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AND

PRINCE EDWARD ISLAND ADVERTISER.

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CORRESPONDENCE.

[FOR THE COLONIAL HERALD.]

O, brightness of heaven's peerless King,
Shed thy pure light within my soul;
Speak now, O Lord, that I may sing—
Thy word alone has made me whole!

Aid me, thou Spirit all divine,
To cling to my Redeemer's cross—
To feel, in truth, that Christ is mine,
And all things else to count but loss.

Breathe on my soul—dry up my tears—
Bid all discouragements begone;
Henceforth, through thee, in spite of fears,
I'll live by faith in Christ alone.

Then rise, my soul—be clothed with light;
Be armed with God's resistless word;
Onward thy heavenly way to light,
And dwell for ever with the Lord!

ALPHA.

Charlottetown, January, 1841.

PRINCE EDWARD ISLAND CURRENCY.

To the Editor of the Colonial Herald.

SIR; It has justly been remarked by a writer of some reputation,* that "a government should direct all its attention to the enlargement of the market, by forming safe and convenient roads; by the circulation of sterling coin; and by securing the faithful fulfilment of contracts—all which are indispensable measures; at the same time that, when put in practice, they will never fail to attain the desired end. And the nearer a government approaches to perfection in each of these three points, the more certainly will it produce every possible increase of national market. The first of these three means is without doubt the most essential, as no other expedient whatever can possibly supply its place."

To do the different Legislatures of the Island, for the last sixteen years, justice, it must be owned, that the all-important matter of Roads has not been neglected; and the most casual observer must confess, that the benefits resulting from their zeal have not been overrated by the intelligent author above quoted.

Of the two other means of increasing a national market, I fear so much cannot with equal truth be said. From what causes soever it may have arisen, whether from ignorance of the importance of the subject, want of knowledge as to the remedies to be applied, or to that reluctance which all public bodies have to change, where the benefits from such change are to be gradual and remote, and perhaps attended with some risk of popularity; certain it is, that the currency of Prince Edward Island has been allowed to remain in a state of degradation, till a change is so imperatively called for as to render delay neither politic nor safe.

Previous to entering on any discussion, either as to the necessity of a change, or the manner in which that change, if necessary, should be effected, it will be of service to take a short view of the history of the Currency for the last twenty or twenty-five years.

From the settlement of the Island, its Currency was the same with that of the Canadas, New Brunswick, and Nova Scotia; and was then, as it is now, called Halifax currency, that is, Spanish milled Dollars at five shillings each, and their subdivisions into quarters, eighths and sixteenths. In the year 1785, a legislative declaration to that effect was passed, and from that time to the present, Spanish milled Dollars, or British sterling money, are the only coin that can be legally tendered here.† About the year 18—, however, in consequence of the scarcity of Gold and Silver, and the absolute want of a commercial medium, and in some measure caused, I have not been misinformed, by there being in the Island a quantity of Bank of England Five-shilling Tokens, Governor Smith ordered the latter to be taken at the Treasury at the rate of Six Shillings, currency; nor would it seem to have been on the whole an unwise measure, provided it had obtained the sanction of the law; for the Bank Token was then current in England at Five Shillings, Sterling, and consequently worth Five and six pence currency—at the same time Bills of Exchange on London, both Government and private, were at an unexampled rate of discount, and Gold, and of course Silver, at a proportional premium. The sum of Six Shillings, Currency, was not therefore a very disproportionate value for the Bank of England Token, even while the Dollar remained at its original value of Five Shillings; for although the Bank Token was but a Spanish Dollar recoined, it was payable in England at Five Shillings, sterling, which the other was not, although perhaps as Bullion it was sold at nearly the same rate. In short, Governor Smith did precisely what the Bank of England had done before him, viz: he raised the price of the coin from the Mint price to the then price of Bullion.

