

# **EARLY BANKING IN KINGSTON AND THE STORY OF THE “PRETENDED” BANK OF UPPER CANADA (1810-1822)<sup>1</sup>**

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## **Introduction**

The story of the “pretended” Bank of Upper Canada of Kingston is one scandal and political intrigue. Touted as Upper Canada’s first banking institution, the pretended Bank of Upper Canada was a private, unincorporated financial institution. Considerations for establishing a bank in Kingston began as early as 1810 when a petition from the inhabitants of Kingston was presented to the Provincial Legislature to establish a chartered bank under the name the “Bank of Upper Canada.” Yet, armed conflict (the War of 1812), delays in the political process and division among the main actors involved in Kingston banking prolonged the town’s efforts to open a bank. In 1818, a group of businessmen from Kingston could no longer wait for Royal Assent on the Bank of Upper Canada bill and decided to organize a private institution for the benefit of agriculture and commerce in Kingston. In December 1818, the private Bank of Upper Canada opened its doors, and appeared to be an instant success. In a couple of years, things quickly turned for the worse, and by spring 1822, the private Bank of Upper Canada was declared “illegal” and the bank failed. On top of becoming Upper Canada’s first bank, the private Bank of Upper Canada gained the notoriety of being Canada’s first bank failure. This short article will trace the history of the private Bank of Upper Canada from the first proposals to establish a bank in Kingston to the on-going political debate that surrounded the institution long after its death.<sup>2</sup>

## **1. The First Petition for the Bank of Upper Canada (1810)**

It has been well documented that Canada’s monetary situation during the late eighteenth and early nineteenth centuries was difficult.<sup>3</sup> Shortage of specie, a multitude of payment instruments, different accounting methods, counterfeiting and fraud, and heavy reliance on credit severely hindered the normal flow of commerce. Especially for merchants, settling transactions was one thing, actually getting paid was another. Faced with a constant shortage of currency, and deprived of capital, Kingston merchants understood that the establishment of banking facilities was paramount to build commercial trade and promote economic development not only in the town of Kingston, but in the entire province and the colony. Notwithstanding early attempts to establish banking facilities in Montreal, the question of a “provincial” bank was being raised in Upper Canada. In 1810, the proposal to establish a bank in Upper Canada took definite shape in Kingston, the most important commercial centre of the province. Although early discussions on banking were intended to provide banking facilities to the Kingston merchants, the creation of a bank in the town was for the benefit of the entire province.

Proposals for the establishment of a bank in Kingston first appeared in the *Kingston Gazette* following a public meeting held on December 1st, 1810 “to take into consideration the expediency of establishing a bank in the town of Kingston and of applying to the Legislature for an Act of incorporation.”<sup>4</sup> Little is known about the outcome of the meeting, but in the following days the subject of banking dominated the debate, and commentaries from parties with opposing

opinions filled the pages of the local newspaper.<sup>5</sup> Those citizens who saw the advantages were eager to support the establishment of a local bank, while others who recognized the risks were more cautious and even opposed the project. Clearly, many citizens demonstrated an affluence and knowledge of banking and took great interest in the subject.

Evidence shows that a bank by the name of the Bank of Upper Canada was created, but that it never opened for business. A letter in the *Kingston Gazette* on December 11, 1810 indicates that the advocates of the bank were claimed to have been in the majority and in order to prove that there could be sufficient money obtained they sent out a subscription, which in a day or two settled the matter as the amount subscribed was much more than anyone expected.<sup>6</sup> While evidence of a petition having been drafted exists, it has yet to be discovered. Exact details of the petition are not known, though a letter, being an invitation to become a shareholder in the bank, highlights some of the major points of the petition, and addresses some of the concerns raised by readers of the *Kingston Gazette*.

A NUMBER of the Inhabitants of the town of Kingston having associated for the purpose of establishing a BANK, with a Capital of 250,000 Dollars, in Shares of Fifty Dollars each, and being desirous that the advantages which it is hoped will result from the Institutions, should be extended to their Friends in every quarter of the Country, they have directed us to invite you, Sir, to become a Stockholder, and to request that you will be pleased to signify to us, at as early a day as possible, the number of Shares you may think proper to subscribe for.... It is intended to the ensuing Parliament for an Act of Incorporation; but if that be refused, it is contemplated to carry on the establishment as a private Bank, provided the subscriptions to the stock be sufficient to form the Capital proposed.

To avoid the evils to which banks in the United States have been exposed, no expense will be spared to engage the most eminent Engraver, and in procuring Paper of the finest texture; ... The Public may receive our paper with little or no dread of imposition, the Punctuality with which it will ever be redeemed, will, we confidently trust, give to our Notes such a Currency as in a short time, to render our Banking Establishment as well advantageous and beneficial to the Country, as profitable to the Proprietors.  
Kingston, 10<sup>th</sup> December 1810. Signed, Allan McLean and Henry Murney.<sup>7</sup>

The names of the parties involved in the original petition of the Bank of Upper Canada have been lost with the document. It is assumed though that the petitioners consisted of many of Kingston's business elite. Allan McLean and Henry Murney, the signatories of the above letter, were indeed the case. According to R.A. Preston, Allan McLean (var. MacLean) was born in 1752, and became Kingston's first lawyer. He later reached political prominence when he was elected to the Legislative Assembly representing the county of Frontenac from 1804 to 1824. Neither Preston, nor McLean's family papers held at Queen's University Archives mention McLean's involvement in banking. He did, however, engage in commerce and land speculation. Preston mentions that McLean was a storekeeper in Cataraqui, and as a barrister he was granted 1,200 acres of land in Kingston. McLean in fact was shown to have held over 17,000 acres of land throughout the province.<sup>8</sup> Although McLean's business activities are not documented, his involvement in the Bank of Upper Canada, first in 1810, and later in 1817, would indicate that he

enjoyed a certain success, and that banking facilities would further improve his business. McLean died in 1847.

Little is known about Henry Murney other than that he ran a brewery in Kingston, which was sold to Thomas Molson in 1824.<sup>9</sup> It is not clear how Murney became involved in banking, nor to what extent he was a beneficiary of Kingston banking. Beyond the 1810 petition, Murney's name appears in the list of directors of the private Bank of Upper Canada in 1819, to which he was also a shareholder.<sup>10</sup>

The new bank at Kingston was to be a commercial institution with the mandate of taking public deposits, providing loans, and issuing and discounting notes. It was also intended to operate as a central bank, much like the Bank of England and the Bank of the United States, and act as the fiscal agent of the Upper Canada provincial legislature. Early visions of banking consisted of one institution meeting the needs and requirements on an entire province. Although intentions were to establish a "provincial" bank, having its headquarters in Kingston presented a definite advantage to the community. Until the spread of branch banking, banking was very much a regional business. The bank promoted and supported local commerce and community. The money that circulated in the community, thanks to the bank, stayed in the community. When outside competition infiltrated, the threat was great for capital and specie to be drained out of the community and into the coffers of the outside bank.

Although the original petition was never found, the journals of the Legislative Assembly for March 13, 1811 confirm the receipt of "petitions from Sundry Inhabitants of the Province relative to the Incorporation of a Bank."<sup>11</sup> Nearing the end of the session, no action was taken, and it was ordered that the petition be shelved until the next session. Nothing more was ever heard of the 1810 petition. Likely the outbreak of the War of 1812 forced the issue of banking to be put on hiatus.

## **2. Developments in Banking During the War of 1812**

Although it may appear that the War of 1812 stifled the debate on banking, developments in solving the liquidity problem that hindered commercial trade in Kingston continued to appear in the pages of the local newspaper. Success in the circulation of Army bills must have inspired some local inhabitants to revisit the idea of solving the province's cash flow problem. Following a meeting held on August 18, 1813, articles of association for the creation of the Kingston Association were published in the *Kingston Gazette* of August 31, 1813. The list of petitioners for the Kingston Association includes many of the men that would later present to the House of Assembly of Upper Canada a petition to incorporate the Bank of Upper Canada in 1817.<sup>12</sup> Although the Kingston Association was to carry out certain banking functions, nowhere in the petition was the organization called or treated as a bank. Its main purpose was to "issue bills for the convenience of making change."<sup>13</sup> Its function was directly aimed at facilitating commercial activity within the community. Ten resolutions outlined the extraordinary practices of the Kingston Association. Bills in \$1 denominations to a maximum of £1000 (\$4000) were to be issued to any person having deposited their amount in Army bills or specie. Interest and profits arising from the money deposited were to go to the "Patriotic Fund of Upper Canada," whose existence is unknown.

