonies, bills of the description I have mentioned were issued by the provincial government, and were found as a temporary resource of the utmost value to the public service.

Debentures payable in the province are altogether unsaleable from the want of local capital; and debentures payable in London, where alone they are negotiable, have already issued to a larger amount than has yet found purchasers.<sup>16</sup>

The British government authorized provisional acceptance of any such legislation but stated that more details of the scheme would be required before Royal assent could be granted. The Colonial Secretary's despatch of 31 January 1839, noted,

You suggest that the contemplated notes should be used as a "circulating medium." You do not however state in what sums they are to be issued, in what manner the issue is to be made, whether in payment for provincial engagements and

<sup>8</sup> Ibid.

<sup>9</sup> Upper Canada (1835), *Journals of the House of Assembly*, 5 Will. IV, pp. 236-237, 337; (1836-37), 7 Will. IV, pp. 22-23. Archives of Ontario Microfilm B57.

<sup>10</sup> Upper Canada (1836-37), *Journals of the House of Assembly*, 7 Will. IV, p. 16. Archives of Ontario Microfilm B47.

<sup>11</sup> Ibid., pp. 337-338.

<sup>12</sup> Glenelg, despatch #6 to Sir George Arthur, 28 December 1837, National Archives, RG 14 G1, vol. 83, pp. 282-95, reel C150.

<sup>13</sup> Upper Canada (1836-37), pp. 235-236, 286.

<sup>14</sup> Glenelg (1837), Despatch #6 to Sir George Arthur dated 28 December, National Archives, RG 14 G1, Vol. 83, pp. 282-295, Microfilm Reel C150.

<sup>15</sup> Merritt, W H (1837-38), "Fourth Report of [the] Committee on Finance," *Journals of the House of Assembly of Upper Canada*, 1 Vic., Appendix p. 32, Archives of Ontario Microfilm B57, Reel 9.

<sup>16</sup> Arthur, G, Despatch #91 to Lord Glenelg dated 20 November 1838, *Toronto British Colonist*, 20 March 1839, p. 1.

disbursements, or upon securities, or through the Banks, nor whether it is designed to constitute them a legal tender for debts....

Your report is also defective in another point. You state that the existing debt of Upper Canada has been principally incur [sic] in the construction of public works, but you do not state to what purpose the money to be raised by the proposed notes is to be applied. If the public income is insufficient to meet the expenditure essentially public, the balance must, in some way, be provided for. But if this balance is wanted solely for public works, or local improvements, every general principle is opposed to the raising it by an issue of inconvertible Government notes, unless there be a surplus revenue or a state of public credit that justifies the expenditure. Under these circumstances it appears to her Majesty's government that the proper course would be, after ascertaining the existing deficit in the Revenue, to procure [an] enactment revoking in the first place the law which prohibits the raising of loans in London on less favorable terms than at par, bearing 5 per cent. interest, and authorising the negotiation of a loan in London to the amount of the deficit in the revenue, and no further....<sup>17</sup>

Following this despatch, Upper Canada's Parliament passed an Act authorizing the issue of "Bills of Credit" to the amount of £250,000, in denominations not less than £1, payable one year after date at 6% interest. The notes were to be receivable in payment of accounts due to the Province, and none of the notes could be used for public works until the interest on the sum advanced for that work was paid.<sup>18</sup>

On 11 May 1839 this Act was reserved by the Lieutenant Governor for the assent of the Queen. The granting of this assent was declined. The reasons for this refusal were given in a despatch of 7 September 1839 to the new Governor General of British North America, Lord Sydenham:

The second financial measure of the year, was the enactment of a Bill authorizing the issue of Treasury Notes, to the amount of £250,000 sterling for £1 each. This Bill has also been reserved for the signification of Her Majesty's pleasure. I regret to state, that Her Majesty cannot be advised to confirm it. The issue of such an amount of small inconvertible paper money, as a resource for sustaining the Public Credit, is not to be justified, even by the present exigency of Public affairs. The effect of the measure on the currency and monetary transactions of Upper Canada, and on the value of private property throughout the Province, must be such, as to counterbalance any advantage which could be obtained from this temporary relief. If the credit of the country can be made available to sustain, for a time, the transactions of the local Treasury, in a less hazardous and objectionable form, you will accede to any plan of that nature.<sup>19</sup>

<sup>17</sup> Glenelg (1839), Reply of Lord Glenelg, 31 January 1839, Toronto *British Colonist*, 20 March, p. 1.

<sup>18</sup> Upper Canada, *An Act to Authorize the Issue of Bills of Credit*, National Archives, RG 14 B3, Vol. 24.

<sup>19</sup> Russell, J (1841), Despatch no. 1 to Lord Sydenham dated 7 September 1839, *Journals of the Legislative Assembly of the Province of Canada* 1, 4-5 Vic., pp. 395.

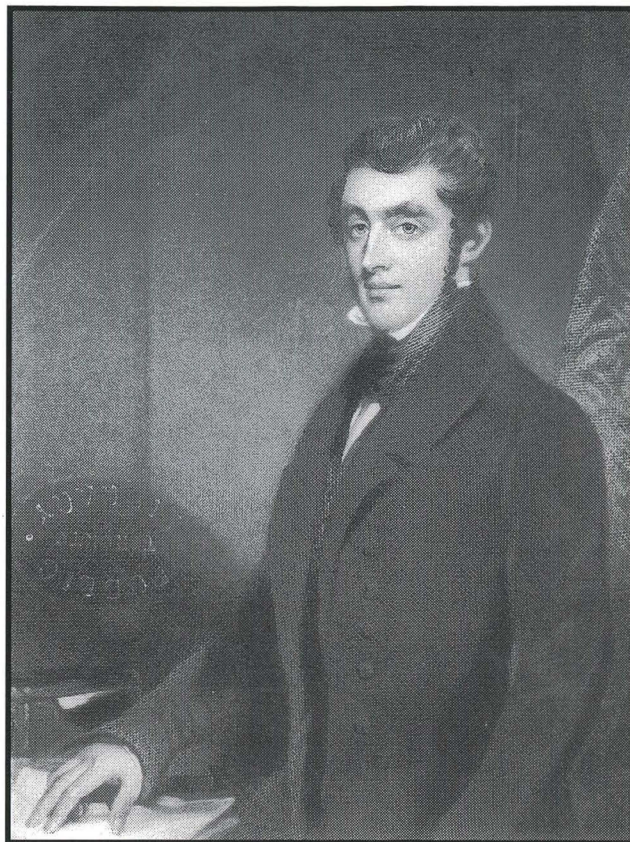


Figure 1. Lord Charles Sydenham, 1844 (courtesy, Metropolitan Toronto Reference Library, 971.06.591 frontispiece).

The last part of the above could have been interpreted as implicit prior permission for Sydenham's 1841 Bank of Issue in the newly reunited Province of Canada. As will shown hereafter, this new, significantly different version of the Provincial Bank would suffer the same fate as Merritt's plan.

## Lord Sydenham and the Provincial Bank of Issue

In 1841, just a short time after the demise of Merritt's schemes, the concept of a government bank was resurrected in a markedly different form by the first Governor General of the reunited Province of Canada, Lord Sydenham. This "Bank of Issue" was derived from a similar scheme Sydenham unsuccessfully tried to introduce in England.

In a letter of 31 July 1841 to the Colonial Secretary in England, Sydenham wrote,

I am engaged just now however on a measure which I would rather carry and make perfect than anything I have ever done, because it will not only be of great benefit to the country, but will set an example to England of which I shall take advantage when I get back. It is the establishment of a perfectly sound paper Currency by one Government Bank of Issue to the entire



exclusion of all other Paper payable on demand. The same scheme which I wanted to have adopted [in England] in 1833, but for which certainly the Public mind was not then prepared .... There never was such an opportunity for the trial, or circumstances so favorable to it, for the charters of nearly all the Banks in the Province are expiring which puts them at my mercy, and I have not the least doubt from the absence of any decent currency in the United States that in two or three years such a Bank would obtain for its paper the circulation of all bordering States, which would tax Jonathan for our benefit 80 or 100,000£ a year.<sup>20</sup>

In a memorandum Sydenham described his scheme in further detail as follows.

The plan suggested would be the establishment of a Provincial Bank for issue only, under the direction of three Commissioners, acting upon fixed rules laid down in the Act.

The prohibition of the issue of all notes payable on demand by any but the Provincial Bank.

The Provincial Bank to issue a given amount of notes of any denomination not less than one dollar, and after that amount to issue further notes only upon bullion or coin, or in redemption of its own notes, if by desire of the holder.

N.B. It may be assumed that the average circulation of Canada is at the present time in notes about 1,000,000£.

This then may be taken as the amount which might safely be issued, provided a reserve of bullion or coin were kept against it to the extent of 250,000£. It would not be possible for the circulation to be reduced below the difference, say 750,000£., without such a fall of prices as must inevitably bring in bullion, and again extend the paper circulation. If the million were found inadequate to the wants of the country, as it probably would in a short time, the fact would be made apparent by notes being demanded of the bank in return for bullion over and above that sum. The bullion or coin being thus increased, and the proportion which it bore to paper in circulation thus greatly augmented, it would become manifest that a larger amount than the million might be kept in permanent circulation, and that at the end of one or two years, when this might happen, the fixed amount might be varied by the legislature: 1,500,000£. or 2,000,000£. might be issued as that amount, with only a reservation of bullion equal to one fourth, as in the first instance.

One fourth then of the given amount to be invested in bullion or coin.

The other three fourths to be employed in public works under the authority of Parliament, or in redemption of the provincial debt.

Powers to be provided to enable the Provincial Bank either to establish branches at the three great cities for the exchange of its notes for bullion or coin, or to make arrangements with banks of deposit there for the use of its notes, on condition of their doing this duty for it.

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<sup>20</sup> Sydenham (1931), Letter to Lord John Russell dated 31 July 1841, reproduced in P Knaplund (ed), *Letters from Lord Sydenham*. London: George Allen & Unwin Ltd., 1931, p. 150.

A prohibition on the Commissioners from engaging in any transaction of the character of a bank of deposit, and strictly confining them to the issue of notes for bullion or coin, or in exchange for their own notes.

The advantages of such a system would be the following.

First, a paper currency would be established perfectly secure of convertibility into the value which it represented. It would be subject to no fluctuations except those which the greater or less amount of real transactions of the country demanding a circulation imposed on it. It would effectually prevent all those injurious fluctuations in the value of every man's property which arise from the over-issues and sudden contractions necessarily attending the issue of paper by a number of conflicting bodies.

Secondly, the whole profit of the issue, in other words of the power of coining a cheap currency, would belong to the State; at the lowest calculation equal to 30,000£. or 35,000£. a year, and capable, for the reasons above stated, of increasing to double or treble that amount.

Thirdly, a large sum, not less than 750,000£., would be at once placed at the disposal of the State for the prosecution of public works, without the necessity of going into the money market to borrow, thus increasing the rate of interest which the Province would have to pay for the large loans it may be called on to contract.<sup>21</sup>

The bill embodying Sydenham's scheme was released on 28 August 1841. Under his plan one-quarter of the note issue would be secured by specie or bullion and three-quarters by government securities "purchased by or paid into the Bank." The bill differed slightly from the plan described in his memorandum in that it did not impose a complete ban on the issue of notes by other banks in the province. However, the bill did limit such notes to denominations of £50 and over. This would have had much the same effect as a complete ban.<sup>22</sup>

Sydenham's scheme differed significantly from Merritt's in that the former's provincial bank would have existed only for the purpose of issuing and redeeming notes and would otherwise not carry on the functions of a traditional bank. These government notes would have replaced those of the chartered and other banks to become the sole Canadian paper currency.

As with Merritt's scheme, Sydenham's met with considerable opposition and on 31 August 1841 the Legislative Assembly voted 40 to 29 to postpone consideration of the provincial bank to a future session.<sup>23</sup> However, in September

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<sup>21</sup> Sydenham (1844), Memorandum on the paper currency suggested for Canada, reproduced in G P Scrope, *Memoir of the Life of the Right Honourable Charles Lord Sydenham*. London: John Murray, pp. 317-318.

<sup>22</sup> Sydenham (1841), "Fiscal Bank bill," *Montreal Gazette*, 31 August, pp. 2-3.

<sup>23</sup> Nish, E (ed)(1970), *Debates of the Legislative Assembly of United Canada 1841-1867*, Vol. 1, p. 759. Montreal: Centre D'Etude du Québec.

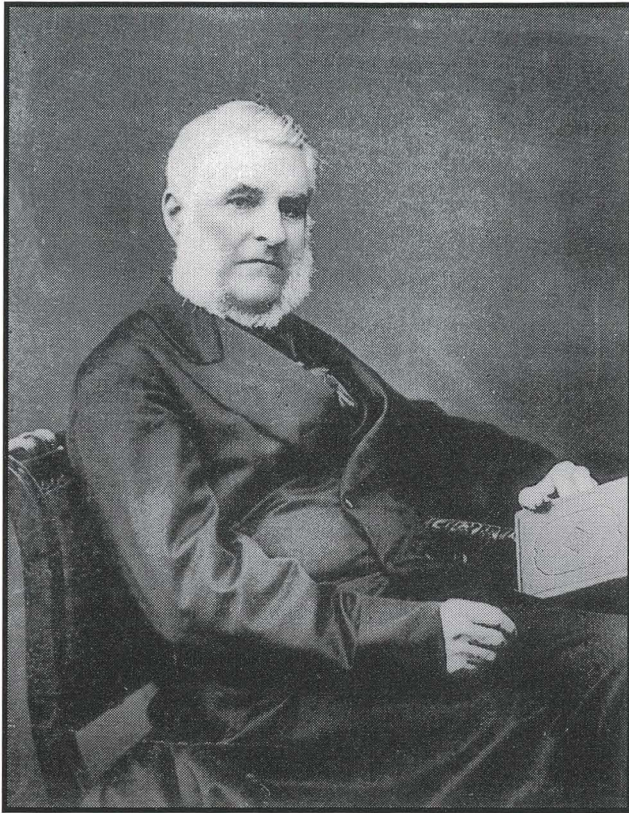


Figure 2. Sir Francis Hincks, from the frontispiece of *Reminiscences of His Public Life* (1844) (courtesy, Metropolitan Toronto Reference Library).

of 1841 Lord Sydenham died and with him went his proposed Bank of Issue.<sup>24</sup>

## Francis Hincks and the Circulating Debentures of 1848/50

In 1848 Francis Hincks resurrected Merritt's proposal for "bills of credit" and successfully implemented their use. However, the notes were now formally entitled "debentures." This event followed granting of Responsible Government to Canada, which gave the Canadian Parliament final authority in domestic matters.<sup>25</sup> This authority would have removed the necessity to refer monetary legislation to England for approval.

As with the earlier bills of credit, these debentures had a one-year term, paid 6% interest, were receivable by public

<sup>24</sup> Murdoch, T W C (1931), Letter to G P Scrope dated 20 September 1841, reproduced in P Knaplund (ed), *Letters from Lord Sydenham*. London: George Allen & Unwin Ltd., pp. 165-167.

<sup>25</sup> (1970), "Canada," *Encyclopaedia Britannica*, Vol. 4, p. 737.

officers in payment of dues or taxes, and were intended to circulate as a currency. During its first year of operation, however, Hincks' scheme was not legal. It required an 1849 Act of Parliament to legitimize, retroactively, his actions.

Despite dire financial circumstances, the government was very reluctant to use these debentures. Once other sources of funds could be obtained they immediately ceased to issue obligations in low denominations and authorized redemption of all those outstanding.

In a report of March 1848, Hincks, in his capacity as Inspector General, recommended issue of a further £125,000 in debentures as a means of financing required, and as yet unfunded, public works.<sup>26</sup>

The Act passed in response to this request authorized "the issue of Debentures to an amount not exceeding in the whole the sum aforesaid, in such form, for such separate sums, at such rate of interest not exceeding six per centum per annum, and to make the principal and the interest thereon payable at such periods and at such places, as to him shall seem most expedient...."<sup>27</sup>

This latest issue of debentures proved, not just difficult, but impossible to sell. This forced the government into the issue of low-value debentures with one-year terms to pay the contractors of public works. Details of the scheme were approved by Executive Council on 3 June 1848. The Order in Council read,

The Committee of the Executive Council have considered with great anxiety a Report of the Inspector General, on the subject of the finances of the Province, and relating to the Public Works in progress.

Great embarrassments have arisen from the employment of the current revenues in the construction of Public Works intended to be completed by means of money to be raised by way of loan. The Committee see an absolute necessity of discontinuing this practice, and it would seem to follow that unless some mode can be devised for providing means to carry on the works in progress without drawing the principal sum employed from the current revenue, these works must be, for the present, discontinued

On the other hand, it is represented that many of the works are under contract, and that a breach of the engagements of the Government would give rise to heavy and just claims for damages on the part of the contractors which would ultimately fall upon the public finances. It is further stated that in many cases, materials are provided and upon the ground and that much loss must arise from deterioration of the materials should they not be used as anticipated when they were provided.

It is further said that in some cases, the works must become dilapidated, and the trade be impeded should the works be discontinued.

<sup>26</sup> Hincks, F (1848), "Report concerning the financial affairs of the Province of Canada," dated 17 March 1848, reproduced in "Provincial Parliament," *Quebec Morning Chronicle*, 24 March, p. 2.

<sup>27</sup> Canada, *Statutes*, 11 Vic., 1848, Chap. 9.

The impossibility of negotiating [sic] any loan in the usual mode is strongly represented, and the state of the money market in England makes it improbable that any speedy relief will be found through means of negotiating [sic] Debentures there.

The Inspector General proposes a scheme by means of which the public works of the most urgent necessity may be carried on for the present season.

He is of [the] opinion that Debentures each for a comparatively small amount, will be received by the Contractors; these Debentures bearing interest.

He proposes that these Debentures be received at the several Custom Houses, and by all receivers of revenue in payment of public dues.

He proposes further that these Debentures be reissued if necessary, in payment of public expenditure, which he thinks may be done to a limited extent, and sufficiently, to relieve the current revenue from such as may be received for public dues.

The Committee have great objections to the issue of Debentures in lieu of money, but the necessity of the case justifies the use of this temporary expedient in this as in other countries.

The Committee are not in possession of a precise statement of the exact sum which may be required. The whole sum to be expended for the year, supposing the works to proceed with all the activity anticipated when the contracts were entered into, is stated at about £125,000 currency.

The Committee think that this is too large a sum of Government securities to put in circulation, they are of [the] opinion that the amount should be limited as much as possible, and they recommend that the Commissioners of Public Works be instructed without delay to procure information, and to make a report, stating in detail the several works and contracts, and also containing their opinion as to any limitation of expenditure, that can be produced by discontinuing any of the works for the present, either by arrangement with the Contractors or otherwise with the least public disadvantage.

If the expenditure can be materially limited, the Committee think that the plan proposed by the Inspector General may be adopted without any considerable public disadvantage.

They think that no time should be lost in the commencement of the execution of this plan, so as to relieve the current revenue from the payments which are daily called for.

And they respectfully recommend that under the authority of the Act of last session Debentures be prepared and signed, in amounts not less than £2.10.0 each, to be used in the payment of the Contractors on the works, or others who may accept the same in lieu of money, and that the first issue be limited to £40,000; and that when that sum shall be exhausted, the Receiver General be directed to report the fact for the purpose of its being considered whether further authority of the same kind shall be given.

The Committee further recommend that the Inspector General be directed to issue orders to all receivers of the public revenue to take these Debentures in payment of public dues for the sums secured on the face of them.

And that the Debentures so received be paid out as far as conveniently practicable to parties entitled to receive public money, and in lieu thereof.

The Committee are of [the] opinion that by these means the Debentures issued for this purpose will be at least of equal value with Bank Notes, and in one respect superior to these notes, as they will bear interest, payable when the Debentures fall due.

The Committee think that the Debentures so issued should be recalled as soon as a regular loan can be negotiated [sic], and they should be made payable in one year from some fixed period anterior to their issue.