Governor Smith, however, having received information that the Bank Tokens were about to be called in by the Bank, gave timely notice thereof, and intimated that the communication he had officially received might make it necessary to adopt some corresponding measure here also. The merchants and others of Charlottetown, becoming alarmed, requested the Sheriff to call a public meeting of the Inhabitants, to take the matter into consideration; and accordingly a meeting was held on the 5th of September, 1816, when it was resolved, that the Bank Token should still remain at six shillings; and, as I understand, an address to that effect was presented to the Governor and Council. Be this as it may, Governor Smith paid little or no attention to it, for in 18—† he issued a Proclamation, forbidding the Treasurer to receive Bank Tokens at more than five shillings currency in payment of duties.

The merchants, however, continued to receive and pay them at six shillings; and, imperceptibly, despite the proclamation, and in defiance of the law, the Treasury too began to receive and pay them at the same rate. At the same time, the three-shilling Bank Token passed, and still continues to pass, at three shillings and four pence, and the one and sixpenny Token at one and eight pence. How this anomaly took place it is impossible even to guess; for it is obvious to the meanest capacity, that if two and sixpence sterling (the half of a five shilling token) is worth three shillings currency, three shillings sterling ought to be worth more than three and four pence currency, inasmuch as it is considered necessary to add to the lesser coin sixpence, while only four pence is judged sufficient to bring the greater to an equal ratio.

The scarcity of money, however, continued to be felt, and recourse was had to one of those puerile and ridiculous expedients which have been at one time or other, or in some shape or other, resorted to by all countries—the debasement of the coin in circulation. In order to prevent the few remaining dollars from leaving the shores of the Island, a piece supposed to be equivalent to a shilling was cut from the centre of each dollar; and it was at first attempted to pass the dollar thus mutilated at its original value of five shillings, and the piece taken out at one shilling, thus making the Spanish dollar equal to six shillings; but this was too ridiculous to be kept up for any length of time, and the *holy* dollar, as it was termed, passed for four shillings, and the excised piece as one shilling. Still, this was contended for as an act shewing no small degree of cleverness on the part of its inventors, inasmuch as that they would not be received in payment in the neighbouring Colonies at any rate. In this, however, they were mistaken; the Halifax and other merchants, wisely judging that *holy* dollars were silver, and that though they would not pass as coin they would sell as bullion, took them and sent them to the States of America or elsewhere, where they found their way into the melting pot, the only fit and proper place for them. Matters remained in this way for some time, the dollar still continuing to pass for five shillings, till, by degrees, and though on the spot, I can hardly tell when the Spanish dollar rose to the sum of six shillings, the British Crown to seven and six pence, half-crown to three and nine pence, the shilling to one and six pence, the sixpenny piece to nine pence, and the fourpenny to sixpence. The Sovereign was advanced, in like manner, first to one pound ten, and subsequently reduced to one pound nine shillings. How the shilling was dropped in the relative value of the sovereign, those who made these arbitrary valuations can best tell; though one would have supposed, that if a crown was worth seven and six pence, a sovereign, which is four crowns, would be worth one pound ten.

The above is a very concise, but, I think, in all important parts, a correct history of the metallic currency of the Island. It has been gleaned from various desultory conversations at different times, and merely as matter of curiosity, of which I had not at the time any intention to make use, or I should have been more particular.

Of the paper currency and its effects I can speak with more certainty, having resided on the Island since its first commencement. But previous to entering into any consideration either of the merits or demerits of the latter, it would be well to take a view of the principles on which all currency is founded.

And in the first place, it is necessary that we should separate the value of money as *coin* from its price as *bullion*. The price of gold and silver, like all other merchandise, varies in proportion to the consumption and demand—the plenty or scarcity of the article in the market; hence, one is termed the mint price, and the other the bullion price—the one fixed, the other variable; and it is of the highest importance that the mint price should be fixed and invariable—for money, while in circulation, is not so much to be regarded for its intrinsic value, as the measure of value between other commodities; it is the middle term, as it is called, in the Rule of Three, with which every thing which is bought and sold is compared.