The lack of evidence on the institution would conclude that the Kingston Association's existence was short-lived. A correspondent to the *Kingston Gazette* commented that the solution exacerbated the problem: "When bakers, grog-shopmen, washer women, & c. & c do issue their

trash, I think it high time for some of the higher civil authorities to interpose, and present an unsuspecting public from being any longer imposed on.”<sup>14</sup> Ian Dalton, in his unpublished work on Thomas Dalton and the “pretended” bank, claims that “the idea found favour elsewhere, and a York Association, with nearly identical aims and policies, was set up in November of that same year.”<sup>15</sup> No further details on this venture either have been discovered to date.

Beyond the efforts of the Kingston Association, Thomas Markland, another prominent merchant who has heavily involved in the trans-shipment business, took an interest in promoting local economic development. Before joining the concern to set up a bank in Kingston, Markland issued his own scrip to stimulate his business. He was not involved in the group of merchants that proposed the creation of the Kingston Association in 1813. At the time, there must have been some friction between Markland and the parties involved in the Kingston Association. In the same issue where the Kingston Association published its articles to issue bills, Markland published an ad to defend the reputation of his notes:

The Merchants of Kingston having in a very ungenerous and unwarrantable manner, by a Public Notification, attempted to injure my Credit, I beg leave to assure the public that any Notes bearing my signature will at all times be received and paid in Army bills [dated Kingston, Aug. 28, 1813].<sup>16</sup>

In the same issue a letter to the editor penned by “Hawkins” severely criticized the circulation of private merchant scrip commenting on problems of counterfeiting, concerns for redemption and questions of their issue “with other views than Public Convenience.” It is not clear if this commentary was aimed at Markland, and further research has not uncovered the exact cause for Markland’s concern, but eventually differences among the merchants were settled as Markland joined their efforts to establish banking facilities in Kingston. Markland would in fact be involved in one way or another with banking and finance in Kingston, beginning with the bill to incorporate the Bank of Upper Canada in 1817.

### **3. The Second Petition of the Bank of Upper Canada (1817)**

The end of the War of 1812 raised a grave concern among merchants in the Canadas. Army bills used to pay for goods to supply the soldiers had enjoyed a tremendous success in the colony. They restored public confidence in the use of paper money, the higher denominations paid interest, and the lower denominations filled the void of the lack of a circulating medium. Many merchants, including Richard Cartwright, perhaps Kingston’s most prominent businessman until his death in 1815, dealt heavily in Army bills. Furthermore, as Merrill Denison points out in his history on the Bank of Montreal, Army bills changed the way that farmers conducted business:

The smaller bills found their way to all strata of society, with the result that the old barter business was broken up; farmers bought and sold for cash instead of store credit, and in the process enjoyed their first modicum of financial independence and economic self-respect.<sup>17</sup>

It was generally agreed that the abundance of a circulating medium induced economic prosperity. On the other hand, it was clear that the circulation of Army bills was only a temporary measure and that, according to the provisions made in the Army Bill Act (1811), all Army bills were to be

withdrawn from circulation beginning in 1815. No sooner were the last bills destroyed that the Kingston merchants were once again faced with the problem of a shortage of available cash. Montreal merchants, in the interest of maintaining positive trade relations with their partners in the United States and Upper Canada, began drafting plans immediately following the war to open a bank. The Montreal Bank was opened in 1817 to commence business, and pick up where the circulation of Army bills had left off.

The Kingston merchants did not wait to learn the outcome of the Montreal Bank to begin deliberations on setting up banking facilities. Early in 1817, after considerable discussion, the leading merchants of Kingston drew up a petition, which was presented to the House of Assembly on March 5, 1817:

To the Honorable House of Assembly of the Province of Upper Canada in Provincial Parliament assembled. The memorial of the merchants and others of the town of Kingston, respectfully sheweth: That your memorialists having taken into consideration the great utility and advantage of banks to a commercial people, which has been evinced by the number which have been established in England, and in the United States of America since the Revolutionary War; and feeling the benefit which the latter derive from the ready aid afforded by their banks, to carry on their establishments and improvements in their western territory, which, although of a much more recent date, is in a more flourishing state than any part of this Province, are of opinion that is found so beneficial in those countries, they cannot fail of tending to the prosperity of this province. The want of such an establishment was severely felt before the war, and there was hardly any doubt but that the same inconvenience will very shortly occur, whereas a well regulated bank would obviate all these difficulties by keeping up a circulating paper to meet every public demand. Your memorialists therefore pray that your honorable house will be pleased to pass an Act for their incorporation, and authorizing then to establish a Bank to be called "The Bank of Upper Canada," having a capital of £100,000, divided into 8,000 shares of \$50 each share. And your memorialists, as in duty bound, will ever pray.  
Kingston, January 26, 1817. (Signed) Thos. Markland and others.<sup>18</sup>

While general mention is made of the banks in England, the petition conveys firstly the impact of banking on the growth and expansion of the American economy since the Revolutionary War, and secondly the advantages merchants in America had gained on those in Upper Canada because of ready access to paper. The petition alludes to early attempts before the War of 1812 to open a bank in Kingston, and underlines the shortcomings given the absence of a circulating currency once Army bills have been withdrawn. Shortt claims that the petition "seems to have been well received by the House of Assembly."<sup>19</sup> A bill entitled "An Act to incorporate sundry persons under the style and title of the President, Directors and Company of the Bank of Upper Canada" was immediately passed on March 27, 1817.<sup>20</sup> The bank bill was returned with only minor adjustments, which were agreed to by the lower house and the Act was sent to Lieutenant Governor Sir Francis Gore for Royal Assent on April 7th. In an unusual move, the lieutenant governor withheld proclamation stating that a bill of such importance "should be reserved for the

**Table 2 - Names Associated with Kingston Banking (1810-1822)**

<b>Surname</b>	<b>Name</b>	<b>Upper Canada Banking Company petition (1810)*</b>	<b>Kingston Assoc. (1813)</b>	<b>Bank of Upper Canada (Kingston) bill (1817)</b> <i>[N.B. Number in () indicates rank on bill.]</i>	<b>private Bank of Upper Canada (1818-1822)</b> <i>[N.B. Number in () beside "art. of assoc." indicates rank, and beside "shareholder" indicates number of shares held.]</i>
McLean	Allan	yes		yes (1)	
Markland	Thomas	?		yes (2)	
Smith	Peter	?		yes (3)	
Herchmer	Lawrence	?		yes (4)	
Mitchell	William	?		yes (5)	
Kirby	John	?	director	yes (6)	
McKay	Roderick	?		yes (7)	
Macaulay	John	?	yes	yes (8)	
McPherson	Allan	?	cashier	yes (9)	
Thomson	Hugh C.	?	yes	yes (10)	shareholder (5)
Whitehead	Jerry	?		yes (11)	
Bradhay	William	?		yes (12)	
Nickalls	James	?		yes (13)	art. of assoc. (6)
McLeod	Neil	?		yes (14)	dir. / shareholder (40)
Johns	Solomon	?		yes (15)	shareholder (5)
Smyth	Patrick	?	yes	yes (16)	dir. / shareholder (10)
Graham	Thomas	?		yes (17)	
Cumming	John	?	president		art. of assoc. (1) / shareholder (20)
Whitney	Benjamin				art. of assoc. (2) / dir. / shareholder (60)
Balfour	John M.				art. of assoc. (3) / shareholder (10)
Ferguson	John				art. of assoc. (4) / dir. / shareholder (10)
Richardson	Robert	?	yes		art. of assoc. (5)
Shaw	Samuel				art. of assoc. (7)
Bartlet	Smith	?	yes		dir. / shareholder (98)
Dalton	Thomas				dir. / shareholder (91)
Whitaker	Thomas				dir. / shareholder (40)
Richmond	Archibald				dir. / shareholder (31)
McLean	John				dir. / shareholder (25)
Hagerman	Christopher				dir. / shareholder (20)
Murney	Henry	yes			dir. / shareholder (20)
Ferguson	John W.				shareholder (10)
Washburn	Simon				director
Abbot	Jonas	?	director		
Ayckroyde	Samuel	?	yes		
Douglass	George	?	yes		
Forsyth	Joseph	?	yes		
Macdonell	Alexander	?	yes		
Smith	Richard	?	yes		
Walker	Robert	?	yes		

\* The “?” indicates that the party may have been a petitioner. No documentation has been discovered to confirm this. Note: Table 2 is sorted by rank of party named in the Bank of Upper Canada petition and bill (1817), then by rank in Articles of Association for the private Bank of Upper Canada (1818). The remaining names are parties involved with earlier banking ventures in Kingston, including the 1810 petition and the Kingston Association (1813).