As the carrying out [of] the above plan will depend in a great measure upon the extent to which the expenditure on public works will be limited, the Commissioners of public works will see the necessity of temporarily discontinuing works in all practicable cases, and of informing Your Excellency in Council at an early period, of their progress in contracting the expenditure; and also, of reducing the number of persons in the employment of the Department, when the services of these officers can in any cases be dispensed with.<sup>28</sup>

Significant in this scheme are the explicit intentions that the small-value debentures were to be a temporary measure used with extreme reluctance pending other financial measures and that this paper was to serve as a form of currency. The Order also set the minimum denomination of the debentures at £2.10.0 (\$10).

On 5 June 1848, Hincks addressed the following letter to the New York firm of Rawdon, Wright, Hatch, and Edson (RWH&E).

The Canadian Govt. having determined to issue debentures in small amounts with a view to their obtaining circulation, it has been deemed advisable to get an engraved steel plate, for two denominations of these securities \$10 & \$20. They are wanted immediately, and I apply to your House believing [sic] that you will be more anxious to facilitate our arrangements. The debentures are to be payable 12 mo's after date with interest. The large bill might have the Royal arms the other some Canadian design. They should be numbered on both sides [of] the Bill & the designation should [be] both in French & English, as usual in Canada notes. Perhaps you could furnish me with a design at once & let me know how soon the order could be executed. We want 10,000 impressions as speedily as possible, but the first 1000 should be sent by express as soon as printed. I enclose a form. I shall be glad to hear from you at your earliest convenience.

P.S. I enclose a rough design for the \$10 and also the Royal & Provl. Arms the former for the \$20, latter for \$10. Please direct the parcel when sent to the Hon. Recr. Genl. Montreal (On Her Majesty's Service).<sup>29</sup>

<sup>28</sup> Canada, *Province of Canada State Book*: Volume H, pp. 534-538, Archives of Ontario Microfilm MS 9, Reel 18.

<sup>29</sup> Hincks, F (1848), Letter to RWH&E dated June 5th, 1848, National Archives, RG 19, Vol. 2756, p. 38.

Thus the initial supply of the low-value debentures consisted only of \$10 (£2.10.0) and \$20 (£5.0.0) denominations. Numerous Orders in Council made after the Order of 3 June indicate that only these two denominations were issued under the authority of the initial Order.<sup>30</sup> The \$20 value was first issued on 17 July 1848, followed by the \$10 on 1 August. The debentures were signed by Louis Michel Viger as Receiver General. The most prevalent signer on behalf of the Inspector General was his deputy, Joseph Carey. Other known signers for the latter were P Durnford and Francis Hincks himself.<sup>31</sup>

The design of these debentures was identical to the items illustrated in the *Charlton Standard Catalogue of Canadian Government Paper Money*<sup>32</sup> except that the former were dated "Montreal 18\_\_" and did not have "C.E. Anderson" engraved as the payee.<sup>33</sup>

Hincks' scheme for the debenture issue was not entirely legal. Hincks admitted as much in the House on 9 March 1849. The *British Colonist* reported his comments as follows.

The next resolution proposed indemnity to the government for the issue of the debentures of last year. Now, although this resolution admitted very properly that these debentures were not strictly within the letter of the law, still he thought it must be obvious to hon. gentlemen who looked into the matter, that the spirit of the law had been adhered to.<sup>34</sup>

Hincks' actions were formally legalized by 12 Victoria, chapter 5, which received Royal assent on 25 April 1849. This Act provided that,

... a sum not exceeding two hundred and fifty thousand pounds, currency, may be issued in Debentures being each for a sum less than ten pounds, currency, and that such Debentures may be made payable on demand or at any time after date, and with or without interest, and may be receivable in payment of monies payable to the Provincial Government generally or in payment of such duties or dues, and by such Officers or Departments, and upon such terms and conditions as the Governor in Council shall from time to time appoint, and being so received, may be re-issued or may be cancelled and others issued in their stead ....<sup>35</sup>

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<sup>30</sup> Canada, *Province of Canada State Book*; Volume I, pp. 487-488, 547-548; Volume J, pp. 76, 171-172, 269-270, 359-360, 416, Archives of Ontario Microfilm MS 9, Reels 18,19.

<sup>31</sup> Viger, L M (1848), Provincial debentures, *Canada Gazette*, 1848, pp. 5525, 5677; Canada, *Register of Provincial Debentures*, National Archives, RG 19, Vol. 2288, 2289, 2290, 2291.

<sup>32</sup> Allan, W D, ed (1993).

<sup>33</sup> Taché, E P (1850), Letter to RWH&E dated 25 January, National Archives, RG 19, Office of the Receiver General Letterbook 1847-50, Vol. 1160, Folio 299.

<sup>34</sup> Anonymous (1849), "Provincial Parliament," *Toronto British Colonist*, 23 March, p. 2.

<sup>35</sup> Canada (1849), *Statutes*, 12 Vic., chap. 5.

Three items are significant in this Act. The first is the absolute granted to everyone connected with Hincks' 1848 scheme. Second is the doubling of the amount of debentures issuable in small denominations, and third, the sanction given to the issue of any denomination under £10 or \$40.

Thus the terms of the 1849 legislation permitted the issue of \$1, \$2, and \$5 debentures. The motivation for the issue of these small denominations may have been one of self-interest as the government had not just been using the debentures to pay their contractors, as given by the Order in Council of 3 June 1848, but also to pay public officials and civil servants. In a letter of 16 November 1848 to the Colonial Secretary, the Governor General, after complaining of two British laws which were "destroying" the revenue sources of the Provincial government, noted,

We are actually reduced to the disagreeable necessity of paying all Public officers, from the Govr. Genl. downwards, in debentures, which are not exchangeable at par.<sup>36</sup>

AT Galt commented on the difficulties he experienced in passing these debentures in a debate in the Legislature on 4 August 1866:

The member for Chateaugay [A.M. Smith] said he would have preferred the plan of Mr. Hincks in 1850. Now, under that plan, for the first and only time in the history of Canada, the paper of the Government, though bearing six per cent interest, was at a discount. If there was one plan which he [Galt] should not adopt, it would be to pay the servants of the Government money which his butcher and baker would not accept.<sup>37</sup>

The practice of paying public and civil servant salaries in debentures continued through 1849.<sup>38</sup> On 7 July 1849 instructions were given to pay all militia pensions in debentures rather than cash.<sup>39</sup>

Perhaps Hincks had hoped that the smaller denominations of the circulating debentures, as authorized by the 1849 Act, would have been much more readily usable by their recipients in their common, everyday transactions.

A reference to these new denominations was made in a letter, dated at Toronto, 25 January 1850, that E P Taché wrote to Rawdon, Wright, Hatch & Edson (RWH&E), the banknote engravers in New York:

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<sup>36</sup> Elgin & Kincardine (1937), Letter to Earl Grey dated 16 November 16th, 1848, in Doughty, A G (ed.), *The Elgin-Grey Papers*. Ottawa: Secretary of State, pp. 256-257.

<sup>37</sup> Anonymous (1866), "Provincial Parliament," *Toronto Globe*, 6 August, p. 1.

<sup>38</sup> Viger, L M (1849a), Letter to F Hincks dated 2 June, National Archives, RG 19, Vol. 1160, Folio 143. Viger, L M (1849b), Letter to F.Hincks dated 29 June, National Archives, RG 19, Vol. 1160, Folio 162.

<sup>39</sup> Viger, L M (1849c), Letter to Rideout dated 7 July 1849, National Archives, RG 19, Vol. 1160, Folio 168.

I... transmit you corrected proofs of the \$1, 2 & 5 plates which you will be pleased to attend to, thus in the \$1 plate insert Toronto instead of Montreal and the figure 5 to the 18, at the right of the plate take out the £0.5. and insert \$1.

In the plate for \$2 & \$5, also insert Toronto instead of Montreal and add the figure 5 to the 18, to the right instead of £0.10. place \$2 and instead of £1.5. place \$5 and in both places put the Red Stamp ONE, TWO, FIVE.

In the space in the Bill where the piece is cut out you will insert a facsimile [sic] of the signature of the Confidential Clerk of this Department, thus, "C.E. Anderson."

After the above alterations are made you will be pleased to strike off from the above plates as follows:

£15,000 or \$60,000 of \$1 Bills,

£35,000 or \$140,000 of \$2 & \$5 Bills,

thus making 25,000 impressions in all [from?] the Two plates.

You will also be pleased to alter the \$10 & \$20 Plates, substituting Toronto for Montreal, place a 5 after the 18, and in the Blank in the body of the Bills insert a facsimile of the signature "C.E. Anderson", the same as in the smaller Bills, after these alterations are made please strike off and forward 1000 impressions from each plate.

I should feel obliged by your early attention to this matter, the smaller Debentures are more required than the others. Still a portion of all kinds would be acceptable. You will be pleased to forward them by express by way of Boston and in order to avoid Customs House delays address them to me care of the Collector of Customs at this place, marked "O.H.M.S. Immediate"<sup>40</sup>

The text of this letter indicates that the plates for the \$1, \$2, and \$5 debentures had been prepared in 1849. Such preparations possibly occurred in May or June. This timing can be inferred from a letter of 7 July 1849 to RWH&E from the Receiver General:

I have the honor to acknowledge your communication of 26th Ults. informing me of the completion of the 2 plates for the small Debentures.

And in reply I am authorized to request of you to suspend the striking off of any notes from these plates until the return of Mr. Hincks from England when such decision as will then be come to, will be at once communicated to you.<sup>41</sup>

The plates mentioned in the above letter are possibly those of the \$1, \$2, and \$5 denominations. The July 1849 instruction to halt printing from the new plates and the January 1850 return of corrected proof sheets of new denominations suggest that supplies of these notes had not yet been delivered to the government by January of 1850 and thus were not yet issued. This possibility will be corroborated by documents presented later in this paper.

<sup>40</sup> Taché, E P (1850), Letter to RWH&E dated 25 January, National Archives, RG 19, Office of the Receiver General Letterbook 1847-50, Vol. 1160, Folio 299.

<sup>41</sup> Viger, L M (1849d), Letter to RWH&E dated 7 July 1849, National Archives, RG 19, Vol. 1160, Folio 170.



Figure 3. Proof of a \$2 Provincial debenture dated 185\_ (courtesy W D Allan).

The design details of the \$1, \$2, and \$5 debentures differ from those of the \$10 and \$20 denominations issued previously. These new notes bear no mention of interest being received by the holder and were payable on demand.

The amount and number of impressions ordered in the letter of 25 January indicate that the \$1 note was printed four to a sheet while two of each of the \$2 and \$5 notes were printed on the same sheet.

A register held by the National Archives in Ottawa and correspondence to be presented later in this paper show that the \$10 and \$20 denominations were printed from separate plates each with four debentures to a sheet and check numbers A, B, C, and D.<sup>42</sup>

The use of the one-year debentures to pay contractors was terminated on 14 June 1849 by Order in Council for reason of a lack of the funds necessary to redeem maturing notes. The Order included the recommendation,

That the prosecution of all Public Works after this month, be discontinued; unless contractors agree in writing to accept Debentures payable in five years.<sup>43</sup>

As of 15 June 1849, 66.6% of the debentures issued thus far had been paid back to the government for taxes and duties.<sup>44</sup> This reduction in the cash revenue would have been ample incentive for the Order of 14 June.

The Order's estimate that the amount that would be needed to meet interest and cash demands in October would be £50,000 proved too pessimistic. Only about £8,500 in mature debentures were subsequently redeemed in that month.<sup>45</sup> Similarly, the approximate amount redeemed in July, August, and September of 1849 were, £5,942.10, £7,955, and £9,185, respectively.<sup>46</sup>

<sup>42</sup> Canada, *Register of Provincial Debentures*, National Archives, RG 19, Vol. 2288, 2289, 2290, 2291.

<sup>43</sup> Canada, *Province of Canada State Book*: Volume J, pp. 188-189, Archives of Ontario Microfilm MS 9, Reel 18.

<sup>44</sup> Viger, L M (1849), "Provincial Debentures," *Canada Gazette*, 1849, p. 6735.

<sup>45</sup> *Ibid.*, pp. 7041, 7054, 7097, 7129, 7176.

<sup>46</sup> *Ibid.*, pp. 6906, 6922, 6941, 6952, 6959, 6968, 6985, 6998, 7017, 7029, 7041.

Despite rates of redemption that were lower than expected, the government persisted in the use of the five-year debentures to pay contractors except in cases of very exceptional circumstances. An Order in Council dated 26 September 1849 authorized contracts for work on canals payable in one-year currency debentures in place of five-year paper. The deviation from the Order of 14 June was due to contractors' refusal to accept five-year debentures as payment and to the vital nature of the repairs they were making.<sup>47</sup>

The issue of the one-year debentures stopped altogether in late April of 1850. The weekly accounts of debentures issued, paid-in, redeemed, and circulating, indicate that none were issued after the 19th of that month.<sup>48</sup> This became possible when word was received that the province's financial agents in London, England, had succeeded in selling a large amount of the Province's multi-year debentures at a price slightly above par value.<sup>49</sup> On 22 May 1850 came authorization to redeem all outstanding currency debentures.<sup>50</sup>

The last of the weekly accounts for the small, one-year debentures was compiled on 23 May and published in the 1 June and 8 June 1850 editions of the *Canada Gazette*. This final statement shows that, when the debentures were discontinued, only £71,597.10. out of a total issue of £661,682.10. had been redeemed at maturity by the government over the two-year life of the scheme. Of the remainder of the issue, £463,102.10. had been returned to the government in payment of duties or taxes leaving £127,432.10. still outstanding as of 23 May 1850.<sup>51</sup>

Following the move to redeem the outstanding small debentures, authorization was granted on 6 June 1850 to destroy the unissued notes remaining on hand and any redeemed thereafter:

... the Receiver General, ... finding that he holds in the Provincial Chest Debentures that were prepared for issue of the denomination of \$10 & \$20 to the amount of £14,375 currency; ... solicits Your Excellency's authority to enable the Committee appointed on the 4th January last to destroy the Debentures above referred to. And the Receiver General further solicits Your Excellency to authorize the said Committee to check and destroy all or any Provincial Debentures, of whatever character, which may have been heretofore redeemed and not destroyed, or which may hereafter be redeemed; and to report the same from time to time.<sup>52</sup>

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<sup>47</sup> Canada, *Province of Canada State Book*: Volume J, pp. 418-419, Archives of Ontario Microfilm MS 9, Reel 19.

<sup>48</sup> Taché, E P (1850), "Provincial Debentures," *Canada Gazette*, pp. 8464, 8571, 8628, 8680, 8725, 8769.

<sup>49</sup> Longley, R S, op cit, p. 175.

<sup>50</sup> Canada, *Province of Canada State Book*, Volume K, p. 294, Archives of Ontario Microfilm MS 9, Reel 19.

<sup>51</sup> Taché, E P (1850), "Provincial Debentures," *Canada Gazette*, 1850, pp. 8725, 8769.

<sup>52</sup> Canada, *Province of Canada State Book*, Volume K, pp. 321-322, Archives of Ontario Microfilm MS 9, Reel 19.

It is evident from the Orders of 22 May and 6 June that the possibility suggested earlier, that the \$1 (£0.5.), \$2 (£0.10.), and \$5 (£1.5.) debentures were never issued, is plausible. With respect to the 1849 version of these notes this idea is consistent with the figures for notes issued, redeemed, circulating, *et cetera* as in the published weekly reports. All of these figures are multiples of £5 and £2.10. None of the figures end with figures not divisible by £2.10. (\$10) which would have clearly indicated that debentures under \$10 (£2.10.) had indeed been issued. This same argument can also be applied to the "185\_" version of the debentures as ordered on 25 January 1850.

One question that remains unanswered is whether any debentures of the "185\_" design in any denomination, \$10 and \$20 included, were even delivered to the government. After the order of 25 January, C E Anderson sent what may have been a reminder to RWH&E on 18 March 1850. In it he stated,

I am directed by the Receiver General to request of you to forward at your earliest convenience 1000 Impressions of the \$10 plate and 1000 of the \$20 plate of Debentures of this Province.<sup>53</sup>

Unfortunately, it is not clear if this last letter was a reminder of the January order or if it was a new order. If it was a reminder then it would indicate that the \$10 and \$20 debentures in the "185\_" design had not yet been delivered.

According to the weekly reports, the amounts of debentures that were issued subsequent to the order placed with RWH&E on 25 January were £9,000 in January, £22,720 in February, £20,895 in March, £1,240 in April and £0 in May. These figures yield a total issue of £53,855 between 26 January and the decision to redeem all outstanding small debentures on 22 May and the last weekly report on 23 May. If this sum is added to the £14,375 in remaindered stock, the result is £68,230. This figure is less than the quantity ordered on 25 January, namely £80,000, comprising £15,000 in \$1, £35,000 in \$2 and \$5, £10,000 in \$10, and £20,000 in \$20 denominations. This seems to indicate that small debentures in the "185\_" design were not delivered or perhaps that just the quantity mentioned in the letter of 18 March had been delivered.

It must be noted that only £3345 in the small debentures were issued after 15 March 1850, with none issued the week of 23 March and only £1,240 issued after the 29th. Thus, if the \$10 and \$20 debentures of the "185\_" design had indeed been delivered prior to the discontinuation of the debentures themselves, then only a very small quantity would have been issued.

A resolution to the question of the delivery of the "185\_" design ultimately hinges on the meaning of the phrase,

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<sup>53</sup> Anderson, C E (1850), National Archives, RG 19, Office of the Receiver General Letterbook 1847-50, Vol. 1160, Folio 325.



Figure 4. Alexander Tilloch Galt, Minister of Finance for Canada (1867) (courtesy Metropolitan Toronto Reference Library, 920.071 T139.5, p 77).

“prepared for issue,” as used in the Order for the destruction of stocks on hand. If this phrase included all debentures, signed and unsigned then the “185\_” design could not have been delivered to the government. If, however, the government considered only signed debentures to have been “prepared for issue,” then stocks of the “185\_” design may have been delivered but had been stored away in anticipation of potential use at some future time. Perhaps the discovery of further correspondence on the subject will help resolve the problem.

Hincks’ debentures were first issued on 17 July 1848 and were intended to serve not only as a means of financing the country but also as a circulating medium in competition with bank notes. The government had great reservations about their issue and ended their use in 1850 once other means of financing became available. This left Hincks’ debentures with an abbreviated lifetime of about two to two and one-half years.

However, the legislative authority for Hincks’ low-denomination, circulating debentures was not repealed when the obligations were discontinued. The Act was later incorporated into the Consolidated Statutes of 1859 and remained in effect through to Confederation in 1867.<sup>54</sup> This, as we shall see, is significant in that it may have been the inspiration for a later, unissued, series of provincial notes.

## Alexander Tilloch Galt and the Provincial Treasury Department

In March of 1860 Alexander Galt revived Sydenham’s Bank of Issue in a modified form as a new “Provincial Treasury Department.” Galt’s remarks on introducing the proposals in the Legislature were reported by the *Toronto Globe* as follows.

A desire must exist on both sides of the House to place the currency of the country on a sound basis .... The object was to separate the currency of the country both from the banking institutions and from any possible political influence that could be exercised on it. He first drew attention to the fact, that the whole circulation was carried on through chartered banks, but there was no necessary connection on that account between banking and currency. The currency of the country properly belonged to the State, although it had generally confided the supply of the paper representative of metallic currency to other parties.

In no country had banks managed this trust with greater security to the public than here. But circumstances occurring last year showed that the security of the public had lain rather in the management than in the system itself. An advantage was gained to the country by the circulation being represented by paper rather than coin; the amount held in coin was a loss to the country because [it was] unproductive. He contended that the effect of the resolutions would be to place the available capital of the country in a better position for legitimate uses than it now occupied. He next laid down the position that any profit on currency should accrue to the benefit of the State.<sup>55</sup>

Galt formally proposed that

... no paper money intended to circulate and supply the place of coin shall be issued in Canada, unless the redemption thereof in specie on demand be guaranteed by the Province, and secured by the whole resources thereof.<sup>56</sup>

Galt called for establishment of a Provincial Treasury Department as the issuing agency for such notes, and argued that these should be the only paper money issued in the province, their profit accruing to the provincial Treasury.