The wealth of a country cannot be ascertained by the quantity of gold and silver in circulation, but by the quantity of useful articles which it has to part with, over and above its own consumption. The quantity of gold and silver in circulation is so much of that surplus produce that the country can afford to withdraw from what was destined for the purchase of other goods—in other words, before a country could afford to have a metallic currency of Fifteen Thousand Pounds, it must sell Fifteen Thousand Pounds' worth of surplus produce, in order to purchase so much gold and silver; and if any part of this were paid to foreign countries, a corresponding portion of produce must be sent for the purpose of replacing it; so that there would be always Fifteen Thousand Pounds of dead capital, yielding neither profit nor interest, remaining in the country for that purpose. Unfortunately, however, for Prince Edward Island, this fund was daily and hourly broken in upon. As soon as the individual merchant finds it difficult, or perhaps impossible, to procure sufficient produce to export as a remittance, he is driven to hoard up the coin that comes into his hands, and send it to his Foreign or Colonial creditor; and so far as the Island is concerned, he might as well have cast it into ingots, and remitted it as so much bullion—it was for ever lost to the Island; and the produce he should have shipped to the immediate place of residence of his creditor, would have to be shipped to some other place, where gold and silver could be had, for the purpose of replacing that which he had thus, as it were, converted into bullion. It was in order to prevent this exportation, that the expedient of mutilating the coin was resorted to—with what success we have already shewn.

The exportation still went on, and the scarcity of a circulating medium began to be felt as a real grievance. It was with the view of supplying the waste of metallic currency, occasioned by this perpetual drainage, that recourse was had to the issue of a paper currency—and this leads me to speak of the principles upon which it

must be based, in order to render it a useful, and, consequently, a successful, expedient.

As money is not the value of the different commodities that are by its aid interchanged between man and man, but only the representative of such value, so, in like manner, a paper currency is the representative of money—its value depends upon its being convertible, in some way or other, into money. As they were undisguisedly intended to supply the place of a metallic currency—as it was not even pretended that they were for the time to be responsible in gold or silver—it was necessary that they should, in some measure, be made equal to money, and accordingly they were made a legal tender at the Offices of the Excise and Treasury, in payment of duties; and a clause was added, that when notes were presented for payment at the Treasury, in default of gold and silver, the Treasurer was to grant a certificate, bearing interest, or, in plain terms, those who could not convert their notes at the Treasury into gold or silver, were at liberty to fund them. Thus far, all was well—the sum issued was but Five Thousand Pounds—and as the revenue was increased the same year by an additional duty on Wine and Spirits, and a new duty on Tea and Tobacco, the note had a determinate value in exchange, and was readily taken by the merchant in payment for goods, and given by him to the Treasury in payment of his bond. The farmer, finding that with them he could readily command the necessaries or comforts of life, willingly took them in exchange for his produce, and the capitalist, who was anxious to obtain a secure fund for his surplus money, rejoiced in the idea that there was one at hand—thus all parties were pleased, and the beneficial effects of the measure were immediately felt. The Bank Tokens, however, still continued to pass at their old rates, and some few *holy* and other Dollars were still in circulation. As might have been foreseen, as soon as the public confidence was placed in the notes, the merchant—no longer forced to keep a sum of coin by him for the purpose of satisfying the demands of the Treasury—laid his hands upon every piece of money that would pass current in Halifax, and remitted it there, either in the payment of debts before contracted, or for the purchase of new supplies. The Bank Tokens, however, still stood their ground; they would have to be remitted at a discount proportioned to the difference of their value between this and Halifax. Hence the evil. In the very first year of the issue, the note became depreciated—not from any over-excess in the issue, as those both on this and on the other side of the Strait, from a want of due consideration of the facts, have erroneously conjectured—but because, on comparing the note with the metallic currency still in circulation, the *one pound note* was found to be, in fact, not worth *twenty shillings*. As an illustration of this, take three Bank Tokens, nominally Eighteen Shillings; add to this one eighteen-penny Token—one shilling and eightpence—and you have four pence of copper coin required to make up the Twenty Shillings; but the three Bank Tokens were intrinsically and legally worth but fifteen shillings, and the one-and-sixpenny Token passed in Nova Scotia but for one and three pence—the copper coin would not pass at all; so that by this mode of calculation, sixteen shillings and threepence was the value of the pound note.