Sources: Kingston Gazette, August 31, 1813, July 7, 1817, July 14, 1818; n.a. A Statement of the Affairs of the Late Pretended Bank of Upper Canada at Kingston (York, 1827).

signification of His Majesty's pleasure thereon.”<sup>21</sup> Gore recognized the importance of introducing banking facilities in the province and thought it important to gain the support of British authorities. The bill was revealed to the public in the *Kingston Gazette* in July 1817, and the petitioners waited patiently for word from London to proceed with the organization of the bank. An analysis of the bill is warranted.

The bill was literally a carbon copy of the Montreal Bank's articles of association, which, in turn, was largely drawn on Alexander Hamilton's charter for the Bank of the United States. The charter contained 24 articles, and the list petitioners read like a *Who's Who* of Kingston's elite: [in order of publication in the bill] Allan McLean, Thomas Markland, Peter Smith, Lawrence Herchmer, William Mitchell, John Kirby, Roderick McKay, John Macaulay, Allan McPherson, Hugh C. Thomson, Jerry Whitehead, William Bradhay, James Nickalls, A. Neil McLeod, Solomon Johns, Patrick Smyth and Thomas Graham. As Table 2 on the preceding page shows, many new names appear in the bill, and, interestingly, many names associated with earlier banking concerns, such as the Kingston Association, are conspicuously absent. Joseph Forsyth died in 1813. The reasons for the absence of John Cumming and Smith Bartlet are not known, but they may coincide with conflicts encountered between Markland and certain members of the Kingston Association back in 1813. The schism among the parties pushing for banking facilities in Kingston will become even more pronounced with the establishment the private Bank of Upper Canada.

Little is known about many of the newcomers to the banking fold. Most likely they represented the elite class of citizens in Kingston, who were either merchants or professionals with a vested interest in banking. One individual who stood out as the champion of banking in Kingston and Upper Canada is Thomas Markland. Markland was not only well known among Kingstonians through his philanthropic activities, but he was also a reputable public figure in Upper Canada holding several public offices. Thomas Markland was born in New York in 1757. The American Revolution forced his emigration to Kingston in 1784, and there he met, and married, Catherine Herchmer, who was the sister of Lawrence Herchmer, another prominent Kingston merchant associated with banking. In 1788, Markland entered the trans-shipment business with another Loyalist, Robert Macaulay. They also ran a small retail store. Markland was second only to Richard Cartwright in the quantity of goods handled. Unfortunately, the extent of his dealings is not known for his ledgers were never preserved. Thanks to his lucrative mercantile pursuits and land speculation, Markland accumulated considerable wealth. Thomas Markland died in 1840 leaving to Kingston an important legacy of political and commercial grandeur. Markland was a tireless man who contributed much to the economic and social development of the Town of Kingston. According to Jane Errington, the editor of the *Kingston Chronicle and Gazette* thanked Markland “for his long, zealous and efficient service as a public man.”<sup>22</sup> Markland was very active in his pursuits to establish banking services in Kingston. As will be seen later on, he was involved in almost every piece of legislation that favoured the opening of a bank in the town.

Lawrence Herchmer was the descendant of German immigrants who were settled in New York since 1721. Herchmer's parents left the United States in 1783 and were among the first settlers in Cataraqui. A well-respected citizen of Kingston, Lawrence Herchmer held several public offices and engaged in philanthropy. Not unusual for the period, Herchmer was connected by marriage with other prominent merchant families in Kingston, namely the Kirbys, the Macaulays, and the Marklands.<sup>23</sup> Herchmer went into business as a merchant, first in Port Hope, and later in Kingston. As seen earlier, he and his family had extensive land holdings throughout

the province. He also had a lumber business and saw mills. Unfortunately none of Herchmer's account ledgers, or other records documenting his commercial activities, have survived to give any indication of his business conduct. When Herchmer died in 1819, he bequeathed most of his land to his family, and all monies were transferred to his wife and five children. Given his involvement in the petition for the Bank of Upper Canada, Herchmer certainly expressed an interest in banking. His sudden death meant that his role in setting up a bank in Kingston was cut short. Undoubtedly his business and real estate ventures made Lawrence Herchmer an avid supporter of banking facilities in Kingston.<sup>24</sup>

John Kirby was born in 1772 in Yorkshire, England. In 1774, his family came to America and settled on a farm in New York. As royalist supporters, they left the United States following the American Revolution, and settled in St-Jean-sur-Richelieu. Seeking opportunity to better his lot and improve his standard of living, Kirby moved to Kingston in the late 1780s. He was taken under the wing of Robert Macaulay, another prominent merchant in Kingston, who had married Kirby's sister Ann in 1791. Macaulay, along with Thomas Markland, was engaged in the forwarding business. After Markland's withdrawal, and upon Macaulay's untimely death in 1800, Kirby continued the hardware business with his sister Ann under the name John Kirby and Company, which lasted until 1817. Beyond his business partnerships, Kirby was closely associated with the elite families of Kingston through marriage and heritage, being named the executor of some of Kingston's magnates. He was a universally respected man. Like many of his compatriots, Kirby was active in improving the quality of life in the town. Finally in the 1830s, Kirby went on to political prominence, being appointed to the Legislative Council in 1831. He became a major actor in the union of the Canadas in 1840.<sup>25</sup>

The John Kirby fonds held at the Queen's University Archives give limited, though very insightful, information on Kirby's business activities. A testament to the shortage of a circulating medium, Kirby's file reveals how he extensively used cheques and bills of exchange as payment. Furthermore, Kirby kept an account of debts owed to him, which amounted to £13,600 upon his death.<sup>26</sup> Although Kirby's papers make no mention of his involvement in the banks, it is not surprising that he was a firm supporter of banking. He was not involved in the private Bank of Upper Canada, but was a shareholder, and a client of the Commercial Bank of the Midland District (incorporated in 1832). His loyalty, however, did not sit only with the Kingston banks. Like any businessman wanting to protect his interests and prosper, Kirby was a shareholder in the Bank of Montreal (incorporated in 1822) and the Bank of Upper Canada of York (incorporated in 1821). In 1830, he became a director of the Kingston branch of the Bank of Upper Canada. Kirby's involvement did not end there. Along with his nephew, John Macaulay and George Herchmer Markland, Kirby was appointed commissioner to investigate the failure of the pretended Bank of Upper Canada, to which more will be discussed later.

Other petitioners were involved in Kingston banking in other capacities. John Macaulay was the son of Robert Macaulay, one of Kingston's biggest merchants. Born in 1792, Macaulay was educated by John Strachan, who would later have an impact on his career in banking. He held several public offices in Kingston, such as surveyor general and postmaster, and between 1823 and 1836 he was agent of the Bank of Upper Canada, a role that Strachan had primed him to play. After 1836, Macaulay went to Toronto where he sat of the Legislative Council of Upper Canada until 1841. His ties to the Bank of Upper Canada were further cemented when he sat as a government appointee on the bank's directorate. As if his presence in the banking circles was not prevalent enough, Macaulay served as President of the Commercial Bank of the Midland District in the 1840s.<sup>27</sup>

Another member whose biography has been recorded is Hugh Christopher Thomson. Thomson, who was of Scottish descent, was born in Kingston in 1791. His parents moved from Tyron County, New York to Kingston in the late 1780s. Work brought Thomson's family to York in 1795. It was there that he got his first break in mercantilism working as a clerk in a local general store. Thomson returned to Kingston in 1810 and eventually bought his own store in 1815. He became well known, though, as the proprietor of the *Upper Canada Herald*, Kingston's second newspaper. The newspaper enjoyed a large circulation throughout the province. Thomson was actively involved in the community, and later became involved in politics representing Frontenac in the Legislative Assembly in 1825, 1829 and 1831. Thomson died of cholera in 1834. Hugh C. Thomson was certainly a staunch supporter of banking: he was involved in the Kingston Association in 1813, he was a petitioner for the 1817 bill and the 1819 Kingston Bank bill, he was a shareholder in the pretended Bank, and, as will be seen later, his newspaper was heavily implicated in the debate surrounding the affairs of the pretended Bank.<sup>28</sup>