The provisions of Galt’s proposals were as follows.

1. The Treasury Department was to engage exclusively in the issue and redemption of notes, the payment of interest on the provincial debt in England, and the issue of “exchequer bills” in connection with government borrowing from domestic sources.

2. For the first \$10,000,000 in circulating provincial notes one-fifth of the amount was to be secured by specie and

<sup>55</sup> Anonymous (1860), Provincial Parliament, *Toronto Globe*, 28 March, p. 2.

<sup>56</sup> Galt, A T (1860), “Resolutions on the Provincial Treasury Department” (reprinted as “Mr. Galt’s New Scheme for Increasing the Power of the Executive”), *Toronto Globe*, 24 March, p. 2.

<sup>54</sup> Canada, *Consolidated Statutes*, 1859, chap.14, Sec.10, p. 189.

one-fifth by government securities. For any amount over \$10,000,000 the full amount was to be secured by specie and securities.

3. The Free Banking Act would be repealed, with exemptions for existing banks.

4. The issue of notes by new banks would be prohibited.

5. Existing banks would lose their note-issuing privileges upon the expiration of their charters. They could also voluntarily surrender their privileges prior to the expiry date.

6. Banks using the provincial notes in lieu of their own would have access to notes on a monthly basis, the amount being equal to their average circulation in that month for the last three years. On a yearly average the amount of provincial notes issued to a bank was to not exceed one-half of their paid-up capital.

7. Banks would be required to deposit with the Treasury Department specie amounting to one-fifth of the amount of provincial notes they took and another one-fifth in government securities. On the remaining three-fifths they would be required to pay the government interest at 3% per annum, calculated daily. On any amount exceeding half of their paid-up capital the rate was to be 4%. This interest would be payable in specie, foreign exchange, or drafts on other chartered banks, at the option of the Treasury Department.

8. The bank note tax would be eliminated for banks surrendering their issue.

9. A chartered bank could deposit funds with the Treasury Department "for any amount of Provincial Notes" required by the bank beyond that to which they were otherwise entitled.

10. The Treasury Department could deposit provincial notes in any chartered bank "to be issued for the convenience of the public." On these special deposits no interest would be charged to the bank. However, the entire "proceeds" of such notes were to be paid to the Treasury Department.<sup>57</sup>

The net effect of Galt's proposals would have been the establishment of a government bank of issue. The expressed intent of the plan was eventually to replace all Canadian banknotes with a single provincial currency as a means of securing and stabilizing Canada's monetary system. However, the last item of the provisions, as describe above, also allowed for the issue of paper over and above that required by the banks. Of this excess issue, 60% would have been backed by the "resources" of the Province of Canada. In effect, this would have been an interest-free loan from the population of the country. In addition, the government would have profited from the use of the provincial notes by the country's chartered banks.

Galt's plan differed from Sydenham's in one important respect. Under Sydenham's "Bank of Issue" plan, the entire issue of the government paper would have been secured by specie or government securities deposited by the banks.

<sup>57</sup> Ibid.

Under Galt's plan only 40% of the issue would have been secured in this manner.

As with the previous attempts to float a government bank, Galt's scheme met with vigorous protest. Among the arguments against the project were the following.

■ It did not guarantee security against fraudulent banks, merely transferring the losses to the government.

■ The failure of two banks the previous year did not justify the imposition of such extreme measures on legitimate and secure banks.

■ The resources and profits of the chartered banks would be markedly reduced. This would result in the closing of branches and the winding-up of smaller banks.

■ There would be excessive government interference in, and control over, the banking system.

■ The proposals gave the government unlimited power to issue paper money.<sup>58</sup>

In the face of strong opposition, Galt's Treasury Department proposals never advanced beyond the stage of "resolutions." They died in Parliament on 18 May 1860, before even attaining the status of a Bill.<sup>59</sup>

## Mystery Notes of the 1860s

At some point during the period 1860-65, plates were prepared for notes of the design illustrated in figures 5, 6, and 7. The timing of these notes is suggested by the partial date of "Quebec \_\_\_\_\_ 186\_" as the seat of the provincial government was located in Quebec City during this period.

A possible inspiration for these notes may lie in the legislative authority granted in 1849 for Hincks' issue of circulating debentures. As noted above, this Act was not repealed and remained in effect through the 1860s as part of the Consolidated Statutes of 1859. This Statute permitted the government by means of an Order in Council to issue up to \$1 million in reissuable debentures of any denomination under \$40.<sup>60</sup> The Statute provided that,

Such Debentures may be made payable on demand or at any time after date, and with or without interest, and may be receivable in payment of moneys payable to the Provincial Government generally, — or in payment of such duties or dues, and by such Officers or Departments, and upon such terms and conditions, as the Governor in Council may from time to time appoint....<sup>61</sup>

<sup>58</sup> Anonymous (1860a), "The Bank of Issue," *Toronto Globe*, 27 March, p. 2; (1860b) "The Bank of Issue," *Toronto Globe*, 28 March, p. 2; (1860c) "Mr. Galt's Last Scheme," *Toronto Globe*, 31 March, p.2; (1860d) "The Bank of Issue," *Toronto Globe*, 3 April, p. 2; (1860e) "The Treasury Department and the Banks," *Toronto Globe*, 5 April, p. 2.

<sup>59</sup> Anonymous (1860f), "The Bank Act," *Toronto Globe*, 2 April, p. 2; (1860g) "The Bank of Issue," *Toronto Globe*, 5 April, p. 2.

<sup>60</sup> Canada (1859), *Consolidated Statutes*, Chap. 14, Sec. 10.

<sup>61</sup> Ibid.



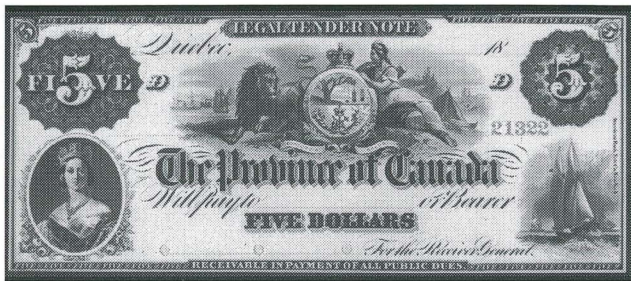


Figure 5. Proof of a \$5 essay, possibly for 1862 (courtesy of the National Currency Collection, Bank of Canada, photo by Zagon).



Figure 6. Proof of a \$10 essay, possibly for 1862 (courtesy of the National Currency Collection, Bank of Canada, photo by Zagon).

The “186\_” notes of the type illustrated in figures 6, 7, and 8 correspond with the above quoted statute in three important aspects. No rate of interest is specified on the notes. The notes are inscribed with the legend “Receivable in Payment of All Public Dues.” Finally, no due date is specified on the notes, suggesting that, barring any legislation to the contrary, they were payable on demand. These three aspects also correspond to the design or intent of the \$1, \$2, and \$5 deonominations of the 1848-50 series of provincial debentures.

The inscription “For the Receiver General” at the lower right of the “186\_” notes appears to preclude their use as part of Galt’s 1860 Treasury Department proposals. This new department would have been administered by its own governors and not the Finance Department of which the Receiver General was a Minister.<sup>62</sup>

A perusal of the budget speeches from the period 1860-65 yields a possible plan that could have been the origin of the “186\_” notes. In the budget speech of 16 May 1862, Galt reportedly proposed,

... to constitute a Colonial Provincial Debt ... and to ask the authority of the House to do so to the extent of \$4,000,000 bearing a rate of interest not exceeding 5 per cent, and that the form in which it should be issued should be that adopted by the English Government, viz: the form of Exchequer Bills.... while these Exchequer bills will be payable at two years’ date, I propose in connection with this to introduce a new feature, one calculated, I think, to give them much greater currency. I propose that these bills should be redeemable on ten days’ notice.... The result of this, I think, will be that the bills will always maintain themselves at par, unless in the improbable event of the country being placed in such a condition, as that its credit would permanently suffer. If they are maintained at par, as I think they will be, they will pass from hand to hand, and no demand will be made on the Government till the expiration of the two years, when the position will not be so much that the holders will desire to get their money, as that the Government will have to consider whether it will be better to redeem them, or to fund them, or to issue other bills in their

<sup>62</sup> Galt, A T (1860), “Resolutions on the Provincial Treasury Department,” reproduced in “Mr. Galt’s New Scheme for Increasing the Power of the Executive,” *Toronto Globe*, 24 March, p. 2.

stead at a lower rate of interest. I shall ask the House to give me authority to issue an amount not exceeding \$4,000,000 of Exchequer bills of the character I have mentioned. I am satisfied, from the experience I have had during the last few years, that the proposition will be favourably received by the whole mercantile and monied community, and that they will consider it a great boon to have this amount of currency circulated in Canada.<sup>63</sup>

It is evident in Galt’s comments that he intended his exchequer bills to circulate as a currency. As such they would have likely been issued in the same small denominations as Hincks’ 1848-50 debentures.

Galt’s exchequer bills may have been intended to take the form of the “186\_” notes. The notes, however, make no reference to a two-year term, nor to the rate of interest, nor to being payable on demand at ten days’ notice. The absence of these details in the design illustrated in figures 5, 6 and 7 could indicate that the notes were essays or that the government sought to have these government notes resemble banknotes as closely as possible. The latter would have been in keeping with Galt’s desire for his notes to serve a currency.

Galt may have intended to invoke the 1859 Statute in issuing his new currency. It is more probable, however, that some modification was proposed as the \$4 million he intended to issue was four times the amount authorized by the existing Statute. Legislation would have also been required formally to set up the “Colonial Provincial Debt” and, presuming that the “186\_” notes originated from this plan, to make the notes “legal tender” as indicated by the legends on the proofs.

Galt’s 1862 plan never materialized as his government was defeated in a vote on a militia Bill on 20 May and resigned the next day.<sup>64</sup> On 24 May a new administration was sworn in with W P Howland as Minister of Finance.<sup>65</sup> The new government made no use of Galt’s proposal for exchequer bills, issuing instead debentures of the more usual form.<sup>66</sup>

<sup>63</sup> Anonymous (1862a), “Provincial Parliament,” *Toronto Globe*, 23 May, p. 1.

<sup>64</sup> Anonymous (1862b), “Defeat of the Ministry,” *Toronto Globe*, 21 May, p. 2.

<sup>65</sup> Anonymous (1862c), “Latest from Quebec,” *Toronto Globe*, 24 May, p. 2.



Figure 7. Proof of a \$20 essay, possibly for 1862 (courtesy of the National Currency Collection, Bank of Canada, photo by W D Allan).

Another possible source of the “186\_” notes occurred in mid-1865 when Galt again suggested the introduction of a government paper currency. However, his proposal was postponed by fellow members of the Executive Council. As a result, the proposal was not included in his budget speech of 29 August.<sup>67</sup> The reason for the Council’s reluctance was detailed in a private letter of 16 August which Galt sent to the Province’s financial agents in London:

I have found it impossible to obtain the consent of my Colleagues, to the introduction this Session, of the measures I wished, respecting the Currency of the Country, and as we shall not meet Parliament again before March, I am obliged to propose a change in the arrangements by which I expected to settle your balance this year...

The government are not adverse to the issue of notes, but it is feared it might increase our difficulty with the lower provinces, and we are therefore trying to postpone every thing of that character in the hope of having their assent before we meet our Parliament again.<sup>68</sup>

Whether or not such assent was received is as yet unknown to this author. However, Galt’s 1865 proposal eventually resulted in the issue of Provincial Notes in October of 1866.

Either of Galt’s 1862 or 1865 proposals may have been the origin of the “186\_” notes. Unfortunately, no definite link to either of the two schemes has yet been found. It is possible that another as yet undiscovered scheme was formulated some time in the first half of the 1860s as contingency against difficulties in raising funds by other means.

<sup>66</sup> Canada (1862), *Statutes*, 25 Vic., 1862, Chap. 3. Canada, Orders in Council dated 10 June and 24 October, *Province of Canada State Book*: Vol. X, pp. 289, 619-620, *Province of Canada State Book*, Vol. Y, pp. 122-123, Archives of Ontario, MS 9, Reel 24. Harington, T D, and Morris, J (1862), Letters to George Matthews dated 15 October, 17 November, 1 December 1862, National Archives, RG 19, Vol. 1177, p. 641, Letter 667; p. 654, Letter 691; p. 668, Letter 723.

<sup>67</sup> Galt, A T (1865a), *Speech of the Honorable A.T. Galt, Minister of Finance, On Supply*, 29 August 1865, Hamilton: T. & R. White, 1865, CIHM #23212; (1865b), Letter to G G Glyn dated 16 August, National Archives, MG 27 I D8, Galt Papers, Vol. 10 (part 1), Folios 137-138.

<sup>68</sup> Galt, A T (1865b), Letter to G.G. Glyn dated August 16th, 1865, National Archives, MG 27 I D8, Galt Papers, Vol. 10 (part 1), Folios 137-138.

## The Quest Fulfilled: Galt and the Provincial Notes of 1866

The successful introduction of a government paper currency did not occur until 1866. In that year a total debt of \$5,117,000 was coming due. This debt consisted of a “floating debt” of \$3,228,000, of which \$3,152,000 was due in England on 1 October, and \$1,889,000 in debentures, of which \$1,500,000 were three-year notes held by the Bank of Montreal.<sup>69</sup>

In his budget speech of 26 June 1866, Galt announced that the government was unable to raise funds overseas at acceptable terms and was forced to raise money in Canada by means of a paper currency:

... We have only one course left us to pursue, and that is to raise it from Canadian resources in Canada. (Hear.)

There is only one way in which we see that the difficulty can be surmounted, which is by resuming for the Province a portion of the credit it has hitherto given to the Chartered Banks of the country. (Hear.) I think, sir, the time has arrived when we must assume a sufficient portion of the circulation to enable us to meet the liabilities we now have to provide for, and it is somewhat fortunate that we are thus compelled to consider this question of the currency before the expiration of the bank charters in 1870. Were we to allow matters to go on until then, without dealing with the question, it would be found next to impossible to resume the privilege which has been conceded to the banks. If now, however, we are able to take a portion of the currency into our own hands — not making it irredeemable but redeemable in gold — I think we may be able to submit to the monetary institutions of the country such conditions as will induce them very shortly to surrender their power of issuing circulation altogether, and we may look forward to the establishment, within the Province of Canada, of a currency which will be based on the security of the public, and will give to the bill-holders such guarantees as will not expose them to the financial depressions and panics which have frequently arisen in other countries.<sup>70</sup>

A draft of the proposed legislation was presented to a meeting of bankers held on 29 June at the Bank of British North America in Montreal. This draft proposed,

the issue of Provincial notes payable on demand, of such denominations as may be determined upon, to an amount not exceeding five millions of dollars, and to reissue the same. Such notes shall be a legal tender, and shall be redeemable in specie on presentation at the offices to be established at Montreal and Toronto...

It shall be lawful for the Governor in Council, over and above the five millions hereinbefore authorized, and the amount necessary to redeem the Debentures held by the Banks

<sup>69</sup> Galt, A T (1866a), *Speech of the Honorable A.T. Galt, Minister of Finance of Canada, in Introducing the Budget*, June 1866. Ottawa: Hunter, Rose & Co., pp. 26-28, CIHM #45401.

<sup>70</sup> Ibid.

surrendering their circulation, to cause Provincial notes to be issued to any chartered bank in this Province, from time to time, upon its requisition and upon payment for the same...<sup>71</sup>

A number of other significant items appeared in this draft. One was the possible establishment of branches of the Receiver General's Office in Montreal and Toronto to issue and redeem the notes. Another was a provision to make arrangements with one or more chartered banks to act for the government in lieu of the proposed branch offices. There was also provision for any chartered bank to surrender its right to issue its own notes. The exchange for provincial notes of the long-term debentures held by the bank would be a condition of its charter. The specie reserve held as security would be 20% for the first \$8 million, 33 1/3% for the excess from \$8 million to \$15 million, and 50% for the excess over \$15 million. The difference would be secured by debentures held by the Receiver General.<sup>72</sup>

These items were altered in the final Act as follows. The total amount of the note issue was limited to \$8 million, and 20% of the first \$5 million was secured by specie with 25% for any excess.<sup>73</sup>

Under Galt's plan the specific benefits for the banks included exemption from the penalties provided by existing usury laws, and from the requirement that they hold long-term government debentures to the value of one-tenth of their capital. Banks would also benefit from payment for the debentures at face value when they sold on the open market at a 25% discount, and from an annual payment of 5% of the total value of their notes in circulation prior to acceptance of the government's proposition. For providing issue and redemption services, the banks would receive a quarterly commission of 1/4% of the average value of provincial notes in circulation. They would also be exempted from the tax on banknote circulation in excess of the total value of gold, silver, and debentures held on deposit. Finally, they would no longer need to keep specie in reserve to back their own notes.<sup>74</sup>

Accompanying Galt's draft on 29 June was a suggestion to the banks that the hated government currency could be avoided altogether if the they would collectively agree to purchase provincial debentures to the total sum of the five million due. Of all the banks only the Bank of Montreal supported this alternative to the provincial currency. Galt noted this in the Legislative Assembly on 3 August 1866, as reported by the *Toronto Globe*:

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<sup>71</sup> Galt, A T (1866b), "Resolutions regarding provincial notes," as reproduced in "Mr. Galt's Resolutions on Legal Tenders," *Montreal Herald*, 3 July, p. 2.

<sup>72</sup> *Ibid.*

<sup>73</sup> Canada (1866a), *Statutes*, 29-30 Vic., 1866, Chap. 10.

<sup>74</sup> Galt, A T (1866b), "Resolutions regarding provincial notes," as reproduced in "Mr. Galt's Resolutions on Legal Tenders," *Montreal Herald*, 3 July, p. 2; Anonymous (1866a), "The Government Legal Tender Scheme," *Toronto Globe*, 29 August, p. 2.

... It was evident that this large sum could not be procured by additional taxation, and it became necessary for the Government to adopt some other mode of raising that amount. Well, on enquiry, it was ascertained from the manager of the Bank of British North America, and managers of other Banks, that the Government could not obtain the amount needed from those institutions by borrowing. The Bank of Montreal had acted most liberally in this matter, and, with its usual desire to meet the convenience of the Government, had offered that if other banks advanced \$4,500,000 to meet requirements, to make up the remaining \$500,000.<sup>75</sup>

Further details of the discussions between Galt and the banks appear in a letter of 4 July 1866 to the Finance Minister from E H King, General Manager of the Bank of Montreal, reporting that the bank's directors,

... approve of the view I expressed with reference to the unfairness to the Bank of Montreal as compared with other Banks, of the mode of computing the average circulation, for the surrender of which the Government propose to pay compensation. I am at the same time to express the gratification of the Directors at finding that the Government do not contemplate assuming the function of bankers as lenders of money in any way. With reference to suggestions made at the last meeting [of Bank Managers held at the Bank of British North America], that the banks should contribute in proportion to their paid-up capital by taking six per cent. Debentures from the Government, payable in one and two years, and that the issue of Provincial Notes should thereupon be abandoned. You are aware that I consider it hopeless to expect such unanimity from the banks, but in case I am mistaken, I am authorized to say that the Bank of Montreal has so large an interest in the maintenance of the Provincial credit apart from the temporary and short loans maturing during this year, that it will willingly contribute its proportion to such a scheme, if the other banks do likewise.