Again, take three Bank Tokens—worth Fifteen Shillings—and add two smooth Shillings, worth ten pence each—and you will have sixteen and eightpence as their exact value. The same result will take place, if you calculate the value of Forty Pounds, Island notes, at the rate of Dollars at Six Shillings in Island, and Five Shillings in Halifax currency. On the other hand, if Six Three-shilling, or Twelve One-and-sixpenny Bank Tokens, be made use of, the value of the former being at that time, and I believe, now, two and sixpence, and the latter One Shilling and three-pence, the note sinks to Fifteen Shillings. Sixteen Shillings and eight-pence was therefore the maximum, and Fifteen Shillings the minimum price of the note, the day it was issued; and now that the Spanish Dollar has been raised to Six Shillings, Sixteen Shillings and eight-pence may be safely termed the Standard value of the notes. To speak commercially, the note is at a discount of sixteen and two thirds per cent., or to make it more plain to some of my readers, it would take Sixteen Pounds Thirteen Shillings and four-pence to make up the difference between a Hundred Pounds Halifax currency and a Hundred Pounds Prince Edward Island currency. We, therefore, had no reason to complain of the neighbouring Provinces refusing to take our note for the sum expressed on the face of it, since we ourselves set them the example; for when we would not ourselves give more than sixteen and eight pence for the pound note we could not suppose that they would advance upon our own price; nay more, it was to be expected, as it afterwards turned out, that they would suffer still more; and accordingly, when offered at public auction in the town of Halifax, they were sold at something above thirteen shillings. In fact, they were sent from home with a bad character, and were unable to pick up a good one abroad.

Had the credit side of the account been in favour of the Island—if the Novascotians had to remit money to us—doubtless the note would have passed in Halifax for its real value, sixteen and eightpence; but unfortunately for us, the reverse is the case, and we are annually obliged to pay to Nova Scotia large sums of money, and unless we change our system, always will—but of this at some other time.

It is evident, I think, and experience has shewn, that we have reaped no positive benefit from this departure from law, custom and propriety. Let us see whether we have not sustained some loss too. And in the first place, as to the revenue—it is nominally, let us assume, Fifteen thousand Pounds per annum, Island currency; that is to say, less by Two thousand five hundred Pounds than it would be if the revenue were collected in *lawful money*. To have voluntarily parted with one sixth of one's revenue, without any corresponding equivalent, would, in private life, be deemed an act little short of hallucination; and if it could be proved, that a Chancellor of the Exchequer had been guilty of such an act

of folly, if not worse, he would lose his place, if not his head. And yet this is what we have done in Prince Edward Island, ever since the dollar was raised to six shillings. If a carpenter were to cut an inch from each foot of his rule, and call the remaining eleven inches a foot, his board would measure, instead of twelve feet, as it did formerly, thirteen feet one inch; but the actual length of the board would still remain the same. So it is with the revenue; it is nominally Fifteen thousand Pounds—in reality, Twelve thousand five hundred. If there were no other reason than this, it would be one amply sufficient for restoring the currency to a healthy and legal state.

Now, let us see if it has no influence upon the operations of commerce. A brewer in Pictou or Halifax is anxious to know the price of barley in Charlottetown, and ascertains that it is from 3s. 5d. to 3s. 7d. Island currency. In order to find out the value in Halifax currency, he is obliged, either by himself or his friend, to have recourse to his pen or pencil, to calculate the difference, which he finds in the former case to be two shillings and ten pence two-thirds of a farthing, and in the latter two shillings and eleven pence three farthings and eight-ninths of a farthing. He must then calculate the number of bushels he wishes to purchase by this inconvenient rate; and a calculation then must also be entered into, whether it is for his benefit to pay in Spanish dollars, British silver, or British gold. The latter, it is true, is soon put out of the question, for, strange to say, British gold is at a discount in the Island, because, as has been remarked, four British crowns are worth one pound ten, while the sovereign is only worth one pound nine! Nothing could have been better devised, to encumber the operations of commerce, and consequently to limit the extent of the market, than this monetary system, which, while it evinces our total ignorance of the rules of political arithmetic, goes very far to prove our want of knowledge of the principles of the common Rule of Three. We have seen the effect it has on the revenue, and its tendency to embarrass the operations of foreign commerce. Let us come nearer home. A hard-hearted creditor may to-morrow lend a hundred one pound notes to a man in distress—take his Warrant of Attorney for the amount—and if his debtor fail at the day mentioned in the defeasance, may issue his execution—instruct the sheriff to take nothing but *lawful money* in payment—and Spanish dollars at five shillings must be procured for him, cost what they may. It will be in vain for the debtor to complain—he is without redress either in law or equity; both Courts are equally bound by the law of the land. Is this politic? Is this just?