For some of the less prominent names stated in the bill, little is known about William Mitchell and his business ventures. One interesting point to make, though, is that he was appointed agent for the Bank of Canada (based in Montreal) on October 20, 1818.<sup>29</sup> As an agent of the bank, Mitchell was responsible for accepting deposits and discounting notes presented to him. As for James Nickalls, notices in the *Kingston Chronicle* reveal that he was a merchant dealing in hardware, and also sat on several public boards.<sup>30</sup> For the remaining names, Roderick McKay, Allan McPherson, Jerry Whitehead, William Bradhay, A. Neil McLeod, Solomon Johns, Patrick Smyth and Thomas Graham, no records or data were found to shed light on their backgrounds, their business activities, and their involvement in the community. All parties will reappear either in the foundation of the private Bank of Upper Canada in 1818, in the 1819 bill to establish the Bank of Kingston, or in the resolutions of the Kingston Savings Bank (1822).

Examining the articles of the charter, some important points must be raised. First, and fore most, there is a discrepancy of £25,000 between the proposed amount of capital stock found in the Kingston petition and that of the bank bill. The reason for the increased capital is not known, but possibly it was intended to increase the bank's potential to attract investors based on the past success of the American banks. Conspiracy theorists would argue, on the other hand, that the amount was increased to stall the bank knowing that it would have difficulty raising the initial capital. This is unlikely, for at the time support for a bank was unanimous inside and outside political circles.

The new capital for the Bank was set at £125,000 (\$500,000) divided into 10,000 shares of \$50 each. More important, £50,000 had to be subscribed before a board of directors could be formed and £20,000 in specie had to be paid in before the bank could commence operations, and issue notes. To understand the significance of these figures, two questions must be raised. First, how was the amount of the capital stock determined? Second were the amount of the paid-up capital and the share price realistic? To answer these questions, one must look at the past experience of other banks, namely those in the United States, and at the economic environment of the town and the province.

The Bank of the United States was chartered with a capital stock of \$10 million divided into 25,000 shares at \$400 per share. Given the increased wealth and population of the young republic, and given that the Bank of the United States was a "national" bank, meaning that subscribers came from all corners of the country (many foreign investors also acquired shares in the bank), the shares were immediately subscribed, and the minimum paid-up capital of

\$400,000 was acquired. Whether Kingston, or the entire province of Upper Canada for that matter, had the same resources to raise the minimum paid-up capital is questionable.

Looking at the financial situation in Kingston, the Bank of Upper Canada would not have survived on the investments of the local community alone. Previously, certain members of the Kingston community raised the concern of the lack sufficient funds to support a bank. It is a valid argument that warrants some analysis. In 1815, the population in Kingston was estimated at 17,000 people. Kingston's population had increased greatly in the late eighteenth century following the influx of "late-Loyalists" and other immigrants. But much of Kingston's population constituted immigrants who did not have the financial means of purchasing stock in the bank. For the portion of the lower class that did not work in the dockyards or as journeymen, they settled in Kingston's hinterland to engage in farming. Much like their urban counterparts, farmers earned too little to afford to invest in a bank. That said, the purchase of stock to support Kingston's bank had to come from the town's elite members: merchants, professionals, politicians and the clergy.

It is believed, though, that even Kingston's elite could not raise sufficient capital to open the bank. Kingston's biggest entrepreneurs, including Cartwright, Markland, Macaulay, Kirby and Herchmer, possessed considerable wealth. Yet, they did not have the means of converting that wealth into capital.<sup>31</sup> As seen previously, many of these men owned considerable assets, such as mills, warehouses and vessels, and they held vast amounts of land throughout the province. Yet none of these assets could be used as collateral to purchase stock because Article XIV of the charter stipulated that the new bank was prohibited from holding land. Lack of evidence prohibits any firm conclusion at this time. The analyses of subsequent bank charters will certainly help to further clarify this matter.

For the Bank of Upper Canada to succeed in raising sufficient capital, subscribers would have had to come not only from Kingston, but also from elsewhere in the province, and even outside the colony. Organizers of the bank most likely knew this, for provision was made for books of subscription to be opened in other parts of province, including York, Niagara, and Hamilton (Article II). Furthermore, British subjects from outside the province, and foreigners could purchase shares to a maximum of 80, until the initial public offering (IPO) was completed. Subscribers were then welcome to purchase any outstanding shares once the IPO was closed (Article III). Only shareholders residing in the province could become directors of the bank. Because the bill for the Bank of Upper Canada never passed, to determine what percentage of subscribers resided outside Kingston, or even outside the colony is pure conjecture.

Other articles in the charter determined the number of directors to be elected to the board, the minimum note value permissible for issue, and the question of opening branches elsewhere in the province. Details of these articles will become significant later on, when other bank charters are analyzed. One important article that was added to the bill during its reading before the Legislative Assembly was the forfeiture of the charter should it not be used before the expiration date of January 1, 1819. This was in fact the article that would seal the fate of the Bank of Upper Canada in Kingston. Whether intentional or not, word from England arrived too late and the bill was revoked. Ian Dalton points out that King George III was ill in this period. Peter Baskerville argues that a decision on the bill was delayed because the government saw no need to establish a close relationship with any bank.<sup>32</sup> Even though the bill had received Royal Assent, the lieutenant governor, whom by then was Sir Peregrine Maitland, did not allow the bill to pass. He did invite the Kingston petitioners, however, to re-apply for a charter. As will be seen later on,

the outcome of these events is extraordinary, and it reveals the true nature of the competition in banking that erupted in Upper Canada as early as 1818.

#### **4. The Creation of the Private Bank of Upper Canada (1818)**

Not having received any news on the progress of the bank bill, a group of Kingston merchants decided to follow the lead of their counterparts in Montreal, and established the Bank of Upper Canada as a private corporation. Peter Baskerville and Bray Hammond contend that the establishment of the private Bank of Upper Canada was a reaction to the opening of agencies in Kingston by both the Bank of Montreal and the Bank of Canada in 1818.<sup>33</sup> The articles of association of the private Bank of Upper Canada were identical to those of the Kingston bank bill, and of the Bank of Montreal.<sup>34</sup> A couple of important changes were the omission of issuing notes and the opening of branches. While the private Bank of Upper Canada had no intentions of opening any branches or agencies elsewhere in the province, the company did issue notes.<sup>35</sup>

Beyond the details of the articles of association, an examination of the parties involved in the private bank raises some interesting questions. According to the articles of association, the following men formed the organizing committee of the new bank: John Cumming, Benjamin Whitney, John M. Balfour, John Ferguson, Robert Richardson, James Nickalls, and Samuel Shaw. Some members, such as John Cumming and Robert Richardson, were involved in the Kingston Association, but were not named in the 1817 bank bill. James Nickalls was the only member involved in the 1817 bank bill. The remaining names had no previous history with banking in Kingston. Other names that were not mentioned in the private bank's articles of association yet that appear in the list of directors of the bank are Smith Bartlet, Thomas Dalton, Christopher Hagerman, John McLean, Neil McLeod, Henry Murney, Archibald Richmond, Patrick Smyth, Simon Washburn, and Thomas Whitaker. Again, some men, such as Henry Murney, Neil McLeod and Patrick Smyth were associated with previous banking ventures, namely the 1810 petition, the Kingston Association (1813) and the 1817 Bank of Upper Canada petition. The rest were relative unknowns.

Little is known about Smith Bartlet prior to his involvement in the private Bank of Upper Canada. Advertisements in the *Kingston Gazette* of 1810 show Bartlet as keeping a general store. His name was also among the petitioners for the Kingston Association. In 1817, Bartlet partnered with Thomas Dalton to open the Kingston Brewery (one of three to use the name). The partnership was later amicably dissolved in 1819 soon after the private bank went into operation. At the first meeting of the shareholders of the private bank, Bartlet was elected as a director and was appointed cashier of the bank.<sup>36</sup> The cashier was an important position in the bank overseeing its daily operation. Bartlet's role in the failure of the private bank will be revealed further along.