If all the banks contribute fifteen per cent. of their paid-up capital, it will yield about \$4,500,000, and I am further authorized to say that this bank will make up the additional half million of dollars that you require, when the other banks have actually paid their contributions. Failing this arrangement, my opinion remains unchanged, that if this money must be obtained from Canadian sources, the only prospect the Government has of securing it is by an issue of Provincial Notes redeemable in specie. It is quite the same to the banks whether the money is obtained from their circulation, or their deposits, and by the issue of notes the Government deprives the banks of an effectual opposition they could offer by paying higher rates of interest for their deposits rather than allow them to be withdrawn for investment in Provincial Debentures. The directors are aware that the easiest solution of the present difficulty would be found in the surrender by the Bank of Montreal of its probable circulation of between three and four millions of dollars after harvest, and the obtainment of the balance without inconvenience to the other Banks by absorbing a portion of their natural increase of circulation at the same period. I am,

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<sup>75</sup> Anonymous (1866b), "Provincial Parliament," *Toronto Globe*, 4 August, p. 2.

however, to state that the Directors cannot see their way to such an arrangement under the proposed resolutions, nor would they feel justified in entertaining it even were the terms of the proposed resolutions modified, unless there was a proviso leaving it open to any Bank surrendering its circulation, to resume it again after reasonable notice, upon repayment of the Provincial Notes obtained for debentures and surrender of its compensation, in case such Bank should consider it expedient for the maintenance of its business.<sup>76</sup>

Of significance in this letter was the Bank of Montreal's tentative support for the issue of government currency provided that resumption of its own notes would be allowed should circumstances demand it. Galt took up the Bank of Montreal's offer and commenced negotiations. These concluded with acceptance on 31 August of a formal proposition that the government had approved by Order in Council two days earlier.<sup>77</sup> The government preferred use of this bank as its agent as a cost-saving measure over the establishment of its own offices. To allay the fears of the public and other banks, provision was made for the issue of debentures to reduce the value of the government currency in use. On 3 August 1866, Galt spoke in the House.

He contended that the Government had shown no desire to interfere improperly or injuriously with the banking institutions of the country. He was of the opinion that it would be most convenient and advantageous, if possible, to make an arrangement with the Bank of Montreal for the issue of these notes. He had not yet concluded such an arrangement, but hoped to be able to do so now. If [the] Government issued these notes without the intervention of the Bank of Montreal, which at present held \$600,000 of Provincial debentures, they would have to send out \$7,133,000 to provide the five millions wanted, and to redeem these debentures and provide the reserve of specie necessary as security. He argued that this arrangement with the Bank of Montreal would save the Government at least \$100,000, while it would not interfere with the circulation of the other banks; and also, that the \$1,600,000 specie to be held by [the] Government, would be a release of so much held by banks, which would be the whole amount of the displacement. The whole specie to be held in the country could be reduced to \$6,000,000 or \$7,000,000.

... He went on to argue that this scheme would in no way increase the political power of the Government, as it could exercise no control in the matter; we would not be taking the position of lenders and borrowers, but would simply be using the machinery of one bank to borrow the money from our own people...<sup>78</sup>

It is not known when the Canadian government first contacted the American Bank Note Company (ABN) in New York for the production of the plates used to print the

provincial notes. What is known is that shortly before 18 August 1866, the Auditor General, John Langton, travelled to New York to negotiate with ABN for the transfer to Canada of what the Toronto *Globe* described as "certain plates in their hands partially engraved."<sup>79</sup> This presumably refers to the plates for the 1860-65 notes, discussed above.

The negotiations with ABN were successful and the terms of the resulting agreement were embodied in a letter of 25 August that ABN's Vice-President, John Gavit, sent to John Langton, Canada's Auditor in Ottawa:

Referring to your proposals to this Company, under the date of 21st inst., in reference to the plates already engraved for the proposed issue of Provincial notes, and in accordance with the verbal arrangement made subsequently by yourself as the representative of the Government of Canada and myself on the part of this Company, I beg to submit, for the official approval of your Government, a detailed statement of the said arrangement, and which I beg of you to have ratified as early as possible in order that the work shall be furnished without delay.

It is agreed on the part of the Company that the plates shall be prepared for the use of the proposed issue of Provincial notes, viz., 8,000,000, and whatever further amount that may be required, and shall be furnished to the Government of Canada at the rate of \$600 for each face-plate and \$250 for each back-plate, and to be re-touched for one-half the original cost. The number of impressions to be printed from each of the plates before re-touching to be 25,000 and after re-touching 20,000 after which the said plates are to be cancelled by this Company or its representative, and (quoting from your proposals) 'The plates will always be in the custody of an officer of [the] Government,' and it is 'pledged on behalf of the Canadian Government that no use shall be made of the plates excepting to take off impressions, and that any additional copies of the plates which may be required for this issue beyond those now to be furnished, shall be furnished by the American Bank Note Company.'

The terms of payment to be \$600 and \$250 respectively in gold, subject to a deduction of one-half the current rate of exchange. The plates prepared for fractional currency for the Government of Canada, to be paid for by the Government, and to be subject to the same conditions if used, as heretofore enumerated, or to cancelled if not required for future use.

It is further understood and agreed, in accordance with our mutual arrangement, that all plates heretofore engraved by this Company for the use of the Government of Canada, are to remain in the possession of this Company, and all work required from the same is to be executed by this Company, until the proposed Confederation of the Provinces shall take place, at which time all of said plates are to be cancelled.<sup>80</sup>

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<sup>76</sup> King, E H (1866), *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #21, pp. 6-7.

<sup>77</sup> Canada (1866b), Order in Council of 29 August, *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #21, pp. 1-3.

<sup>78</sup> Anonymous (1866b), "Provincial Parliament," *Toronto Globe*, 4 August, p. 2.

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<sup>79</sup> Anon (1866c), "Latest from Ottawa," *Globe*, 20 August, p. 2.

<sup>80</sup> Gavit, J E (1866), *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #47, pp. 1-2.

This letter was followed by a second, on 1 September, in which Gavit clarified the meaning of the last paragraph. It is addressed to W P Howland, Acting Minister of Finance.

In order to remove any ambiguity in the clauses referred to in your Letter [of 29 August], I quote from the written proposal submitted by Mr. Langton under date of Aug. 21st, and accepted by this Company, viz: "I propose therefore, that the American Bank Note Company shall make such alterations in the existing plates, as shall adapt them to the present scheme, and that they shall prepare a sufficient number of plates to strike off the contemplated issue of eight millions of dollars." The last clause in my letter of August 25th should have excepted the plates now being prepared for your Government; It was clearly understood that they were not to be included in the agreement guaranteeing to this Company the printing from all plates heretofore engraved by the Company for the Province of Canada.<sup>81</sup>

This September letter is significant since it shows that the plates, as the *Globe* reported, were already in existence at the time Langton visited New York. The letter of 25 August indicates that plates had also been prepared for *fractional notes*. The nature of these notes and what became of their plates are not known.

Pending the arrival of the letter of 25 August, Langton had directed ABN to make several significant alterations to the fully and partially completed plates. These changes were detailed in a letter he wrote to Gavit on 27 August:

Upon my return to this city I had expected to find a letter from you embodying the agreement which we came to in New York. As soon as I receive such a letter I will reply to it officially, so as to place our agreement on record; but in the meantime we must act upon it. The alterations which I want made in the plates are the following:

- (1) The words "Receivable in payment of all public dues" to be omitted in all the plates.
- (2) The words "Legal Tender note" to be omitted and the words "authorized by 29&30 Vict. c.10" inserted instead.
- (3) The first signature to be omitted so that the note will read. The Province of Canada will pay ten dollars to bearer.
- (4) The signature for Receiver General to be engraved. I enclose the signature of T.D. Harington.
- (5) Room to be made for another [signature?] headed "Countersigned for Provincial Agent."
- (6) The date to be [two illegible words] Oct 1st 1866. When speaking to you of these changes I proposed that 1/4 to 1/3 of the notes [illegible word] have the date Toronto inserted instead of Quebec and the remainder Montreal. It is a matter of no great consequence and if the change has been made in any of the plates let it stand; but if not I would date them all Ottawa.

(7) The proportion in which we shall want the different denominations will be

one dollar		\$1,000,000
two	"	\$2,000,000
five	"	2,500,000
ten	"	1,500,000
twenty	"	1,000,000

It would appear therefore that we should require about six plates of ones & twos & the others in the same proportions. I do not wish to have more prepared in the first instance as we may find it necessary to modify the proportions of the [illegible word] denominations as above given.... Be good enough therefore to let me know approximately how long after we had sent an order for a new plate, it would be supplied to us.

I wish that as fast as you can get any plates ready, [two illegible words] send them to us, [illegible word] waiting for the completion of [illegible word] and the fives and tens are the denominations which we are most anxious to commence with.<sup>82</sup>

This letter indicates that the design used for the 1866 provincial notes was simply a modified version of an earlier, unissued design. A discussion of the possible origins of these unissued notes was presented above.

Pending the final modification and preparation of the plates and their shipment to Canada, provision was made to overprint chartered bank notes as provisional provincial notes. The authority for this was granted by Act 29-30 Victoria, Chapter 10, as passed by the Legislative Assembly and Council on 10 and 11 August, respectively, and given Royal Assent on 15 August. The relevant section of the Act states,

... inasmuch as some time must elapse before Provincial notes specially engraved and prepared for the purposes of this Act, can be ready for use, — therefore the Governor in Council may authorize the notes of any Bank or Banks which may have surrendered its or their power to issue notes to be used as such Provincial notes, until a sufficient number of new notes shall be prepared and ready for use; the Bank notes so used as Provincial notes being numbered, signed, stamped or otherwise marked in such manner as the Governor in Council shall direct, so as to identify them as Provincial notes, which they shall be held to be for all purposes of this Act, while so used, and shall cease to be notes of the Bank or Banks by which they were originally issued or intended so to be.<sup>83</sup>

The next reference to these provisional notes, thus far discovered, occurs in a letter of 23 August to the Minister of Finance from the general manager of the Bank of Montreal:

<sup>82</sup> Langton, J (1866), National Archives, RG 58, B, Audit Office Letterbook, Vol. 4, Folio 492, Microfilm Reel T2280.

<sup>83</sup> Canada (1866a), *Statutes*, 29-30 Vic., chap. 10.

<sup>81</sup> *Ibid*, p. 2.



Figure 8. \$4 provisional note of 1866, overprinted on a \$4 Bank of Montreal of 1859 (courtesy of the National Currency Collection, Bank of Canada, photo by J Haxby).



Figure 9. \$5 provisional note of 1866, overprinted on a \$5 Bank of Montreal of 1962 (courtesy of the National Currency Collection, Bank of Canada, photo by J Haxby).

... I think it would facilitate you to obtain a general power under Order in Council, tomorrow, to make arrangements for the temporary issue of Bank of Montreal Notes, stamped as Provincial Notes, in such manner as you may direct, and power to appoint such officers of the Bank as may be necessary for the purposes of the Receiver General, to sign or initial such notes before they are handed to the Bank for circulation. I hope that you will get that done tomorrow; and, if you telegraph me that it is so arranged, I will set the under noted officers to work, initialling the notes for the Receiver General, as fast as we can get them out of the engraver's hands. I will also expect an officer of the Government here by Saturday, who can assist in the initialling, and make delivery to the Bank as the notes are completed...<sup>84</sup>

The Minister responded immediately and on the following day the bank submitted examples of the provisional notes for approval. The covering letter, dated 24 August, noted,

I am in receipt of your telegram, and in compliance therewith send you one note of each of the following denominations, \$1, \$2, \$5, \$10, \$20, \$50, \$100, stamped as agreed on. I may remark that we will have to use notes of different patterns, and I presume what you require is merely to show the stamp and mode of placing it on the notes, and I hope the Order in Council will admit of that interpretation, or we may encounter a difficulty. Please observe that the enclosed notes are not cancelled, and it may be well, if not returned to the Bank, to mark them in some way as specimen notes only, and not for circulation.

I trust that we may never have to use our notes as Provincial Notes, or at best but for a short period, and it will be a satisfaction to learn that Mr. Langton has made arrangements for the rapid preparation of the regular Provincial Notes....<sup>85</sup>

Of significance in this letter is the presence of \$1 and \$2 denominations among the samples. As far as is known, these items were never issued. The absence of the \$4 denomination indicates that it was a later addition to the series. Examples of the \$4 and \$5 denominations are illustrated in figures 8 and 9. Another important implication of the letter just quoted is that the Bank of Montreal initially intended to overprint

newly printed stock as opposed to existing supplies of issued or unissued notes. This use of new notes was also given by a passage from a letter dated 31 August from the Bank of Montreal to the Minister of Finance:

The Directors also desire me to state that they will expect payment of the actual cost of the new notes of the Bank, which are now being stamped as Provincial Notes, and thereby becoming the property of the Government.<sup>86</sup>

The examples of the provisional notes were returned by the government on 28 August 1866. The covering letter, which confirms that the omission of the \$4 note in the previous letter was not an error, acknowledges,

receipt of your favor of the 24th inst., enclosing \$188 of the Bank of Montreal Bills, stamped.

The Order in Council was prepared without reference to the notes, I therefore return them herewith. I hope we may obtain our plates in time, and avoid the use of stamped notes.<sup>87</sup>

It is unfortunate that the Minister did not keep the provisional notes. Had they not been returned we probably would now possess key artifacts of the history of Canada's paper money.

An Order in Council authorized issue of the provisional notes to begin on 15 September 1866,

... the whole amount to be issued not to exceed \$8,000,000, as provided by the Act, less such amount as shall be ascertained to have been paid up to September 10, inclusive, on tenders for Debentures bearing 7 per cent interest.

That pending the completion of the Provincial Notes now in the course of execution, notes of the Bank of Montreal, stamped and initialled as herein described, shall be declared to be Provincial Notes within the meaning of the Act.<sup>88</sup>

The actual issue of the provisional notes appears to have not occurred until the first week of October. This is derived from a ledger in the National Archives that indicates that the first weekly return of notes issued was made on 10 October

<sup>84</sup> Ibid, p. 9.

<sup>85</sup> Howland, W.P., *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #21, p. 9.

<sup>86</sup> Canada (1866c), Order in Council dated September 13th, *Sessional Papers*, Vol.1, 31 Vic., 1867-68, Paper #21, pp. 3-4.

<sup>84</sup> King, E H (1866), *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #21, pp. 7-8.

<sup>85</sup> Ibid, p. 8.

1866.<sup>89</sup> The weekly returns by the Bank of Montreal were required by both the Provincial Note Act and the agreement between the government and the bank.<sup>90</sup>

The first delivery to the Canadian government of the ABN plates for the regular provincial notes occurred on or shortly before 11 September 1866. We can infer this from the following acknowledgement by Harington at the Receiver General's Office on that date, addressed to C L Vanzandt at ABN.

I have recd. by Express the box advised in your letter of the 7 Inst. and containing:

2 Plates 1. 1. 1. 1.

2 "2. 2. 2. 2.

2 "10. 10. 10. 20.

3 "5. 5. 5. 5.<sup>91</sup>

Further acknowledgements were made on 12, 19 and 27 October. A total of 34 plates were delivered, comprising three face and three back plates for each of the \$1 and \$2; three face and three back plates for the \$5 notes; and two face and two back plates for the combined \$10 and \$20 sheets.<sup>92</sup>

Following their receipt by the government, ABN's plates were transferred to the British American Bank Note Company (BABN) who did the printing. BABN also engraved face and back plates for \$50, \$100, and \$500 notes as well as tint plates for all of the denominations. The printing of the provincial notes appears not to have begun until 22 October 1866, or shortly after. This date is given in the *Public Accounts* as follows:

T.D. Tims:

—For salary as Government Superintendent British American Bank Note Company, from 22nd Oct., 1866, to 30th June, 1867, at \$400 per annum...\$277.17.<sup>93</sup>

This was also the date on which approval was given to the Order in Council governing the supervision of BABN's government work.<sup>94</sup> Likewise, in a draft of a letter of the same date addressed to the Bank of Montreal the Minister of Finance commented, "We shall have the first notes completed tomorrow and there will be no further delay. The contractors are now in a position to strike off and complete them rapidly...."<sup>95</sup>

<sup>89</sup> Anonymous (1866), National Archives, RG 19, D5(p), Vol.2487, p. 109.

<sup>90</sup> Canada (1866a), *Statutes*, 29-30 Vic., 1866, Chap. 10; Canada (1866b), Order in Council of August 29th, 1866, *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #21, pp. 1-3.

<sup>91</sup> Harington, T D (1866), National Archives, RG 19, Office of the Receiver General Letterbook, Vol. 1178, p. 413, Letter 972.

<sup>92</sup> Ibid, p. 421, Letter 998; p. 423, Letter 1005; p. 426, Letter 1014.

<sup>93</sup> Canada (1866), "Public Accounts 1866-67," *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #2, p. i41.

<sup>94</sup> Bouchette, R S M (1866), Order in Council dated 22 October 1866, *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #47, pp. 7-9.

<sup>95</sup> Howland, W P (1866a), National Archives, RG 19, Minister of Finance Letterbook, Vol. 3376, Folios 641-643.

It seems that the Minister had been overly optimistic as his comment was deleted from the final version of the letter and the first shipment of the regular provincial notes was not made until a week later. Notice of this shipment was given to the bank in a letter of 29 October, in which the Minister stated,

I shall send you the first parcel of new notes by special messenger tomorrow, and apprehend no difficulty in being able to forward them henceforth as fast as you may require them.<sup>96</sup>

T D Harington's covering letter for the shipment on 30 October, addressed to R B Angus, Manager of the Bank of Montreal, read,

I have the honor to forward by Mr. Patterson Special Messenger, as follows vizt:

Nos. one to four thousand of five dollars each, four on a sheet equal to eighty thousand dollars. They are made up in two parcels containing each two thousand sheets and for which I request your acknowledgement.<sup>97</sup>

Subsequent to this first delivery of \$5 notes, the first shipments of other denominations were,

\$1 notes — November 1st

\$2 notes — November 9th

\$10 notes — November 5th

\$20 notes — November 5th<sup>98</sup>

As of 13 November 1866 the Bank of Montreal had been shipped a total of \$502,000 in regular provincial notes, consisting of 28,000 of the \$1 notes, 8,000 of the \$2 notes, 52,000 of the \$5 notes, 12,000 of the \$10 notes, and 4,000 of the \$20 notes.<sup>99</sup>

With respect to the \$50 and \$500 the dates of their first shipments has not yet been precisely determined. The first covering letter that mentions the \$500 denomination was dated 26 November. Unfortunately, however, it does not give the serial numbers of the 2500 notes enclosed and an earlier letter of 20 November gives no details at all as to the denominations and quantities enclosed. It is also possible that there were other shipments whose covering letters were not recorded in the official letterbook. Mention of the \$50 notes was not made until a shipment of 6000 on 17 January 1867, but the same uncertainty applies to this note as to the \$500.<sup>100</sup>

The \$100 regular provincial note was never issued.<sup>101</sup> This is reflected in a letter of 29 October 1867 to the Bank of

<sup>96</sup> Howland, W P (1866b), *Sessional Papers*, Vol. 1, 31 Vic., 1867-68, Paper #21, pp. 11-12.

<sup>97</sup> Harington, T D (1866), National Archives, RG 19, Vol. 1178, p. 427, Letter 1016.

<sup>98</sup> Ibid, p. 428, Letter 1020A; pp. 430-431, Letter 1028; p. 433, Letter 1034.

<sup>99</sup> Ibid, p. 434, Letter 1036.

<sup>100</sup> Ibid, pp. 437-438, Letter 1042; p. 443, Letter 1052; p. 444, Letter 1053; p. 476, Letter

Montreal in which the Deputy Receiver General states, "You have not asked for any supply of 100's. I have them on hand."<sup>102</sup>

Once a sufficient number of the regular issue of the provincial notes had been delivered to the Bank of Montreal, the Receiver General ordered the recall of all of the provisional notes. In a letter of 15 December 1866 to E H King, the Bank of Montreal's General Manager, Harington states,

I am directed by the Receiver General to call your attention to the amount of "Provincial Notes" now in possession of your Bank, of the various denominations, being over \$5,000,000 of value and to request you to call in all the "Legal Tender Bills" of your Bank now in the possession of your different branches throughout the Province and forward them to this Department for writing off and destroying.<sup>103</sup>

Subsequently, on 19 December, Harington wrote the Bank of Montreal's T R Christian to ask them to deface all of the recalled notes before shipping them to the Receiver General:

In reply to your letter of yesterday for General Manager, I have to request you as a measure of safety to have the "Legal Tender Notes" stamped "cancelled", or otherwise defaced, before sending them to this office, taking care that each may be identified here. Be good as to make use of the Express company in sending them, as valueless, and the charges can be collected here, on delivery of the parcels....<sup>104</sup>

The receipt of the first parcel of returned provisional notes was acknowledged by the Deputy Receiver General on 3 January 1867.<sup>105</sup> The covering letters for this and many subsequent shipments list quantities of \$4 notes as part of their contents. None have been found that mention \$1 and \$2 notes. Unfortunately, a few of the letters do not give details of the denominations included.<sup>106</sup> Despite this, it appears that, for reasons unknown, these two denominations were not issued as provisionals.