It is easier, however, to prove that an evil exists than to shew the remedy. It is seldom difficult to determine that a patient is ill—the skill of the physician lies in pointing out the mode of cure; and the remedy is, in this case, I take it, extremely simple. Let a law be at once passed, assimilating the currency of the Island to that of Nova Scotia, to take place, not immediately, but from and after the First of next September. This will give time to all parties to govern themselves as to their future contracts. The stock of agricultural produce will have been pretty well disposed of by that time, and the harvest will but just have commenced. The stock in hand, too, of the mercantile part of the community will have been nearly exhausted, and the merchants will be beginning to think of laying in their fresh supplies. These circumstances seem to point out that time to be about the fittest. But, as it would be unjust to compel men to pay in any other currency than that in which the debt was really contracted, let there be a clause inserted in the Bill, making dollars at six shillings a legal tender for all debts hitherto contracted, unless the instrument upon which the money is claimed expresses the contrary. From an arrangement like this, no possible injury could ensue. In about the space of twelve months, the whole of the community would have become accustomed to the change, and if proper measures are taken to make it known in the adjoining colonies, I will venture to predict the happiest results. It will afford a convincing proof of the anxiety and sincerity, on the part of the Legislature and the Government of the Island, to put things on the most sure and stable foundation. It will shew that a due regard has been paid to the commercial interests of the Island, and the Treasury Note will then have that credit which it ought to have and will deserve.

Those who have asserted that the depreciation has been owing to the excessive issue of Treasury Notes, in the first place, and their not being responsible in gold and silver in the other, have taken a limited view of the matter, and have not adverted to the peculiar situation in which the Island stands—First, as depending altogether upon its agricultural produce, and deriving its subsistence from the soil, and from it alone; and Secondly, from the circumstance of its Foreign commerce being completely put a stop to, for from four to five months in the year. The last Report of the Committee on Public Accounts state £11,500 as the sum in circulation; but from that must be deducted a large sum that is locked up in the Treasury, as the proceeds of the Land Tax for the two last years. It would be of some consequence to ascertain the amount of this sum, for there never was a time when the want of a circulating medium was more felt than just now—and I fear will continue to be felt—for, owing to the cheapness of agricultural produce every where, it is to be apprehended that large remittances must be made in gold or silver in the ensuing Spring, to enable the merchant to keep up his credit.

But while the revenue of the Island continues to increase—while the note is a legal tender at the Treasury for the amount of that revenue—it will have always a value *within the Island* equal to that of gold and silver, and for the purposes of internal interchange of commodities be of equal value with them; and this is proved by the note never selling below its price in either gold or silver.

Fifteen thousand Pounds, at the least, are absolutely necessary, as a medium of exchange; and the amount of the exports, if taken in connexion with the amount of

* M. Garnier, in his "Short view of the doctrine of Smith, compared with that of the French Economists," prefixed to Smith's Wealth of Nations, Vol. I., p. xlv. Edinburgh, 1811.

† Col. Stat. 25 G. 3. c. 4, § 2, p. 91.—"And be it further enacted, That all the rates, duties and imposts, before mentioned, shall be paid in lawful money of this Island (being at the rate of Five Shillings, per Spanish Milled Dollar)." &c.

‡ The same year, I should suppose.