Benjamin Whitney, like Smith Bartlet, was listed as a shopkeeper in the local newspaper in 1810. Whitney was also elected as director of the bank, and named president.<sup>37</sup> Thomas Dalton, whose involvement in the pretended bank has been captured in an unpublished book authored by his great-grandson Ian R. Dalton, was a latecomer to Kingston. With some failed business ventures behind him in England and Newfoundland, Dalton came to Kingston and opened a brewery with Smith Bartlet. Dalton assumed sole proprietorship of the brewery in 1819. Regarding Dalton's involvement in the pretended bank, which will be further developed in subsequent pages, Ian Dalton points out that in an unusual move Dalton was made a director of the bank having been a citizen of the colony for less than two years, which directly contravened

the articles of association of the private bank.<sup>38</sup> Like his counterparts, Dalton's involvement in the affairs of the private Bank of Upper Canada were remarkable, and will be developed further down.

One final name of significant importance to banking history in Kingston is Christopher Alexander Hagerman. Hagerman was born in 1792, the son of Loyalists who moved to Adolphustown (Prince Edward County) after the Revolutionary War. Hagerman pursued a career in law that opened the door to several business ventures and political appointments. In 1813, he was appointed collector of customs for Kingston in 1813, having taken over the post following Joseph Forsyth's death. Hagerman became involved in politics in 1820. He was elected to the House of Assembly defeating his chief rival George Herchmer Markland (a man with tremendous clout) 119 votes to 94. Hagerman's move to York to assume his post in the House introduced him to a privileged circle of highly influential and powerful men to which he would soon become a member, the Family Compact.<sup>39</sup> During his time in York, and through his affiliation with the Family Compact, Hagerman built himself a reputation that made him many enemies both in his legal and political professions. According to Hagerman's biographer, Robert L. Fraser, William Lyon Mackenzie thought Hagerman showed "a disposition to carry the abuse of privilege as far as the most despotic sovereign had ever carried the abuse of prerogative."<sup>40</sup> Hagerman was on Mackenzie's black list, which was periodically published in the *Colonial Advocate*. Charles Durand, one Hagerman's most violent detractors, called him a "grim old bulldog, ... a type of Nero."<sup>41</sup>

Despite his authoritative and aggressive personality both in the House, and before the court, Hagerman proved to be a good constituency man tending to many local concerns. Unfortunately his involvement in the scandal of the pretended bank chased him out of Kingston. He lost his re-election in 1824, and the failure of the pretended bank cost him dearly. In 1828, he was finally able to wind up his affairs in Kingston, and subsequently he moved to York. There he opened a new legal practice and became heavily involved in some large legal cases. In 1830, Hagerman made a return to politics with an appointment as Attorney General of Upper Canada. He held this position until he resigned to become a judge in 1840. He was a firm supporter of the union of the Canadas, which came to fruition in 1841. As far as his records show, Hagerman had no involvement in mercantilism, and had no business ties with any of the Kingston merchants.<sup>42</sup>

Some of the names of Kingston's prominent merchants, such as Thomas Markland, who became manager of the Bank of Montreal's Kingston agency, are absent from the petition for valid reasons. Others are conspicuously absent perhaps because they did not wish to risk their reputation engaging in a business that was not supported, or officially recognized by government law. Sadly, none of the personal papers of the Kingston merchants shed light on this issue. Ignoring their direct involvement in the private bank, some Kingston merchants who were associated with the original bill to incorporate the Bank of Upper Canada became shareholders in the bank: Solomon Johns (5 shares), Neil McLeod (40 shares), Patrick Smyth (10 shares), Hugh C. Thomson (5 shares).<sup>43</sup>

At the same time that the private bank was being organized, the debate over banking once again hit the newspapers. The *Upper Canada Herald*, which was owned by one of the shareholders in the private bank, Hugh C. Thomson, contained several articles that renewed some of the old arguments that banking was evil, and that farmers should avoid the traps and pitfalls of engaging in banking services. Given his liberal approach to conveying the news, Thomson made no attempt to censor the critics of the bank. Some articles, such as that penned by "A Friend to Farmers," attacked the credit system, and how it forced many farmers deep into

debt.<sup>44</sup> Other contributors, like “The Prompter” and “Corrector,” underlined the importance of merchants and banking to assist the farmer in selling his produce, and to supply him with tools and other necessities required to expand and prosper. At the same time though, they encouraged people to cut spending and avoid debt. They also exercised much scrutiny concerning the actions of the bank.<sup>45</sup>

Public criticisms aside, the private Bank of Upper Canada appeared to enjoy instant success. Within the first year, £35,000 in stock had been subscribed with £11,000 (32%) actually paid in. A minimum £10,000 was required to begin issuing currency. The first board of directors was elected, and included Daniel Washburn, Archibald Richmond, Christopher Hagerman, John McLean, John M. Balfour, John Ferguson, Patrick Smith, Neil McLeod, Henry Murney, Thomas Whitaker, Thomas Dalton, and Benjamin Whitney. Whitney was elected president of the bank, and Smith Bartlet was the bank’s cashier. The bank went into operation in December 1818, accepting deposits and discounting notes. As early as April 1819, the Bank issued notes in denominations of \$1, \$2, \$3, \$5 and \$10 printed by the Graphic Company of New York.<sup>46</sup> It was only the third bank in all of Canada, behind the Bank of Montreal and the Bank of Canada, to issue notes. The issue of notes was a contentious one given that counterfeiting was rampant. Note design consisted of hand-engraved vignettes, and stylistic graphic elements that were applied in black ink onto paper using the intaglio process. The idea of colour, security features, and even printing on both sides had not yet been introduced. Counterfeiters had difficulty creating exact reproductions, but since most people were not used to handling cash, and had no idea what a genuine note was supposed to resemble, then counterfeits passed easily. Given the scarcity of specie, though, bank paper was a welcome sight, and notes circulated extensively.

Notices in the *Kingston Chronicle* and the *Upper Canada Herald* provided further indications of the bank’s early success. Discount days were published on a weekly basis. In May 1820, the Bank announced its first dividend payment of 4 per cent. An agency of the private bank was opened at York in 1821 under the direction of Robert Coleman. And although the Montreal banks had earlier refused to cooperate with the Kingston bank, an arrangement was finally made in October 1821 to have the bank’s notes accepted for redemption at par at the Bank of Canada in Montreal, thus encouraging their use through the eastern part of the province.<sup>47</sup>

From a political standpoint, the legitimacy of the private bank was questionable. It would later be argued that because the private bank operated without a charter, it was in direct violation of imperial laws drawn up in 1741 dealing with “unwarrantable schemes and undertakings,” such as joint-stock ventures and banks that had plagued the American colonies.<sup>48</sup> The 1741 act was an extension of the Bubble Act of 1720 where the Bank of England forbade banking by other corporations or partnerships of more than six members. The private Bank of Upper Canada, however, was never formally accused or charged with such an offence. Instead its fate was sealed because of internal conflicts among the directors. As Shortt explains, the directors of the private bank were amateurs that had no experience or knowledge of running a bank. For him, this is what killed the bank.<sup>49</sup> The failure of the private bank will be examined in the next chapter.

## **5. The Failure of the Private Bank of Upper Canada (1822)**

It was seen in the previous chapter that the private Bank of Upper Canada appeared to be enjoying considerable success. However, cracks in the bank’s foundation, as a result of competition and internal conflict, began to appear in 1822. A notice in the *Kingston Chronicle* dated August 9, 1822 indicated that the bank was paying a premium of 5 per cent on guineas.

This was up from the 3 per cent premium the bank was paying six months earlier. In the same notice, an amendment to the articles of association was announced stating the forfeiture of unpaid stock. The fact that the private Bank of Upper Canada was paying a premium on gold, and warning shareholders to pay for their stock meant that it was desperate for money. Likely, the bank had overextended its note issue, and that any attempt of a run on the bank would cause it to fail.