The successful introduction in 1866 of Galt's Provincial Notes marked the beginning of a permanent government paper currency in Canada. Following Confederation, the Province of Canada notes were adopted as a Dominion currency and thus became the origin of our present Canadian paper money.<sup>107</sup>

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<sup>101</sup> Allan, W D, ed (1993). *The Charlton Standard Catalogue of Canadian Government Paper Money* Toronto: The Charlton Press, p. 69.

<sup>102</sup> Harington, T D (1866), National Archives, RG 19, Vol. 1178, p. 595, Letter 1311.

<sup>103</sup> *Ibid.*, pp. 461-462, Letter 1085.

<sup>104</sup> *Ibid.*, p. 466, Letter 1094.

<sup>105</sup> *Ibid.*, p. 471, Letter 1103.

<sup>106</sup> *Ibid.*, p. 471, Letter 1103; p. 473, Letter 1107; p. 476, Letter 1112; p. 482, Letter 1126; p. 488, Letter 1134; p. 580, Letter 1284; p. 595, Letter 1311.

<sup>107</sup> Allan, W D (ed)(1993), *Charlton Standard Catalogue of Canadian Government Paper Money*, (6th edition), Toronto: The Charlton Press, pp. ix, 79.

## Acknowledgements

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*Montreal Gazette*, *Montreal Herald*, *Quebec Morning Chronicle*, *Toronto British Colonist*, *Toronto Globe*, *Toronto Patriot*.



# Origin of Bank Note

## Vignettes IX

### James G Worts

Walter D Allan, FCNRS

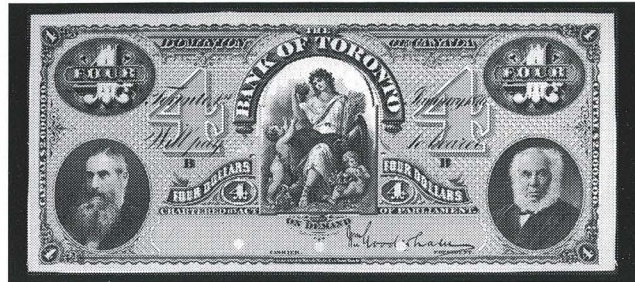


Figure 1.

It is not surprising to find that the portraits used on banknotes are derived from two main sources, paintings and photographs. The Charlton catalogue (Allan, ed 1989) contains numerous unidentified male portraits, including the portrait at the left side of the \$4 note of the Bank of Toronto, 1876 (figure 1).

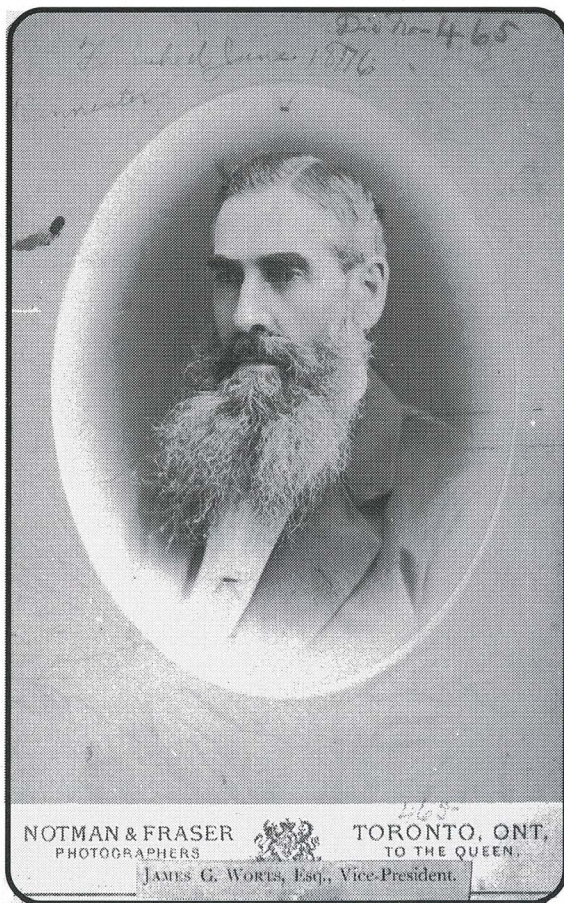


Figure 2.

The mystery of this portrait's identification was solved when a photograph was found in the American Bank Note Company (ABN) archive files (see Allan 1991). The photograph was taken by "Notman & Fraser, Toronto, Ont, Photographers to the Queen." Beneath is the caption, "James G. Worts, Esq., Vice-President" (figure 2). It matches the engraved portrait on the \$4 note, and notations written at the top of the photograph read, "Die No 465," "Finished June 1876" and "Bannister." The last refers to the engraver, James Bannister, who worked for ABN about 1860 (Hessler 1993).

The Bank of Toronto opened on 8 July 1856 and its Vice-President, James G Worts, was a Norfolk man. He was a relative of William Gooderham, who was President of the Bank. When Gooderham died in 1882, Worts succeeded him, only to die, himself, later that same year. He was succeeded as President by George Gooderham, William's son (Anon 1931). The Bank amalgamated with the Dominion Bank in 1955 to form the Toronto-Dominion Bank, now one of Canada's largest.

We thus have one more identification of a banknote portrait, thanks to a Notman-Fraser photograph. □

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Figure 1 (top). \$4 of the Bank of Toronto, 1876 (photo by W D Allan).

Figure 2 (left). Photo of James G Worts by Notman & Fraser.



# The Union Bank of Canada Notes and Essays

Walter D Allan,  
FCNRS

The sale of material from the American Bank Note Company (ABN) archives (Christies 1990) included material that sheds new light on the issues of the Union Bank of Canada and on proposals for notes that were never issued. An important source of information that resulted from this auction was a group of photographic archive books (Allan 1991) containing quite a number of essays for this bank. These not only shed light on the development of designs for the issued notes, but also provide hints as to what other notes could have been issued had the bank not been absorbed by the Royal Bank in 1925.

## Brief History

The Union Bank of Canada originally operated as the Union Bank of Lower Canada, opening in 1865 in Quebec. Its first notes were dated "March 1st 1866" and consisted of an issue of \$1, \$2, \$4, \$5 and \$10 notes from plates 1,1,2,2 and 4,5,5,10. These were printed by the American Bank Note Company (ABN) using various vignettes and a portrait of Andrew Thomson (Graham 1995). The backs were composed

of green lathework and, in a central circle, the bank's name in French, "La Banque d'Union du Bas Canada" (figure 1).

The British American Bank Note Company (BABN) produced a second issue of notes dated 1870 and 1871. These consisted of \$4, \$5, \$10, \$20, \$50 and \$100 notes from plates arranged 4,4,4,4; 4,5,5,10; 5,5,5,5; 10,10,10,10; and 20,20,50,100. These notes, except the \$50 (figure 2) and \$100 (figure 3), are illustrated in the Charlton catalogue (Allan, ed 1989: 366-67).

The bank purchased the Quebec Provident Savings Bank in 1872 (Allan 1989: 366) and, by the early 1880s, began to expand its operations by opening new branches in Ontario and Manitoba. By 1886 most of its branches, in fact, were outside Quebec. Consequently the directors decided to change the bank's name to The Union Bank of Canada. Its growth continued through acquisition of the United Empire Bank, Toronto, in 1911 and, by 1912, the bank had more branches in western Canada than in the east, prompting it to move its head office to Winnipeg, Manitoba. Finally, the bank amalgamated with the Royal Bank of Canada on 1 September 1925.



Figure 1 (top), figure 2 (above left) and figure 3 (right).

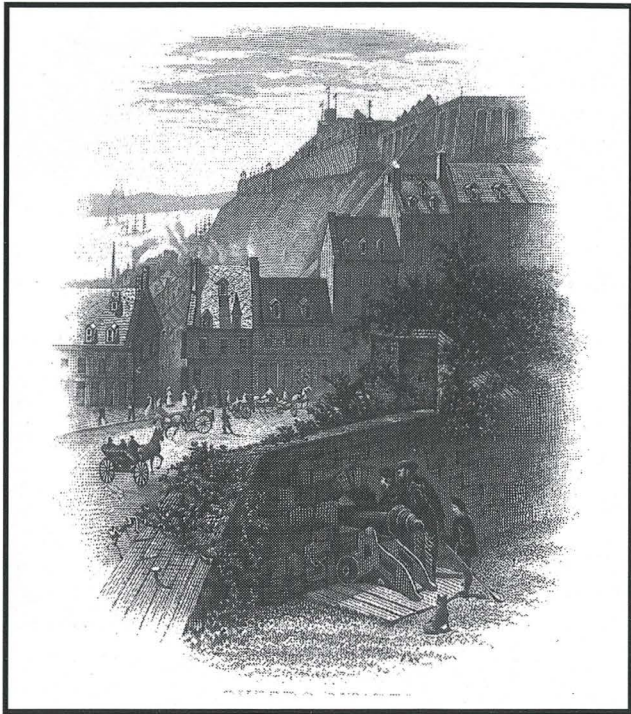


Figure 4. "Quebec Citadel."

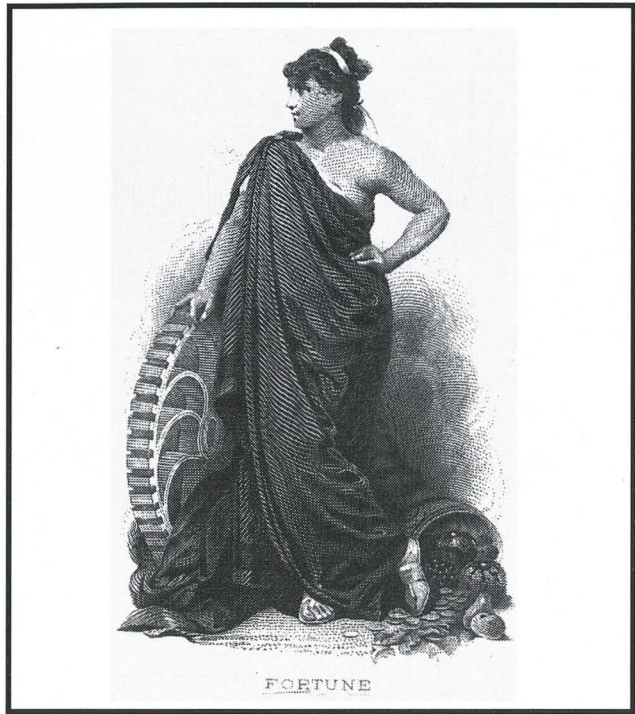


Figure 7. "Fortune."

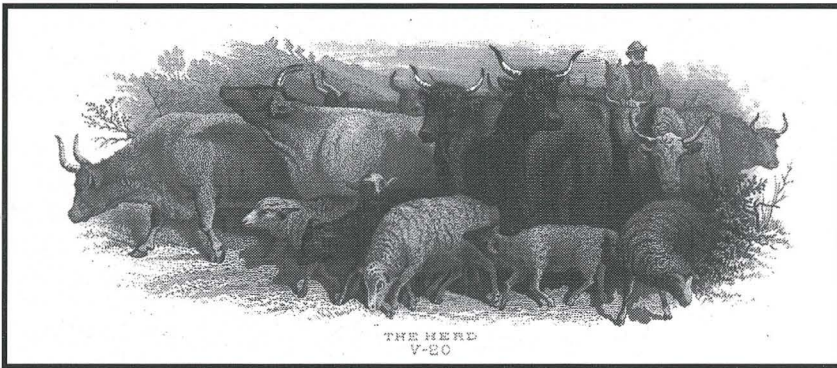


Figure 5. "The Herd."



Figure 6. The Queen.

## Early Union Bank Issues

The change of name to The Union Bank of Canada was sufficient reason to prepare a new set of notes. The new issue, consisting of \$5, \$10, \$20, \$50 and \$100 notes, was prepared by the Canada Bank Note Company, Montreal. All the notes are dated "2nd Aug. 1886" and are domiciled in Quebec. The plates were probably arranged 5,5,5,5; 10,10,10,10; and 20,20,50,100.

The vignettes on the faces of these notes are quite interesting. The \$5 note has the "Quebec Citadel" (die V-21; BABN 361; figure 4) at the left, "The Herd" (die V-20; BABN 360; figure 5) at centre, and "The Queen" (die P-1; BABN portrait die 117; figure 6) at the right. The \$10 note

has the citadel left, a farmer reaping grain (*Reaper*, die V-5; BABN 343) at centre and, again, the portrait of Queen Victoria at right. The \$20 note has a seated female figure ("*Opulence*," die V-15; BABN 354), holding a bag of money at left, men with horses ("*Plowing*," die V-11; BABN 350) at centre and the citadel at right. The \$50 note has Raphael's angel, but without the wings that occur in the artist's original work ("*Cherub*," die V-12; BABN 351), at left (Allan 1982) and the Citadel of Quebec at right. The \$100 note has *The Arts* (V-1; BABN 339) at left and "Fortune" (V-25; BABN 365; figure 7) at right. The centre "100" counter is flanked by two sphinx-like female busts (figure 8; die V-68, BABN die 410).

Note: The Vand P die numbers are those of the Canada Bank Note Co.

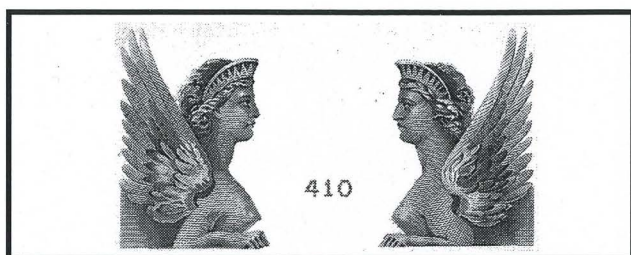


Figure 8. Sphinxes.



Figure 11. Griffins.

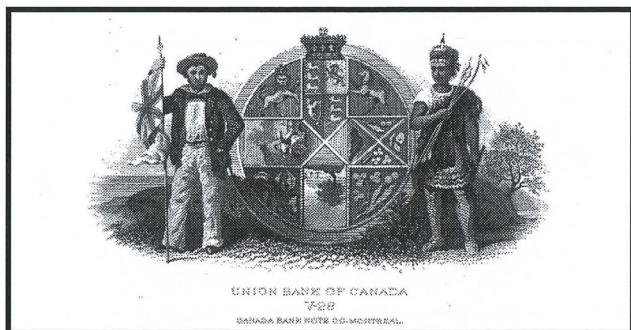


Figure 9. Arms of the Union Bank of Canada.

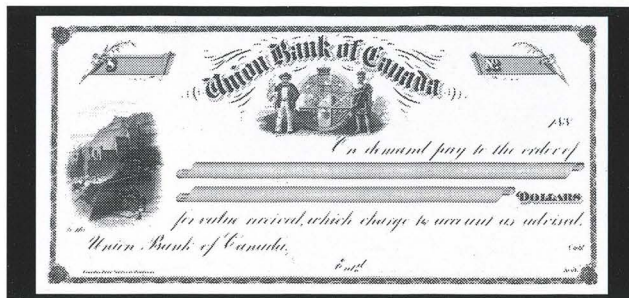


Figure 10. Promissory note.

Canada Bank Note Company engraved a die of the “Union Bank of Canada” arms (die V-28; BABN 368; figure 9), which was used on a promissory note form dated “188-” and also portrayed “The Citadel” at left (figure 10).

The back of the \$5 and \$10 notes feature lathework, bank title and two griffins (figure 11, die V-66; BABN 408). The back designs for the \$20, \$50 and \$100 notes are illustrated in Allan (1989).

The tints on this issue are as follows. The \$5 and \$10 faces have an ochre tint, the \$20, \$50 and \$100 faces a red-orange tint. The back tints are green on the \$5, blue on the \$10 and brown on the \$20, \$50 and \$100.

## The Bank's second issue

The bank ordered a second issue of notes dated “1st June 1893,” consisting of \$5, \$10, \$20, \$50 and \$100, from the British American Bank Note Company (BABN). The plates consisted of 5,5,5,5; 10,10,10,10; 20,20; and 50,100. These plates were all cancelled on 15 April 1925. The face and back tints on all of the notes are green.

The vignettes on these notes are as follows. The face of the \$5 note has a full-rigged sailing vessel at left (BABN die 101), bank arms at centre (BABN die 51), and a portrait of A Thomson (BABN portrait die 110) at right. That of the \$10 note has farm implements (BABN die 266, a cut-down version of original die 60) at left, Bank Arms and A Thomson. The \$20 note has three horses' heads left (BABN die 30),

bank arms at centre (BABN die 51) and A Thomson at right (figure 12). The faces of the \$50 and \$100 notes (figures 13 and 14) have the bank arms at centre and A Thomson at right. The \$100 back has three horses' heads at centre (figure 15, die 30), as used on the \$20 face.

## Reprinting in 1907 and 1912 of 1886 designs

The designs for the \$20, \$50 and \$100 notes, originally prepared for the bank by the Canada Bank Note Company in 1886, were reused in 1907 with the domicile of Quebec. On the reissued notes the imprint was changed from “Canada Bank Note Co.” to “British American Bank Note Co, Montreal & Ottawa,” and the date was changed to “1st June 1907.” The left vignette of the \$50 note was changed from the cherub to a girl with a feather fan above her head. This is “Juanita” (BABN die 381; figure 16). The rest is virtually the same as in 1886.

In 1912 these three notes were again issued, but with the domicile of Winnipeg and the date, “July 1st 1912.”

There were several other small changes in both issues. The face tints were changed to green, the back tints for 1907 were brown and for 1912 were green. The plate letter A was removed from the \$50 and \$100 notes..

The 1912 Winnipeg notes are found issued; the 1907 Quebec notes are only known as proofs.



Figure 12.



Figure 14.



Figure 13.

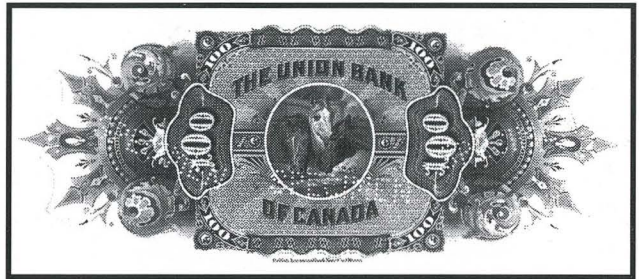


Figure 15.



Figure 16.



Figure 17.

## Quebec Issues of 1903 and 1907

New designs for the \$5 and \$10 notes were prepared early in the 20th century, domiciled Quebec and dated "1st June 1903" and "1st June 1907." The plates were arranged 5,5,5,5 and 10,10,10,10. The \$5 features a harvesting scene, and the \$10 a cowboy herding cattle. On the backs we find the bank arms and name with a multicoloured lathework. The 1903 notes had A Thomson's signature typographed at the left; the 1907 had that of John Sharples.

The design for the 1903 \$5 consists of a central harvesting scene, with the bank's name and "will pay ..." curved above. To right and left are large, outlined 5-over-FIVE counters with a black "5" counter above on each side. There are outlined V-over-5 counters at the top corners and outlined "5" counters at the bottom corners. All are tilted. Around the outside frame are tiny outlined "5"s and "FIVE"s. At the bottom of the vignette is an outlined "FIVE DOLLARS" and below this an outlined "QUEBEC. 1st June 1903." At the bottom, left of centre, is engraved, "President," and at a slightly higher level at bottom, right of centre, is engraved,

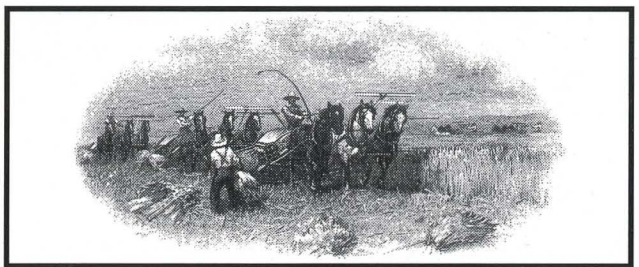


Figure 18.

"Countersigned." The imprint below is "American Bank Note Co. Ottawa." The balance of the design is filled in with geometric lathework (figure 17).

The harvesting vignette was engraved for general use by Robert Savage (figure 18) in June of 1903 with the die proof imprint of "C-899 / American Bank Note Co. N.Y." This vignette was used in slightly cut-down versions on the backs of Haiti's one-gourde note (Pick et al. 1994: P131) and an essay for a two-gourde note (figures 19-20) in 1915. It was also used on the face of a Mexican 20 pesos of El Banco del Estado de Chihuahua (Pick et al. 1995: S134) in 1913 (figure 21).

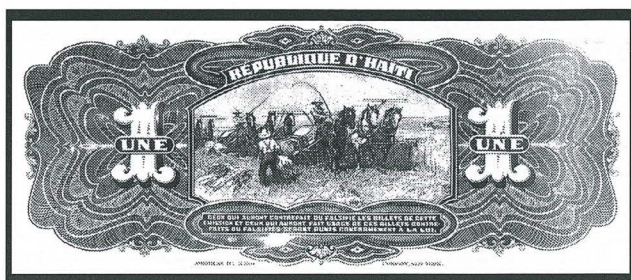


Figure 19.

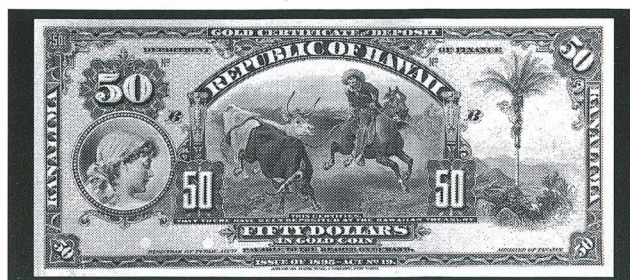


Figure 23.



Figure 20.



Figure 24.



Figure 21.



Figure 25.



Figure 22.

The vignette on the \$10 note, entitled “A ROUND UP” (figure 22), was engraved by Louis Delnoce after artwork by J Smillie (Hessler 1993: 100). It shows a gaucho (South American cowboy) with whip, chasing two steers, with many cattle in the background and another gaucho at top right. It was used on a \$50 gold certificate of Hawaii (Pick et al. 1994: P9) in 1895, on the 50 pesos of El Banco Londres y Mexico, 1889-1913 (Pick et al. 1995: S236), and on a 20 bolivares note of Banco de Venezuela (Pick et al. 1995: S281) in 1910 (figures 23-25).

## Winnipeg issue of 1912

The 1903-1907 designs were reissued in 1912 with the domicile changed to Winnipeg and the date reading, “July 1st 1912.” The designs remained the same, although there are differences in the tints. The notes have John Galt or W R Allan typographed at left and either a manuscript or typographed signature for H B Shaw or J W Hamilton at right. The engraved “Countersigned” has been altered to “General Manager” and lowered in the right signature area. For varieties of the tints and signature combinations see Allan 1989: P360.

Proofs of the black engraved portions of the \$5 and \$10 faces exist (Christies 1990). The \$5 (figure 26) has a plate die no. C-7971-A (see close-up, figure 27) above the design. The \$10 (figure 28) has plate die no. C-7972 at the top. One set of these has the marginal note, “Order July 1912” on the card proof at top left. This set has a number of punch cancellation holes in the signature area.

## Issue of 1921

Notes dated "July 1st, 1921" for \$5, \$10, \$20, \$50 and \$100 were prepared with the domicile of Winnipeg. The faces of the \$5, \$10 and \$20 feature portraits of General Manager H B Shaw at left and President G F Galt at right. On the \$50 and \$100 notes, the portrait of Galt alone appears. The faces have multicoloured tints and a major tint. The backs are monocoloured (Allan 1989: p361). The evidence of surviving notes suggests that only the \$5 and \$10 notes were issued; the rest are known only as proofs or specimens.

Proofs of the faces and backs exist (figures 29-34). Photography by Zagon, courtesy Bank of Canada Currency Museum. The ABN archive sale of 5 June 1991 contained 139 proofs or specimens for issues from 1903 to 1921 (Christies 1990: lot 670).

## ABN essays for issued and proposed Union Bank notes

The photographic archive books (Allan 1991) of the American Bank Note Company (ABN) contain various essays for the Union Bank of Canada. Unfortunately correspondence between the Bank and ABN concerning these essays has yet to be found. This article will deal primarily with the notes and essays by ABN from 1903 onward.

The first of these is a model for the back of the \$5 of 1903. It features a coat of arms in a square frame, consisting of a round medallion at centre, a sailor with British flag standing at left, and a native standing at right. Below the bank name is outlined and there is a small, outlined "FIVE" above "5." To right and left are large, outlined 5-over-FIVE counters. Above the vignette small, outlined "FIVE" and "5" occur. The balance of the design consists of elaborate geometric lathework (figure 35). This model differs only slightly from the final design, most noticeably in engraved lines and tiny, flowery devices which fill in and even out the top and bottom edges of the note's design. It has "OK JAM April 20/03" written at bottom left. At top is written, "green, brown, blue," although the model itself has a predominantly brown, green and rust-red tint.

The photographic archive also contained a model for a \$10 face of 1903 (figure 36). The central vignette, already mentioned, shows a gaucho on horseback, brandishing a whip and chasing two steers. The bank title is curved at the top, and "Will pay ..." is split left and right along the bottom of the vignette. Below are outlined "TEN DOLLARS" and, in black, "Quebec 1st June 1903." This last line is not enclosed in a panel as on the finished note. The counters at left and right are large, outlined "10"s. There are no small, tilted "X" counters in the corners, as on the finished design, but the frame has small "ten 10" outlined counters similar to counters on the \$5 note. The engraved "President,"

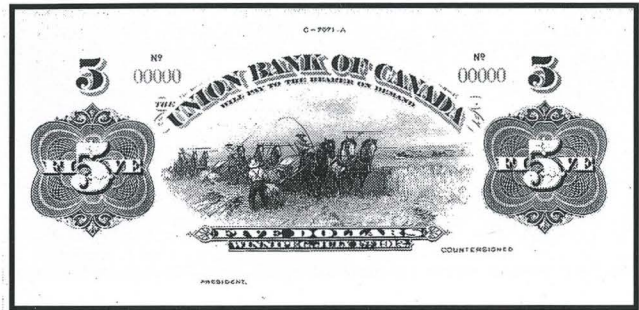


Figure 26

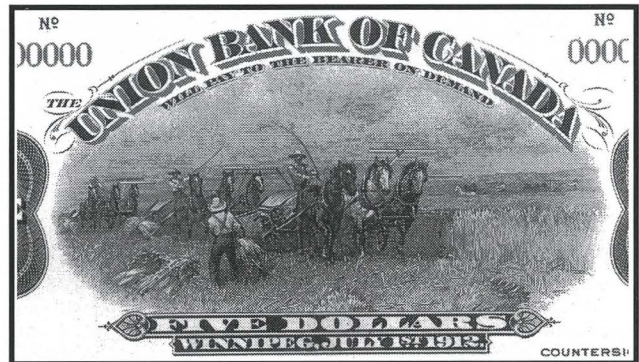


Figure 27

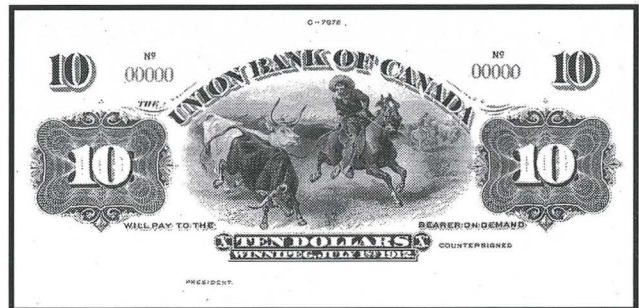


Figure 28

"Countersigned," and imprint, "American Bank Note Company, Ottawa," are essentially the same as on issued notes. A number of "X" marks can be seen outside the frame and in the lathework, mostly with lines running to areas that need some alteration. Below is written, "Model for \$10 note," "Accepted with Amendments," crossed out and, below this, "Approved," and "see letter April 18/03." At bottom left is written, "OK JAM [Machado] April 20/03." Written at top left are "Na brown, DK red, Deep Olive." At the top right is a square stamp with a printed "ENTERED" and manuscript "4-301 / Apr 23/1903."

The model for the \$10 back is very similar to that for the \$5 as to layout of the vignette, counters and bank name (figure 37). There are some minor differences in lathework, especially above the vignette. The final \$10 back has the frame around the vignette completed and a moderately large,



Figure 29



Figure 34



Figure 30



Figure 35



Figure 31



Figure 36



Figure 32



Figure 37

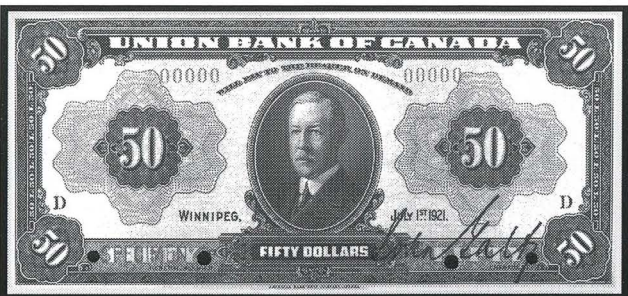


Figure 33





Figure 38



Figure 41



Figure 39

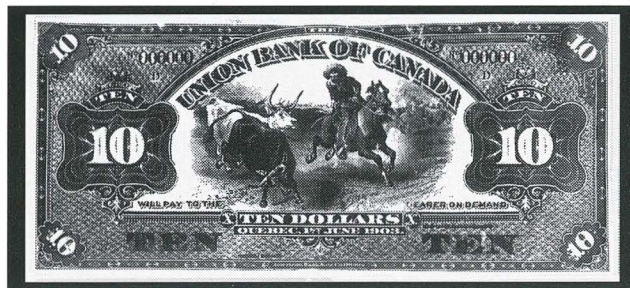


Figure 42



Figure 40

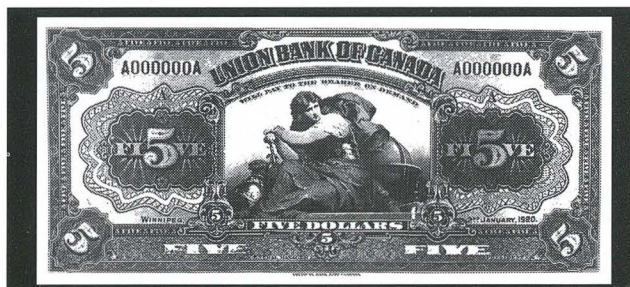


Figure 43

flowery lathework device added at the top. As on the \$5, a few small “X” marks outside the design are joined by lines to points where alterations to the design were to be made. Below is written, “Back of \$10 note,” and “Approved” with initials. Below left and above right are notations and stamps, as for the \$5 back. The model has predominantly green, brown and rust-red tints. A comparison of the photographs of the models and proofs (figures 38-40) will illustrate the differences.

### Unused 1912 Essays

Next is a group of essays which all have a margin date of “Aug 9, 1911.” It appears that bank management wished to improve the appearance and security of their two main circulating notes, the \$5 and \$10 of the 1903-1907 design.

The \$5 essay retains the basic format but, as can be seen in figure 41, numerous small changes were suggested. All four corner counters were altered, the top one especially made larger and more prominent. Beneath the date a counter with an outlined “FIVE” was added. Small “5” and numerous

tiny “5” figures were added at each end of the “FIVE DOLLARS” below the vignette. Large “FIVE”s were added to the tint in the signature area. The “5 - FIVE” in the outside frame was eliminated. “The” in the bank title was placed at the top of the note, and the entire multicoloured tint was omitted. The essay retained the engraved “June 1907” date.

The \$10 essay (figure 42) suggested changes similar to those for the \$5. The four corner counters were greatly enlarged and altered to numerals, with the large “10”s at top left and right being omitted. The lathework embellishments on each side of the large left and right counters were omitted and a curved “ten” was added above them. The small “10 ten”s in the frame were omitted. Large “TEN”s were incorporated in the signature area. “The” of the bank title was also moved to the top of the note, and the imprint was incorporated into the bottom frame design. The engraved date on the \$10 essay was “June 1903.”

The multicoloured tint was removed. In both essays a new monochrome tint was substituted and a much heavier frame was proposed above the bank title.



Figure 44



Figure 45

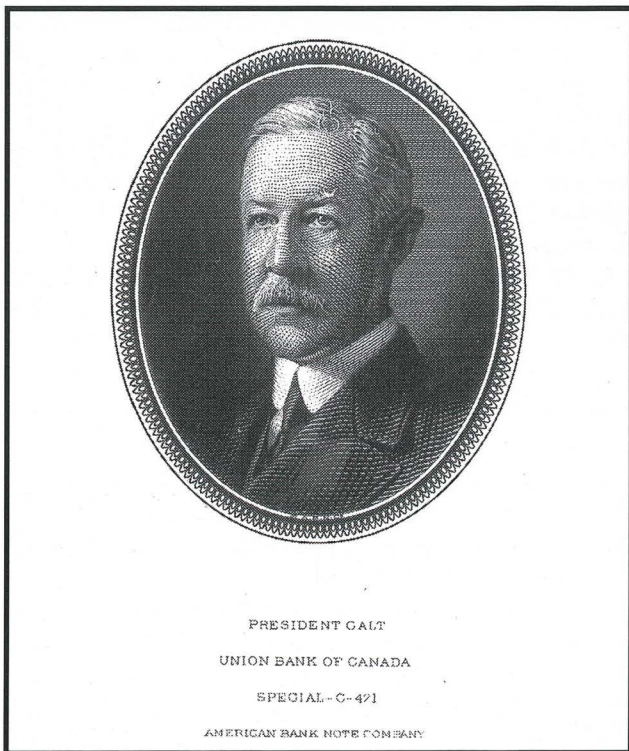


Figure 46

The reason that these improved designs were not used is not known. It is possible that there was a rush to receive more notes dated 1912, or that the cost of new plates was thought to be unwarranted. In any case, as we have seen, the previous designs of 1903-1907 were simply altered to 1912 with a Winnipeg domicile.

## Essays of 1919

The next essays known from the photographic archive books are dated "Oct 10/19" in the margin. Both a \$5 and a \$20 note have the engraved date, "2nd January 1920."

The \$5 face essay has an allegorical vignette depicting a seated woman with a globe (figure 43). Large 5-over-FIVE counters are incorporated in a major tint on both sides of the vignette, and there are four large "5" corner counters. There is a distinct signature panel with a pantograph composed of the words, "United States Postal note," and two outlined "FIVE"s. The inside of the border design has repetitive "5 FIVE" elements. The bank title is curved above the vignette and "will pay to the bearer on demand" is curved at the top, just inside the vignette frame. No essay for a \$5 back was found in the photographic archive books.

The \$20 face essay (figure 44) consists of male portraits left and right of a large central "20" counter surrounded by a major tint. Large "20" counters appear in the corners. The pantograph in the signature area is the same as that on the \$5 essay but with two outlined "TWENTY"s. The bank title is horizontal across the top, and is flanked by two small "20"s. The "will pay ..." is curved below the title and partly obscured by the major tint. The right portrait depicts John Galt. The left one is unidentified but could represent W R Allan or J W Hamilton.

A back design for the \$20 note (figure 45) was on the facing right-hand page, with margin date, "Oct 10/19," and colour notation, "9 Blue." It appears to be the same as the final back format for the entire 1921 issue. The pantograph, however, reads "cien 100 colonos." The order number for these three designs is 9099.

The portraits on the \$20 essay are both photographs. The one of Galt appears to be the one used for engraving the portrait that appears on the 1921 note issue. The die proof for this portrait has the imprint, "PRESIDENT GALT, UNION BANK OF CANADA / SPECIAL-C-471 / AMERICAN BANK NOTE COMPANY" (figure 46). As W R Allan became Vice-president of the bank only in November of 1920, it is unlikely that the left portrait portrays him. The possibility exists that it represents one of the other vice-presidents who served during this period: R T Riley, G H Thomson and Stephen Haas. A final possibility is that is a portrait of a much younger H B Shaw.

## Essays of April 1920

Photographic essays with the margin date, "Apr 27/20," were prepared for the \$5, \$10 and \$20 notes, all with engraved dates, "2nd January 1921" (figures 47-49). All have a portrait on each side of a large, central counter, and a major tint. The left portrait on the \$5 is the same as that on the \$20 essay of 1919. Those on the \$10 and \$20 are a different photograph of



Figure 47



Figure 48



Figure 49



Figure 51



Figure 52

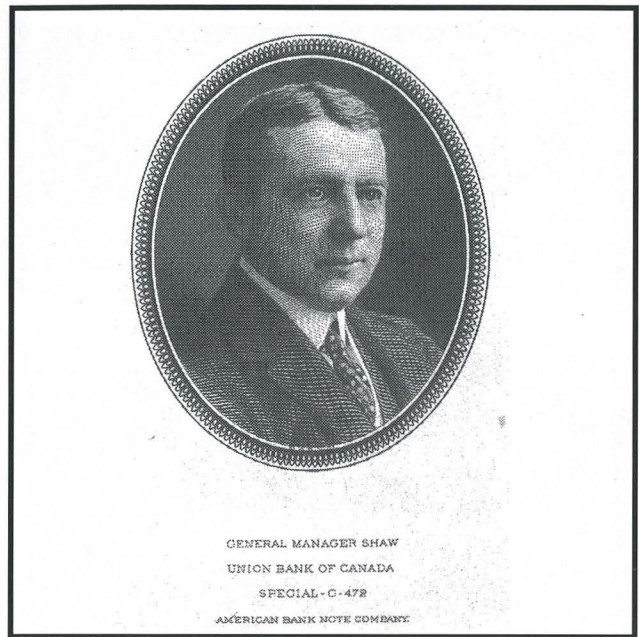


Figure 50

the same person, with shoulders turned farther to left. Notice carefully the design of his collar and tie. An engraved die proof of a portrait with the imprint, "GENERAL MANAGER SHAW / UNION BANK OF CANADA / SPECIAL-C-472 / AMERICAN BANK NOTE COMPANY" (figure 50), shows the same collar and tie. The head of this portrait is also turned more to the left. It appears very likely, then, that the unidentified left portrait is that of H B Shaw.

The pantograph on these three essays is again, "United States Postal." The order number for the essays remained 9099.

## Essays for May 1920

Essays for \$50 and \$100 notes occur in the photographic archive with margin dates of "May 19/20 — order number 9787." The \$50 (figure 51) dated, "2nd January 1920," is virtually the same design as the \$5 "Oct 10/19" essay, featuring the *woman with globe* vignette, but with the counters changed to "50"s and the major tint design changed (compare with figure 43). The \$100 (figure 52) is similar in format to the April essays except that the portrait of Galt appears at centre, surrounded by large "100" counters and a major tint. This essay has an engraved date of "2nd January 1921."

One week later, on 27 May, a revised essay for the \$50 note (figure 53) was prepared. It resembles the essay of 19 May in its corner counters, but the portrait of Galt replaces the *woman with globe* vignette. There are new large "50" counters surrounded by major tints, the signature panel is not as high, and the small "L 50 L" design has been omitted to provide more room for the portrait. The bank title remains curved.