It is impossible to make an accurate assessment because the private Bank of Upper Canada never published its financial statements. In fact, beyond the notices for discount days, meeting announcements, dividend notices, and payment instalments on shares, very little news came out of the bank until August 30 1822, when a notice was posted in the *Kingston Chronicle* announcing a meeting of the shareholders of the bank on October 12 “for the purpose of investigating certain charges by one of the directors against B. Whitney regarding his conduct as President.” What started as a crack in the Bank’s reputation now became a gaping hole. From this point, speculation and controversy over the supposed unlawful practices of the president dominated the headlines in the local newspapers.

Ian Dalton, the great-grandson of Thomas Dalton, a director of the private Bank of Upper Canada, wrote an unpublished book on the “pretended” Bank scandal, and the years of political and legal conflict that followed in the attempt to settle the affairs of the bank.<sup>50</sup> Dalton’s purpose for writing the book was to clear his great-grandfather’s name and reputation, which had become tarnished during the scandal. The government commission had pinned much of the blame on Dalton, yet Ian Dalton, a lawyer himself, contends that his great-grandfather was wrongfully accused of being involved in the scandal, and that the outcome of the blundered commission had ruinous consequences on his life and career.<sup>51</sup> While Dalton admits that no attempt was made to conceal his bias, his work was well researched, and his arguments were supported with documented evidence.

Given Ian Dalton’s thorough accounts of the events surrounding the failure of the pretended Bank of Upper Canada, only the significant points need be highlighted here. As mentioned earlier, signs of trouble at the Bank of Upper Canada appeared in the summer of 1822. The private bank was at the centre of a scandal involving the president of the bank, Benjamin Whitney. The alleged abuse of privileges led to a standoff between Whitney and the directors. A notice in the *Kingston Chronicle* of September 13, 1822, issued by the Secretary of the bank, John Balfour, addressed the allegations, and stated that the charges against Whitney were “found to be groundless and frivolous arising from private animosity and circumstances altogether unconnected with the institution.” To further ease the tension caused by the incident, Balfour’s notice touted the bank’s success: “The affairs of the Company are in a flourishing situation and the paper of the bank will continue to be redeemed both at Kingston and Montreal with usual punctuality.”<sup>52</sup> It would appear that the case was settled, until it was announced a week later that Whitney had resigned his post as president of the bank. When news of the incident had reached Montreal, the Bank of Canada severed all ties with the Kingston bank, and refused to accept its notes, thus exacerbating the incident.<sup>53</sup> Records indicate that the only option considered to remedy the problem was to close the bank.

Original plans to settle the affairs of the bank were carried out internally. Christopher Hagerman, the Bank’s solicitor, was asked to take over as president following Whitney’s resignation, but he refused on the grounds that the reputation of the office had become tarnished. He agreed however to chair a committee to settle the affairs of the bank. Hugh C. Thomson, Archibald Macdonell and Nicholas Radiger, all reputable Kingston merchants, were appointed to

the committee, and together with the officers and directors of the bank a thorough examination of the banks records and accounts was conducted.

Smith Bartlet, the bank's cashier, who was also one of the main protagonists in the bank's failure, was asked to resign, but he insisted on staying until the true reasons behind the failure of the bank were revealed. The Stockholder's Committee Report was delivered at a meeting on December 23, 1822. The report concluded that poor bookkeeping led to inconsistencies in banking practices that ultimately forced the bank to close.<sup>54</sup> Feeling that he had now fulfilled his responsibilities Bartlet resigned on January 3, 1823, and Robert Stanton, a Kingston businessman, was appointed to wind up the private bank's business.<sup>55</sup>

According to Ian Dalton, it appeared that not all parties, namely the teller of the bank, John W. Ferguson, were satisfied with the outcome of the report. It was felt that the responsibility for the bank's failure should have been more widely shared, and that many of the bank's directors were directly involved. The group opposing the committee report, which included John Ferguson, a former director, John W. Ferguson, John Balfour, Hugh MacGregor, William Baynard Smith and Lewis Day, voted that a petition be drafted to present the scandals of the bank to the provincial legislature. But as Dalton writes: "Their petition was not needed... for machinery had already been set in motion which would produce that Legislative Interference so devoutly wished for."<sup>56</sup> Within a few months, the private Bank of Upper Canada went from boom to bust, and no one beyond the inner circles of the bank knew what was going on.

The events leading up to the failure of the private Bank of Upper Canada were somewhat kept secret until the government became involved. On January 27, Jonas Jones, member of the House of Assembly for Grenville, motioned for a bill to be brought up to investigate the failure of the pretended Bank, and that actions be taken to settle the affairs of the bank. The motion passed, and on January 30, the House appointed a Select Committee on Banking Institutions and Paper Currency in the Province with Jones himself as chairman, and three other members of the house, including Hagerman, to form the committee.<sup>57</sup> The name of the committee was somewhat misleading as the report dealt exclusively with the events surrounding the failure of the private Bank of Upper Canada.

In the process of investigating the bank, the committee examined the bank's books and accounts, and interviewed bank officers and directors. One by one the witnesses presented their testimony.<sup>58</sup> On February 21, 1823, the committee presented its report, and concluded: "the immediate failure of the said Bank appears to have been evidently occasioned by the criminal conduct of the President, Cashier and Teller... The conduct of the directors was reprehensible in as much as no inquiry was made ... into the actual state of the Bank."<sup>59</sup> The Committee's final, and overall most poignant recommendation to the House was that the establishment of banking institutions without an act of incorporation be outlawed. Following the report a bill was drafted to settle the affairs of the bank entitled "An Act vesting in the hands of certain Commissioners therein named all the Stocks, Debt, Bonds and property of the pretended Bank of Upper Canada, lately established at Kingston for the benefit of the creditors of the Institution."<sup>60</sup> The bill went through two readings before a request from Benjamin Whitney was heard. Whitney asked that he be given the opportunity to speak before the Legislative Council to give his version of the events in question. On March 3, 1823 his request was granted. It is at this point that the lid blew off the pretended Bank scandal.

Details of the bank's failure were finally made public. Whitney's account before the Legislative Council was published in a pamphlet entitled "A Statement of Facts Relating to the Failure of the Bank of Upper Canada, at Kingston." Its contents were damning. While justifying

his actions to travel to Montreal to retrieve £8,000 of notes held at the Bank of Canada office, which was done unbeknownst to anyone at the bank, he had condemned the actions of the officers, and some of the directors of the bank who were accused of cooking the books, extracting funds from the bank, and taking out loans that went beyond the bank's policies and practices. Whitney's accusations ran deep into the heart of the bank's leadership with many people including Smith Bartlet, Thomas Dalton and Christopher Hagerman being directly involved in the misappropriation of bank funds and the abuse of power.

Backlash from Whitney's presentation before the Legislative Council was immediately felt, and attacks on his credibility and reputation came from all directions. Bartlet and Dalton published pamphlets of their own, refuting Whitney's claims. But Whitney's biggest critic was a man who went by the pen name "Vindex." In a series of letters published in the *Upper Canada Herald* between July and September 1823, Vindex (who is believed to be one of the directors of the pretended Bank) severely scalded Whitney for his lies and slanders before the Legislative Council. Not only did Vindex attempt to vindicate the parties accused by Whitney, but he also painted Whitney as being a man of ill repute, who grew bitter and vindictive after the Chairman of the select committee had defamed his reputation as president of the bank.

The wounds inflicted by both parties ran deep. It is difficult to know whose account was true. Some, like Ian Dalton, in the interest of clearing his great-grandfather's name pinned all the blame on Whitney's shoulders, while other historians, like Allan J. Cohoe, believe that Whitney was victimized. Cohoe contends that when Whitney learned of the directors' illicit activities he was forced out of office.<sup>61</sup> Regardless of who perpetrated the failure of the pretended Bank of Upper Canada, on March 19, 1823, the Bank Commissioners' Bill received Royal Assent. (4 Geo. IV, c.22 U.C.) Several months later, a committee was established consisting of George Herchmer Markland, John Kirby and John Macaulay, three important names in the Kingston community, who were left with the responsibility of liquidating the bank's assets, and reimbursing the bank's creditors.

With all the parts in place, it was believed that a speedy settlement would occur. However, strong opposition to the law, and questionable conduct from various parties prolonged the matter. On November 18, 1823, Hugh C. Thomson, the editor of the *Upper Canada Herald* was held in contempt for publishing the commissioners' report on the pretended Bank. Already by December a revision of the Act was in place in the Legislative Assembly. Throughout the years, and as late as 1836 ("An Act to authorize the Commissioners of the late Pretended Bank of Kingston to dispose of certain Real Estate, and for other purposes therein mentioned" – 6 Wm. IV, c.22 U.C.), new laws were passed. Eventually the matter fell into obscurity never having been officially resolved.