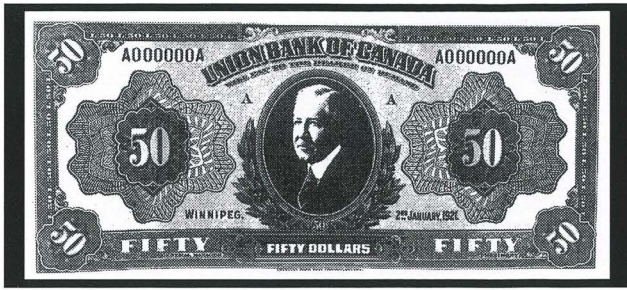


Figure 53

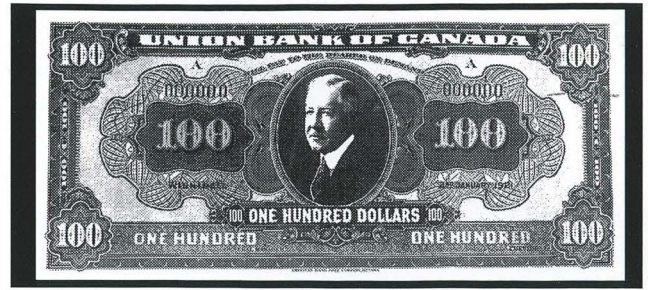


Figure 55



Figure 54



Figure 56

## Essays for October 1920

Further essays for \$50 and \$100 notes with margin dates of “Oct 18/20” were also present in the photographic archive books. The \$50 (figure 54) is very similar to the essay of 27 May. The main changes involve moving the bank title to a higher, horizontal format to match the title in the \$5, \$10 and \$20. The leaves surrounding the portrait and the small “50” under the portrait were removed, and the “FIFTY DOLLAR” panel was slightly raised. The date is the same. The \$100 essay (figure 55) is also very similar to that of 19 May. The main change involved moving the large “100” counters on each side of the portrait outward. This covers or eliminates part of the major tint that appeared in the May essay. The rest of the design appears to be the same.

## Essay of December 1920

One final essay for the \$100 note has the margin date, “Dec 10/20” (figure 56). The major change here involved moving the portrait to the right side of the note and incorporating a large “100” counter and major tint to fill in the balance of the space. “Winnipeg” and the date were moved down to a place just above the signature panel. A “100” and “One hundred dollars” were incorporated into the bottom centre design.

## Essays of May 1921

The photographic archive also contained a final \$20 essay (figure 57) with the margin date, “May 5, 1921.” It is the same as that of 27 April 1920 except that the portrait photographs

match the engraved portraits on the issued notes, and the date now reads, “July 1st, 1921.” The portrait of General Manager Shaw, “Special C-472,” was engraved by Edwin Gunn, while the portrait of John Galt was engraved by Robert Savage.

This essay, along with the April essays for the \$5 and \$10, the May essay for the \$20, and the October essay for the \$50 were essentially the final designs for the 1921 issued notes. The dates on all the notes read “July 1st 1921” and the portraits were engraved. The appropriate numerals and word denominations were executed in the signature pantograph design. Specimens of the faces of the issue appear in figures 29, 31-34, and of the basic back design in figure 30.

The \$5 and \$10 notes dated “July 1921” were circulated by the bank. The \$20, \$50 and \$100 notes are not known to have circulated, and only proofs and specimens have been found to date.

## Essays of 1923

The bank’s directors apparently decided that notes with a more western or prairie theme for their vignettes would be more appropriate, given the bank’s increasingly western focus, and consequently ABN made up a group of essays from \$5 to \$20 with “prairie” vignettes, accompanying a \$50 and \$100 with attractive female portraits. A notation beside these photographic essays reads, “Vignette suggestions shown on proofs.” These essays are proofs of the 1921 designs with the portraits removed and the “Industry,” “Agriculture,” and “Transportation” vignettes and female portraits pasted in their place. All except the \$20 have the “American Bank Note Company, Ottawa” imprint, and they have a margin date of “Oct 9, 1923” with order no. “6360” (figures 58-62).



Figure 57



Figure 60



Figure 58



Figure 61



Figure 59



Figure 62

The vignettes suggested for the \$20 note are parts of those proposed for the \$5 Bank of Saskatchewan essay (Allan 1993), which is the left part of die C-1323, engraved by William Brown (figure 63). The right vignette on the \$20 is the right portion of die C-1024 (figure 64), also engraved by Brown for use on the back of a \$20 Bank of Saskatchewan essay (Allan 1993). The portrait on the \$100 essay is die no. C-1168, engraved by Edwin Gunn.

### Essays for a proposed 1924 issue

A proof without tint of the \$10, 1912 issue, is known with the engraved date of "July 1st, 1924." This is in the National Currency Collection of the Bank of Canada. It is virtually the same as the 1912 proof without tint (figure 65) except that the engraved "countersigned" has been changed to "General Manager" and lowered to the bottom of the signature area. This proof has die plate no. "X-C-183" engraved at the top.

The photographic archive books contained essays for the \$20, \$50 and \$100 notes of this issue. These have a margin

date of "Feb 7, 1925" but a handwritten date of "July 1st, 1924." The order number is 13356.

The \$20 essay (figure 66) depicts a train and cowboy at left and a large group of horses pulling a harvesting machine. On either side and in the corners are large "20" counters. The bank title in black appears across the top. This is the same vignette that was proposed for the \$5 essay for the Bank of Saskatchewan's 1912 issue (Allan 1993). There is a tint design which a notation to the right describes as "9 blue and yellow."

The \$50 essay (figure 67) is similar in format, although the centre vignette is not as wide. It shows a mining scene, perhaps relating to the potash industry, at the centre. Reference to the tint as "55<sup>3</sup>/<sub>4</sub> Olive" is written to the right along with "single steel tint." The pantograph in the signature area, as on the \$100, reads, "Dominion of Canada."

The \$100 essay (figure 68) is again similar to those for the \$20 and \$50, having large corner counters, a black horizontal bank title at the top, and a central vignette. Large "C" counters rather than numeral "100" counters appear on each

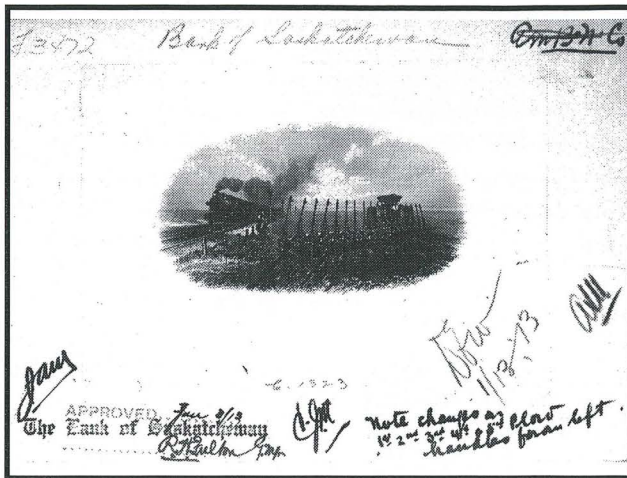


Figure 63



Figure 64

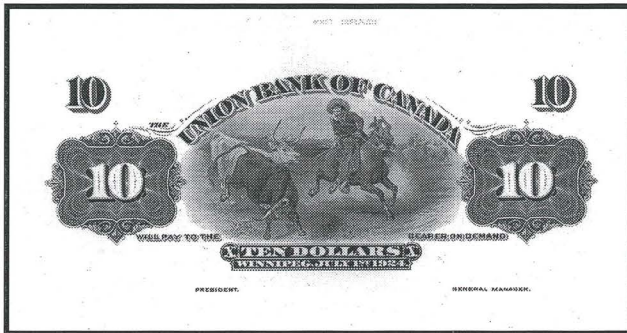


Figure 65 (Photograph courtesy Bank of Canada, National Currency Collection by Zagon.)

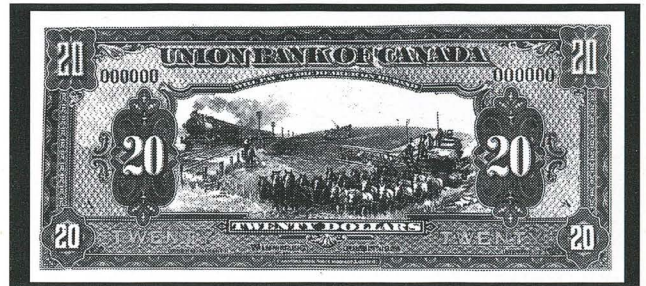


Figure 66

side. The “One Hundred Dollars,” however, is at the very bottom of the signature area. The vignette shows a port scene, with grain elevator, train and ship. To the right in the margin are the notations, “P16 Red” and “single steel tint.”

The \$20, \$50 and \$100 essays all have the imprint, “Canadian Bank Note Company Limited.”

Unfortunately none of the designs for these last groups of essays ever proceeded to the production stage as notes for issue. The Union Bank of Canada was purchased by the Royal Bank of Canada on 1 September 1925, and further work on the notes came to a halt.

### The Kalliope Vignette

One of the proposed vignettes used in the essays is of somewhat unusual interest.

The vignette was that for the \$5 essay of 10 October 1919 and the \$50 essay of 1920. It is entitled, “Kalliope.” A die proof of the allegorical vignette on the \$5 essay has the imprint, “KALLIOPE / C-1057 [crossed out] / V43284 /

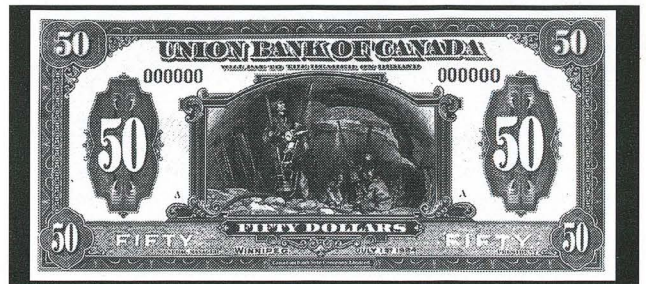


Figure 67

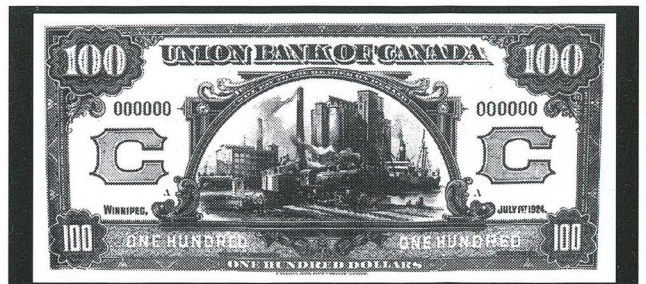


Figure 68

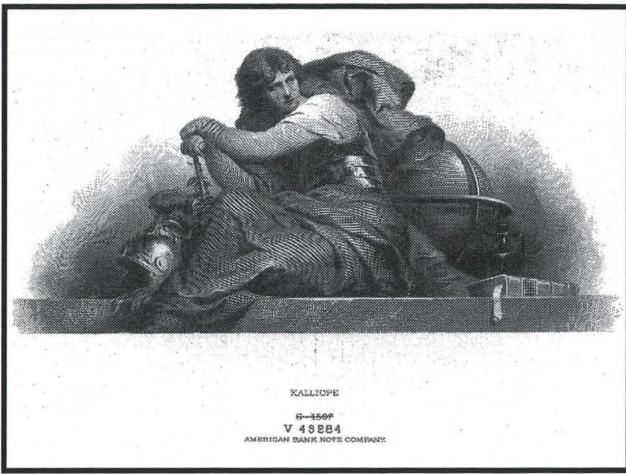


Figure 69



Figure 70



Figure 71

\$5	1903	red	100001 - 108000
		blue	108001 - 200000
\$10	1903	red	010001 - 035000
\$5	1907	blue	200001 - 462000
\$10	1907	red	035001 - 149000
\$5	1912	blue	000001 - 150001 or higher
\$10	1912	red	000001 - 075000 or higher

Table 1. Union Bank of Canada Serial Numbers, 1903-1912.

AMERICAN BANK NOTE COMPANY” (figure 69). Kalliope was considered the chief of the muses, and sometimes appears as their representative, seated and holding a writing tablet and stylus. At other times she is standing, crowned with a wreath and holding a manuscript or a pipe (as shown here) round which a branch of laurel is entwined Murray 1988). The vignette was popular, and appeared on notes of Equador and Greece, on a 1918 essay for Mexico, and on the entire issue of seven denominations for Banco Occidental, El Salvador, 1920 to 1929 (figure 70; Pick et al 1995: S191-S199).

Table 1 shows what are believed to be the serial number ranges for the 1903-12 issue.

### Further use of the 1912 issue

The Union Bank of Canada opened a branch at Fort Smith, Northwest Territories in 1921. At first the branch was in a large tent and opened for business on 10 June of that year. Some \$5 notes (figure 71), overprinted “Northwest Territories” vertically at each end, were issued by the branch’s manager, B C Beyer. He signed the notes at the bottom right in the area reserved for the General Manager’s signature. Only eight of these overprinted notes are known to have survived (Stewart 1977; Graham 1995).

### The Canada-China-United States connection

The Union Bank’s tendency to move its focus farther and farther west did not stop at the Pacific. Most readers will probably be unaware of the bank’s connection with an obscure branch in China.

In 1919, the Union Bank of Canada, in partnership with the National Park [Bank] of New York, established a Chinese bank with head office in New York, U.S.A. and a single branch office in Shanghai, China. Capital was \$4 million gold dollars with a surplus (undivided profits) of \$754,000.

The Bank was one of a number of foreign banks that were active in China during the early part of this century — taking advantage of the extra-Territorial rights available to foreign countries.

There is no record of the bank having issued bank notes for use in China, as many foreign banks did. It operated until April, 1922, when its interests were taken over by the Asia Banking Corporation, another United States-owned bank. (McDonald 1986).

The Union Bank’s partner in China, the Park Bank, was established in New York in 1856 and issued notes into the 1860s (Haxby 1988: NY-1865). These notes (Haxby 1988: NY-1865, G2C; figure 72) are rare. The \$1 has a lovely central vignette depicting a fountain in Central Park. The



Figure 72

Park Bank became the National Park Bank of New York (charter no. 891) in 1865. It issued numerous notes until 1929 when it merged with the Chase National Bank of the City of New York (charter no. 2370).

McDonald (1986: 47) states that there is no record of the Park Union Foreign Banking Corporation having issued notes. This remains true. Fortunately, however, the American Bank Note Company archive sale of 1990 did contain proofs and specimens of notes for this bank (Christies 1990: lots 712-715). A note found with these items states, "the above notes were never issued and the dies and plates were destroyed in March 1922, they are not to be used for any purpose except for record" (Christies 1990: lot 712). The items listed in the lots are for \$5, \$10 and \$50 of 1922. The ABN photographic archive books contained essays for the Park-Union. This was order number 10680, starting in June of 1921. The first, a \$5 note with the margin date of "June 14," has an engraved date of "July 1, 1921" (figure 73). By 15 July the date was changed to "January 1st 1922." The \$10 and \$50 notes have the 1922 date (figures 74-75). The faces of the notes all show a major tint. Colours for the backs, as indicated in the margin, are "4 Blue" for the \$5, "12 brown" for the \$10, and "1 Green" for the \$50.

### Miscellaneous bank paper

Cheques can be found from the Union Bank of Lower Canada, but these are very scarce. For illustrations see Graham 1995. Bank reply cards are also available with dates ranging from 1876 to 1885, domiciled Quebec or Montreal (figure 76). These are also scarce.



Figure 73



Figure 74



Figure 75



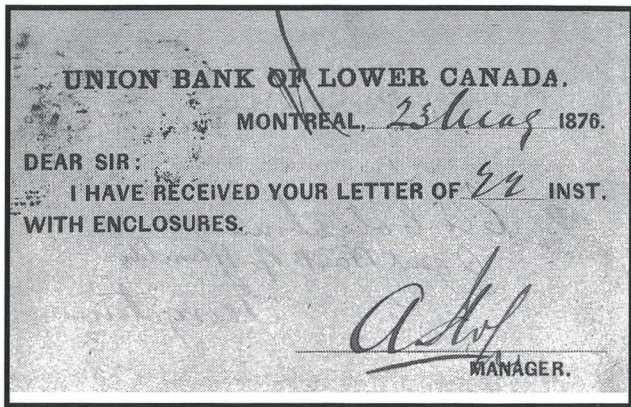


Figure 76

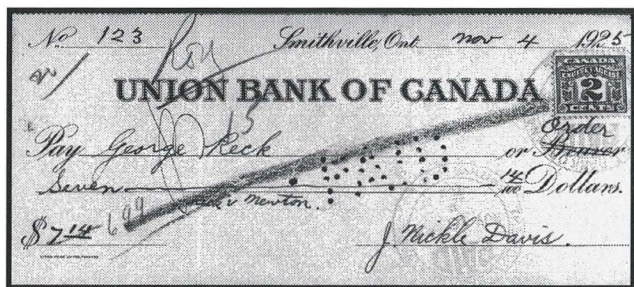


Figure 77

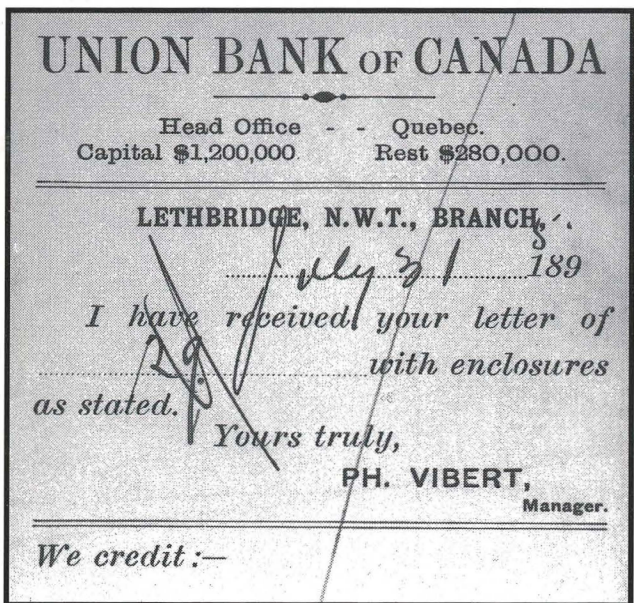


Figure 78

Cheques from the Union Bank of Canada are more readily available except for those dated before 1900. Drafts printed in blue can be found dated in the 1890s. A similar design can be found in the 1920s, printed in black. Drafts on blue or pink paper with 2¢ imprinted war tax stamps can be found with dates from 1919 to 1921. A group of cheques printed on various shades of grey to brown paper can be found dated 1907 to 1920. Another group of cheques printed on grey paper with purple printing date to the 1920s. The last group of cheques are printed with a pantograph which varies from grey to olive green, and are dated 1924 to 1925. Several of these, including examples known with the dates 30 September and 4 November, are dated after the 1 September 1925 amalgamation with the Royal Bank (figure 77). A small-size cheque dated “Nov 13, 1925” has a purple stamp above the Union Bank name, reading, “The Royal Bank of Canada / with which is united the....” These last grey-green, small-size cheques, dated 1922 to 1924, are also found with the 2¢ embossed war tax stamps. Bank reply cards exist with dates from 1886 through the 1890s, including one domiciled Lethbridge, NWT, branch, and dated 1895 (figure 78). Large, green Second of Exchange bills from Victoria, BC, dated 1916 and payable in Hong Kong currency, are directed to the Hong Kong and Shanghai Bank Corporation, Hong Kong (figure 79).

Numerous postcards can be found, including four varieties showing the Union Bank’s building in Winnipeg, Manitoba. Others show buildings from High River, Alberta (figure 80); Craik, Wilkie and Moose Jaw, Saskatchewan; and Fort Smith, NWT.

The author has a Union Bank depositor’s pass book with a brown cover from New Liskeard, Ontario, with entries from December 1920 to March 1927. The same book obviously continued to be used well after the amalgamation with the Royal Bank.

This concludes this review of the vignettes, notes and essays of the Union Bank of Canada. The study and collection of these notes, essays, cheques, bank cards and other documents will provide a challenge and a source of enjoyment to those who undertake it.