It was only in 1825 during the Commission that pretended bank's financial statements were revealed. Previously there had been no way of gauging the bank's financial success. Given its short existence, its unchartered status, its lack of support from some of the elite financiers of the province, as well as the banking competition brewing in the town and across the province, it is clear that the private Bank of Upper Canada enjoyed a fair amount of success. According to the commission report, before its failure, the bank had a paid-up capital of £11,316, which was sufficient for it to begin operations and issue bank notes. And judging by records provided in the Commission, the bank had ordered from the Graphic Company over \$410,000 worth of bank notes intended for circulation. At the bank's failure, roughly about £18,700 (\$74,800) worth of bank notes were outstanding.<sup>62</sup>

The pretended bank scandal was ruinous for the town of Kingston on several fronts. In hindsight of the events, it was believed that the whole affair was poorly handled, and that many reputations were irreparably damaged. In 1827, the editor of the *Kingston Chronicle* wrote a long article that perhaps summed up the local attitude towards the incident. To paraphrase the editor's commentaries, firstly, prejudice was held against the institution:

From the character of two or three of the persons principally concerned in its establishment, it was considered a sort of stock jobbing business, designed as a fraud on the public... It was believed that it was an establishment forbidden by the laws of the land.

The bank was founded on good faith, and had every intention of conducting its business in a forthright and discreet manner. Second, accusations that the directors were negligent in their duties after the bank opened for business led to its funds being wasted and lost. This may have been the case, but was government intervention necessary? The editor thinks not because businesses failed all the time. What made the pretended Bank any different? Thirdly, parliament should not have interfered:

We admit our inability to give a satisfactory answer. It seems that no stockholder or note bearer asked for a government inquiry. Intentions to settle the affairs of the bank were well in hand until the government passed a law, which after four years has not produced a single penny toward the settlement of the bank's affairs. Blame is put on the legislature not the commissioners in charge of settling the affairs of the pretended bank.

Lastly, the editor recommended that a law be passed allowing creditors of the bank to settle their affairs themselves. The general feeling was that some townsmen were unjustly treated.<sup>63</sup>

The fact that government became involved, and that the matter was never resolved may seem like another ploy by the Family Compact and other supporters of the York bank to cement the Bank of Upper Canada's monopoly in the province. Had the government not been involved, immediate settlement of the pretended bank's affairs would have renewed the prospects of establishing a bank in Kingston, and, once again, the government would have to contend with the pressure of competition. The bill to settle the affairs of the pretended bank was introduced by Jonas Jones, a member of the Family Compact. Furthermore, the committee charged with settling the affairs of the pretended Bank consisted of men that had close ties with the Bank of Upper Canada. George Herchmer Markland was a member of the Family Compact and a director of the bank, John Kirby was a shareholder in the bank, and John Macaulay was the bank's agent in Kingston. It is questionable if their opinions and attitudes toward the pretended Bank and its supporters were not somewhat biased. By prolonging the scandal and virtually destroying any chances the town had of opening a bank, the Bank of Upper Canada did not have to worry about the Kingston merchants for many years.

The failure of the pretended Bank of Upper Canada harmed any chances that Kingston had of opening a bank. In fact, because political indecision forced the issue of the pretended bank to drag on for many years, any future plans to open a bank in the town were subsequently delayed. Internal conflicts that led to the bank's demise instilled fear and a loss of confidence in the people behind the bank. The outcome of the scandal reinforced the real Bank of Upper

Canada's position as the "Provincial Bank." The officers and directors of that institution did not need to mount an offence against the pretended bank because it had already poisoned itself. The Bank of Upper Canada and other financial institutions in the province, however, were not immune to the aftermath of the failure of the pretended bank. It was ordered that the financial statements of all banks (although the Bank of Upper Canada was the only bank in operation at the time) be presented to the Legislative Assembly for review on a quarterly basis. Furthermore, the doubt cast over the state of the banks in the province forced the government to rethink its position, which eventually spelled disaster for all banking institutions not based in the province. By 1824, banking competition in Upper Canada was virtually wiped out, with the Bank of Upper Canada operating as the province's bank.<sup>64</sup>

## **Conclusion**

Kingston in the early part of the nineteenth century was the most important commercial centre in the province of Upper Canada. Given its prominent position, it only seemed natural that it be the location of the province's first bank. Early on, the pieces were in place for the Bank of Upper Canada to open in Kingston, however, armed conflict and delays in the political process scuttled the province's first-ever banking legislation in 1817. While the bill, having received Royal Assent, was voided for no use, another bill to establish a bank in Kingston was immediately drafted. New interest in banking stemming from York and the influence of the upper house of the Provincial Legislature would eventually wrest the new bank bill away from Kingston and establish the headquarters of the new bank at the "seat of government," in other words at York. Thus in 1821, the chartered Bank of Upper Canada was born. While one group of Kingston merchants was pursuing its mission in parliament, another group of merchants broke from convention and decided to open their own bank, the private Bank of Upper Canada. The bank appeared to be sound, however, its unchartered status, and mounting internal conflicts soon forced it to suspend operations in late 1821. While the private bank opted to settle its affairs quietly, government intervention prolonged the ordeal and turned it into a full-blown scandal. The outcome of the pretended bank scandal severely hindered Kingston's chances of receiving a charter. In fact it would take until 1831 for the Commercial Bank of the Midland District, Kingston's first chartered bank, to be established. By then the economic fortunes of the town had shifted toward York and by the end of the decade, Kingston's economy was in stagnation. Because of its inability to secure a charter during its heydays of economic prosperity at the beginning of the nineteenth century, Kingston's prominence as the commercial centre of Upper Canada faded.

## **Appendix A**

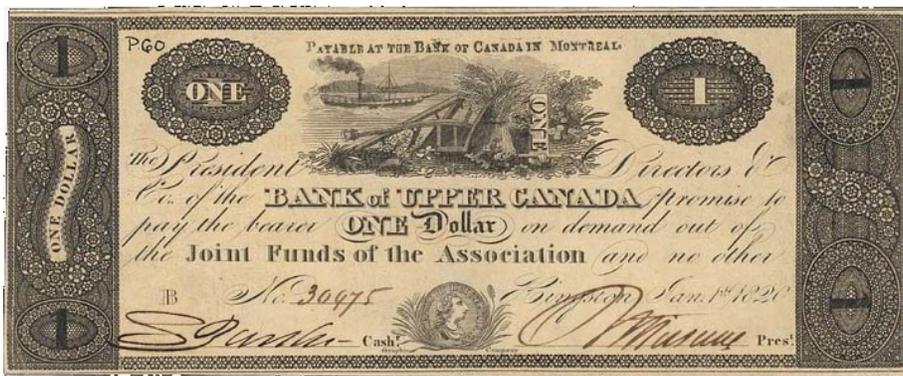
### **Bank Notes of the private Bank of Upper Canada (Kingston).**

Bank notes in the early nineteenth century were simple in design. However, they contained some important security features intended to deter counterfeiting. Some of these features, such as the engraved vignettes, where the meticulous line work is difficult to reproduce, and the ornate lathework patterns that frame the notes, are still used in security printing today. Early bank notes were printed only on one side with black ink. The regular use of colour as an added security feature in bank notes was only introduced in the late 1850s. Denominations were expressed in dollars, and, in some instances, also in sterling. This was so that the notes could be used both in

the United States, where accounts were kept in dollars, and in British North America, where the sterling pound was the unit of account. As notes were issued, they were numbered, dated and hand-signed by the Cashier and the President of the bank. Notes remained in circulation until they were too old and worn, at which time they were destroyed and replaced with new ones. The notes pictured below are examples from the National Currency Collection of the Bank of Canada.