## Acknowledgements

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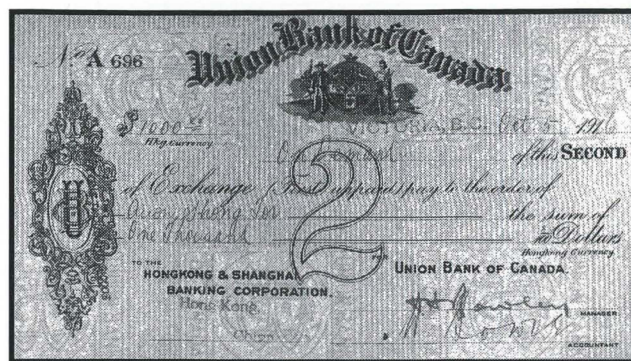


Figure 79

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Figure 80

# Origin of Bank Note Vignettes X Winterhalter's Prince of Wales

Walter D Allan

The vignettes used on banknotes are derived from various sources, including statues, drawings, photographs and paintings. In the early 19th century, the engravers themselves made small drawings and sketches which they later engraved onto the copper plates. Later photographs of statues, people, places, drawings and paintings were reduced to banknote size and then engraved onto small steel dies, usually about 4 inches by 6 inches (10 cm x 15 cm) in size. Proof impressions were periodically "pulled" or taken from the die to check the progress of the engraving. These impressions are generally described, as a group, as "die proof vignettes."

The vignette that is the focus of this article depicts a cute little boy in a sailor suit. The vignette of the little boy comes from a painting by Franz Xaver Winterhalter depicting Albert Edward, Prince of Wales. In the painting, the prince is shown full-length, standing on a grassy path above the sea, with his hands in the pockets of his new sailor suit (figure 1). It was painted on 23 December 1846, when the prince was five years old, and was Prince Albert's Christmas gift to Queen Victoria. The sailor suit was made by the Royal yacht's tailor, and the Prince first appeared in it on 2 September 1846, on a cruise off the Channel Islands. The painting is



Figure 1

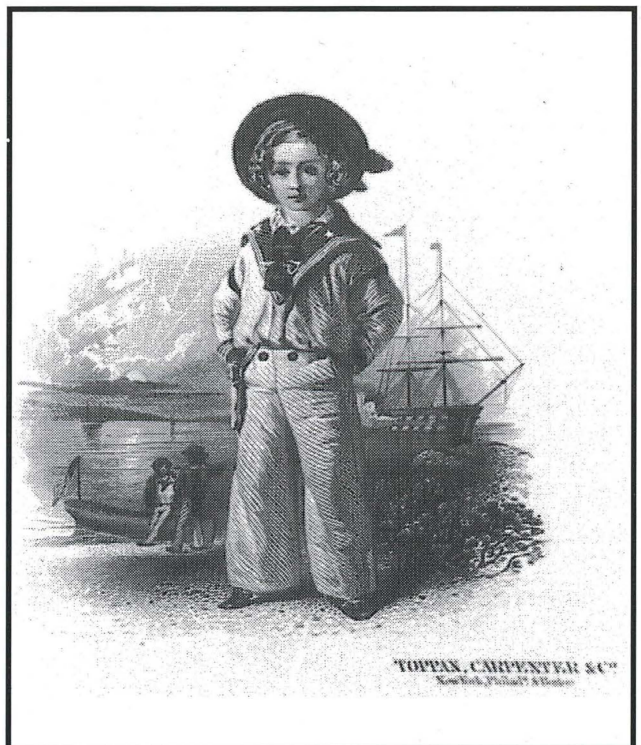


Figure 2



Figure 3

approximately 127 x 88 cm and is in the Royal collection (Ormond and Blackett-Ord 1987).

The Prince of Wales, who is shown as the sailor boy in the painting and vignette, was the eldest son of Queen Victoria and Prince Albert, born in 1841. In 1860 he went on a tour of Canada and the United States and, in 1863, married the Danish Princess Alexandra. The prince engaged in many public functions, opening buildings and exhibitions, and giving speeches. He became President of the Society of Arts and a Trustee of the British Museum. Upon the death of his mother, Queen Victoria, on 22 January 1901, he became King and took the title, King Edward VII. He soon replaced the dullness and decorum of the Victorian Era with the social brightness and vivacity which highlighted the Edwardian Era. King Edward died on 6 May 1910 and was succeeded by his son, King George V (Middlemas 1972).

Franz Xaver Winterhalter was born in April 1805 in Menzenschwand, Germany. By the age of 13 he was an apprentice in the studio of Karl Schuler. By 1825 he was a student at the Munich Academy. In 1834 he was appointed court painter to Grand Duke Leopold. From 1842 he generally spent several months a year painting at Buckingham Palace and Windsor Castle. He became widely known for his portraits of British and other European royalty. Elegant costumes and mannered poses with their aura of confidence, good breeding and glamour are the hallmark of portraits by Winterhalter. Queen Victoria was his greatest single patron. Winterhalter died on 8 July 1873 and was buried in Frankfurt cemetery (Ormond and Blackett-Ord 1987).

The die proof vignette of "The Sailor Boy," Prince of Wales (figure 2), was engraved by Toppan, Carpenter & Co after Winterhalter's painting. Their imprint is visible at the bottom right of the engraving. It was engraved by Alfred

Jones. The engraving was enhanced by the addition of two sailors and a small boat at lower left and a larger ship of the line at right. The earliest discovered use of the vignette is on a \$100 Treasury Note of the United States in 1857 (Hessler 1974: 70). The die was taken over by the American Bank Note Company in 1858 upon the formation of the association of seven banknote-engraving companies. It next appeared in 1858 on US obsolete banknotes (Haxby 1988) and on a Canadian note in 1859. It was also used on some banknotes from South America (Pick et al 1995). Only four die proof vignettes of the Prince are known.

There are only two Canadian banks that used this vignette. The first use was by the International Bank of Canada on its \$20 issue of 1859 (figure 3). The second was on the \$5 notes of the Merchants Bank (Montreal) in 1864 (figure 4). The latter design was used again in 1868 when the bank changed its name to the Merchants Bank of Canada (Allan 1989). The International Bank's \$20 note is very scarce, with possibly less than ten collectible examples known, while there were seven \$5 proof notes of the 1864 Merchants Bank issue in the Christies ABN archive sale (Christies 1990).

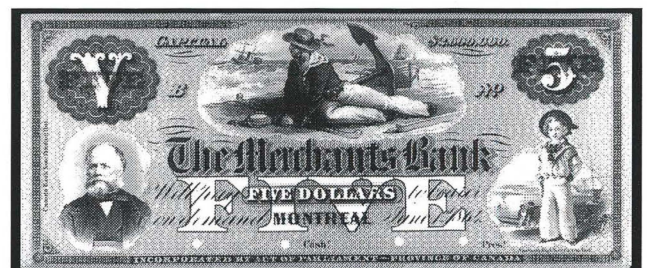


Figure 4

## Conclusion

The origin of this vignette was first discovered about 1970 in a large, eight-fascicle account of Queen Victoria's reign (Maxwell 1897), which included the photo on page 48 of part 2. The vignette itself was displayed at the American Numismatic Association's convention in the early 1970s, was later seen by my late friend Dr Glenn Jackson, and was subsequently used by Gene Hessler in various publications. We can thank the Victorian artist Winterhalter for this captivating vignette of the Prince.

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# Bank of Canada 1935 and 1937 Issues — Addenda

Walter D Allan, FCNRS

A couple of addenda to my articles on the essays and proofs leading up to the Bank of Canada's 1935 and 1937 issues (Allan 1993; 1994) seem appropriate.

In a number of instances, banknote vignettes were re-engraved in a much smaller size for use on postage stamps. The similarity between the portraits on notes of the Bank of Canada's 1935 issue (Allan, ed 1992: 173-180) and the Windsor Castle vignette on the back of the \$25 (Allan, ed 1992: 180) to the designs for the 1¢ to 10¢ stamps of the 1935 King George V Silver Jubilee issue (Hanson 1970: 89-90; Scott 211-215) is readily apparent.

The vignette on an essay for \$5 back described previously (Allan 1994: 28, figure 87) shows Mercury with a winged horse and ships, trains and planes (figure 1). This design was engraved by H P Dawson (figure 2; Allan 1993: 84, figure 206). The next version of this vignette has the train and plane modernized and bears the title, "Modern Transportation," and the date 1952 (figure 3; Anonymous 1956: 14). Another interesting use of the central Mercury and winged horse device occurs on 8¢ and 15¢ Canadian stamps issued to mark the centennial of the Universal Postal Union on 9 October 1974 (figures 4 and 5; Scott 648 and 649). Perhaps the vignette was used elsewhere as well. Any further information concerning its use is solicited by the author.

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Figure 1

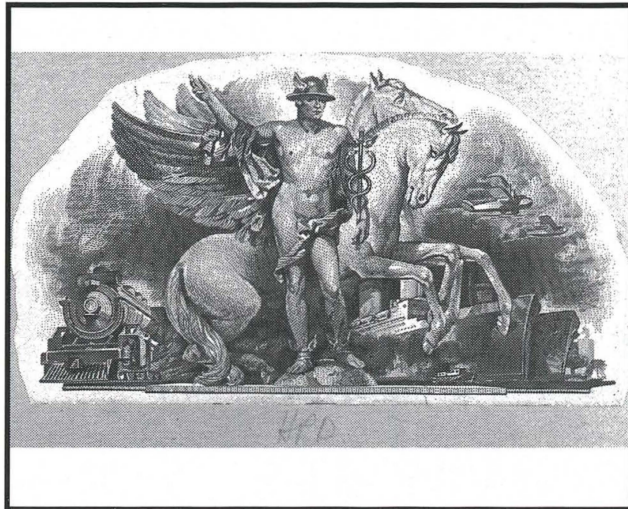


Figure 2



Figure 4

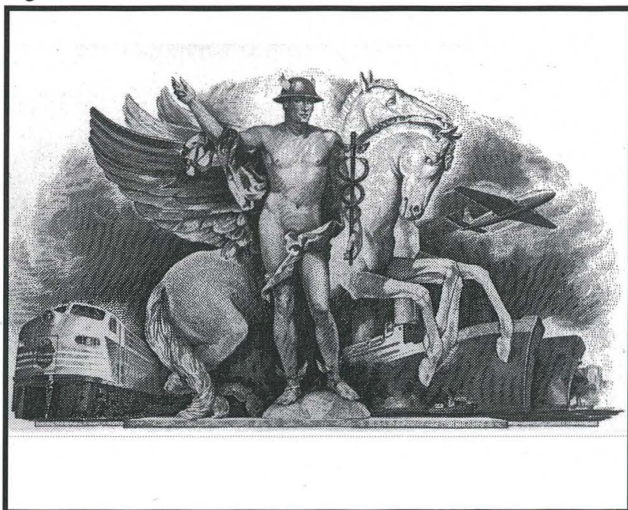


Figure 3



Figure 5

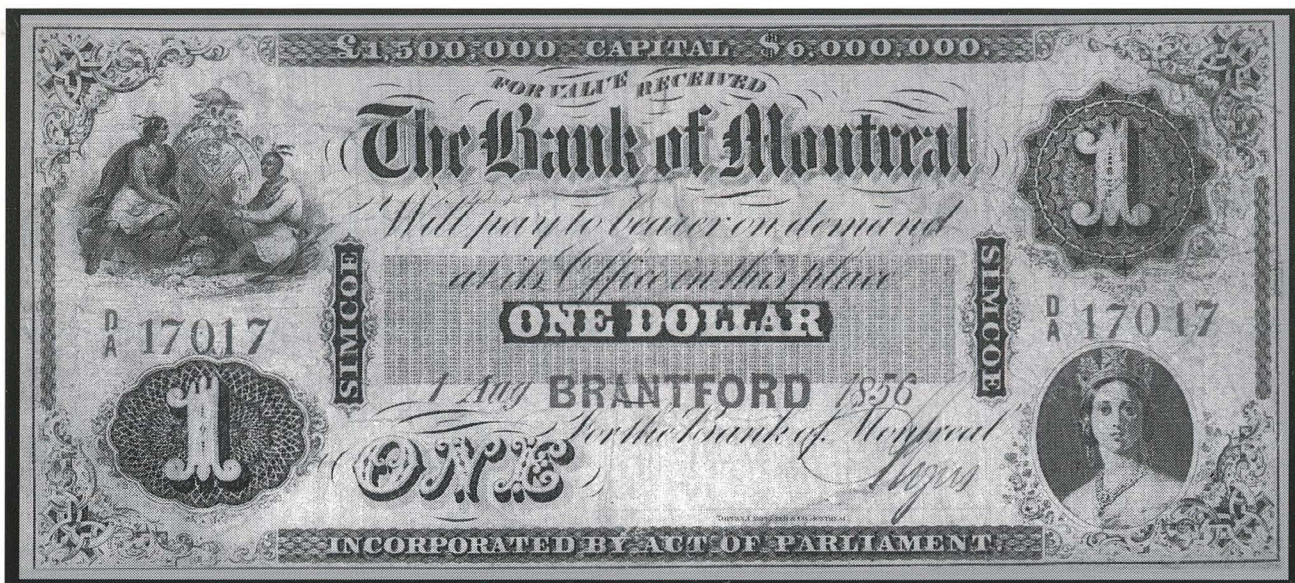


# NATIONAL CURRENCY COLLECTION

In this regular feature, with the help of J Graham Esler, Chief Curator, we present recent acquisitions at the National Currency Collection of the Bank of Canada. (Photographs by Zagon)



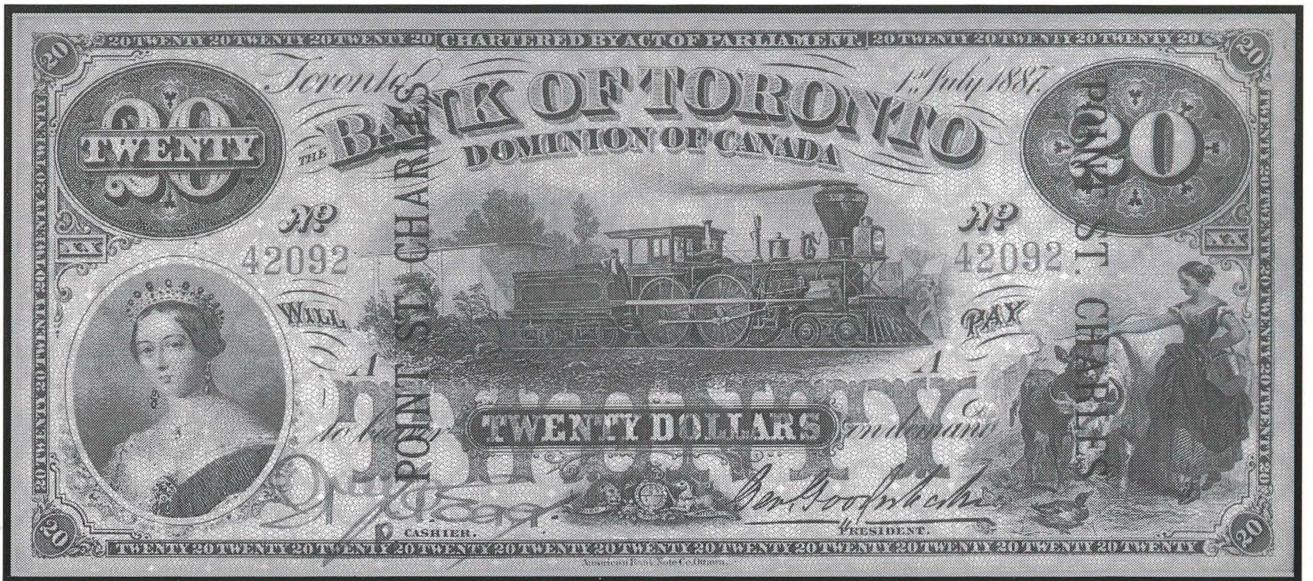
\$2 note of the Commercial Bank of Canada, 1857, engraved "London." Only known example.



\$1 note of the Bank of Montreal, 1856, "Brantford—Simcoe." Only known example.



\$5 note of the Bank of British North America, 1865, Toronto, overprinted "Dunnville." Only known example.



\$20 note of the Bank of Toronto, 1887, with the overprint, "Point St. Charles." This is the third known example of the \$20 of 1887 and the only one known with this overprint.



# The Government Counterfeit Detector

E B Banning

A potentially valuable source of information on the appearance of notes no longer known to exist and on the identification of signatures on notes lies in contemporary guides to the identification of counterfeits. These were used to help bank employees intercept, not only counterfeits, but also "notes" of spurious or non-existent banks that were presented at cashiers' wickets for redemption.

*One such source is Dye's Government Counterfeit Detector, "issued monthly at three dollars a year in advance," and published in Philadelphia "with illustrations, under supervision of the Secret Service, by order of ... [the] Secretary of the Treasury Department of the United States." Thanks to Walter Allan, I have a copy of DGCD for August 1889 which has a lengthy section on notes of the Dominion of Canada (Anon 1889: 56-64).*

*Included in this article, among many other things, are some items relevant to the articles by Ryan and Allan in this volume of CPMJ. For example, the article mentions that Province of Canada bills are "recalled and going out of circulation—\$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500, \$1000" (Anon 1889: 56).*

On the subject of the issues by chartered banks, the article notes that "Bills of Issue purporting to be on any Canadian Bank not mentioned in this List are either entirely worthless or of doubtful value, and should be handled only as 'Bills for Collection.'" (Anon 1889: 57).

For the Union Bank of Canada, the article notes that it was "formerly Union Bank of Lower Canada. Bills having both

titles are in circulation." It gives the denominations as \$5, \$10, \$20, \$50 and \$100, and describes the signature combination as "A. Thomson, Pres. : E. E. Webb, Cashier" (Anon 1889: 58).

Interestingly, it notes that

Since July 1st, 1881, none of the banks in this province [Ontario] have been permitted to issue any bills of other denominations than Five Dollars and their multiples, which makes it obligatory on the banks to retire all their Six and Seven Dollar Bills from circulation as fast as possible, as well as bills smaller than \$5 (Anon 1889: 58).

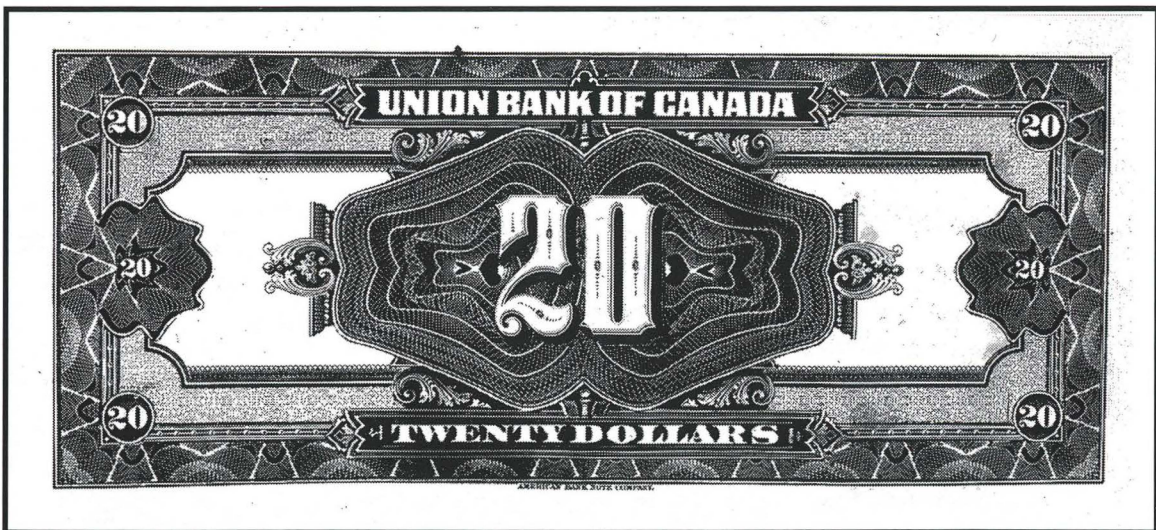
Later, the article notes the failure of the Commercial Bank of New Brunswick (Anon 1889: 60; see also Graham 1994), and, with respect to the Bank of Upper Canada, notes that it is "in the hands of the Canadian Government as Receiver. Bills are worth about 70 per cent. in Toronto, Ontario. Final report for settlement and final closing of this bank will probably be soon made, after which the bills will be worthless" (Anon 1889: 60).

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# The Canadian Paper Money Journal

Publication of the Canadian Paper Money Society



Sample  
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