Bank of Upper Canada (Kingston), 6 pence (scrip style), August 23, 1820. Signed S. Bartlet. There is no record of the official issue of this note from the private Bank of Upper Canada. The signature of the cashier, Smith Bartlet, appears to be authentic. *National Currency Collection – Bank of Canada.*



Bank of Upper Canada (Kingston), 1 dollar, January 1, 1820. Signed S. Bartlet (cashr.) – B. Whitney (pres.) Overprinted “PAYABLE AT THE BANK OF CANADA IN MONTREAL.” at top. *National Currency Collection – Bank of Canada.*



Bank of Upper Canada (Kingston), 2 dollars, January 1, 1820. Signed S. Bartlet (cashr.) – B. Whitney (pres.) Overprinted “PAYABLE AT THE BANK OF CANADA IN MONTREAL.” at top. *National Currency Collection – Bank of Canada.*



Bank of Upper Canada (Kingston), 3 dollars, January 1, 1820. Signed S. Bartlet (cashr.) – B. Whitney (pres.)  
*National Currency Collection – Bank of Canada.*



Bank of Upper Canada (Kingston), 5 dollars, June 3, 1822. Signed S. Bartlet (cashr.) – Henry Murney (v. pres.)  
 Overprinted "(Payable at the Bank of Canada in Montreal.)" at left. *National Currency Collection – Bank of Canada.*



Bank of Upper Canada (Kingston), 10 dollars, May 1, 1819. Signed S. Bartlet (cashr.) – B. Whitney (pres.)  
 Overprinted "(Payable at the Bank of Canada in Montreal.)" at left. *National Currency Collection – Bank of Canada.*

## Appendix B

### Inventory of Bank of Upper Canada (Kingston) notes in the National Currency Collection – Bank of Canada.

Denom.	Date	Imprint	Signatures	Serial no.	Overprint	Artifact no.
6 pence	8/23/1820 (engr.)	none	S. Bartlet	none	none	1970.121.2
1 dollar	5/1/1819 (p/engr.)	Graphic Company	Bartlet - Whitney	A/8027	none	1974.235.46
1 dollar	1/1/1820 (engr.)	Graphic Company	Bartlet - Whitney	B/1383	none	1964.88.238
1 dollar	1/1/1820 (engr.)	Graphic Company	Bartlet - Whitney	B/30975	PAYABLE AT THE BANK OF CANADA IN MONTREAL.	1963.51.21
2 dollars	5/1/1819 (p/engr.)	Graphic Company	Bartlet - Whitney	A/13495	none	1964.88.239
2 dollars	1/1/1820 (engr.)	Graphic Company	Bartlet - Whitney	B/5156	PAYABLE AT THE BANK OF CANADA IN MONTREAL.	1962.9.5
3 dollars	1/1/1820 (engr.)	Graphic Company	Bartlet - Whitney	B/3435	none	1964.88.240
3 dollars	1/1/1820 (engr.)	Graphic Company	Bartlet - Whitney	B/15157	PAYABLE AT THE BANK OF CANADA IN MONTREAL.	2222.2006.42
5 dollars	5/1/1819 (p/engr.)	Graphic Company	Bartlet - Whitney	A/5574	none	1962.9.6
5 dollars	6/3/1822 (p/engr.)	Graphic Company	Bartlet – Henry Murney (vp.)	A/60	(Payable at the Bank of Canada in Montreal.)	1964.88.241
10 dollars	4/4/1819 (p/engr.)	Graphic Company	Bartlet - Whitney	A/2046	none	1965.136.6754
10 dollars	5/1/1819 (p/engr.)	Graphic Company	Bartlet - Whitney	A/5366	(Payable at the Bank of Canada in Montreal.)	19966.2.1

## Endnotes

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<sup>1</sup> This article was adapted from a Master's Thesis entitled "Pretended Banking?: The Struggle for Banking Facilities in Kingston, Upper Canada (1810-1837)" submitted to the History Department of the University of Ottawa in the fall of 2006.

<sup>2</sup> Two banks in Upper Canada carried the name "Bank of Upper Canada," one located in Kingston (the subject of this article), the other in York (Toronto), incorporated in 1821. To make the distinction between the two entities throughout this article, the Kingston institution will be referred to as the private Bank of Upper Canada (or private Bank), and the York institution will go by its legal name, the Bank of Upper Canada. In 1822, after the failure of the private Bank in Kingston, it became known as the "pretended" Bank, a moniker given to the institution by the directors of the Bank of Upper Canada in York, reflecting the fact that it was not authorized by government, and that it was considered to be "illegal." The York bankers invented the name so to distinguish itself as a reputable company against the dubious nature and reprehensible activities of the pretended bank. The name would go on to be used in the legislation created to settle the affairs of the late private Bank of Upper Canada.

<sup>3</sup> See R.M. Breckenridge The Canadian Banking System, 1817-1890 (New York: Macmillan & Company, 1895); n.a. Adam Shortt's History of Canadian Currency and Banking, 1600 – 1880 (Toronto: Canadian Bankers' Association, 1987), which is a series of articles written by Adam Shortt, and published in the Canadian Bankers' Association Journal between 1896 and 1906; R. Craig McIvor, Canadian Monetary, Banking and Fiscal Development (Toronto: Macmillan Company of Canada Ltd., 1950); A.B. McCullough, Money and Exchange in Canada to 1900 (Toronto: Dundurn Press Limited, 1984); Angela Redish, "Why Was Specie Scarce in Colonial Economies? An Analysis of the Canadian Currency, 1796-1830" in Journal of Economic History, 44,3 (September 1984). 713-728.

<sup>4</sup> Kingston Gazette, December 4, 1810.

<sup>5</sup> Between December 4, 1810 and February 5, 1811, there are ten articles on banking published in the weekly newspaper.

<sup>6</sup> Kingston Gazette, December 11, 1810.

<sup>7</sup> Allan McLean and Henry Murney, A number of the inhabitants of the town of Kingston having associated for the purpose of establishing a bank (Kingston: December 10, 1810), CIHM 63174.

<sup>8</sup> R.A. Preston, Kingston Before the War of 1812: A Collection of Documents (Toronto: Champlain Society, 1959), 219 n.52; Queen's University Archives (QUA), Allan Neil MacLean fonds, Correspondence.

<sup>9</sup> Alfred Dubuc, "Thomas Molson" in Dictionary of Canadian Biography, Volume 9 (1861-1870).

<sup>10</sup> Upper Canada Herald, June 15, 1819; n.a. A Statement of the Affairs of the Late Pretended Bank of Upper Canada at Kingston, (York: 1827), CIHM 92481.

<sup>11</sup> Provincial Legislature of Upper Canada (PLUC), "Journals of the Legislative Assembly of Upper Canada for the years 1805 to 1811," in Eighth report of the Bureau of Archives for the province of Ontario ... 1911 (Toronto: L.K. Cameron, 1912): 484.

<sup>12</sup> Petitioners published in the *Kingston Gazette* are John Cumming, John Kirby, Jonas Abbot, Joseph Forsyth, Patrick Smyth, Alexander MacDonnell, Robert Richardson, John Macaulay, Hugh C. Thomson, Smith Bartlet, Samuel Ayckroyde, George Douglass, Richard Smith, and Robert Walker.

<sup>13</sup> Kingston Gazette, August 31, 1813.

<sup>14</sup> *Ibid*, September 7, 1813

<sup>15</sup> Ian R. Dalton, Thomas Dalton and the "pretended" Bank (Toronto: 2001): 4.

<sup>16</sup> Kingston Gazette, August 31, 1813.

<sup>17</sup> Merrill Denison, Canada's First Bank: A History of the Bank of Montreal, Volume 1 (Toronto: McClelland & Stewart Limited, 1966): 65.

<sup>18</sup> PLUC, "Journals of the Legislative Assembly of Upper Canada for the years 1812 to 1818," in Ninth report of the Bureau of Archives for the province of Ontario ... 1919 (Toronto: L.K. Cameron, 1913): 352.

<sup>19</sup> n.a. Adam Shortt's History of Canadian Currency and Banking, 1600 – 1880 (Toronto: Canadian Bankers' Association, 1987): 85.

<sup>20</sup> The bill to incorporate the Bank of Upper Canada predates the one for the Bank of Montreal by over a year.

<sup>21</sup> Quoted in Dalton, Thomas Dalton, 5.

<sup>22</sup> Jane Errington, "Thomas Markland" in Dictionary of Canadian Biography, Volume 7 (1836-1850).

<sup>23</sup> Eleanor Herchmer Robertson, "The Herchmers of Kingston," in Historic Kingston 15 (January 1967): 61.

<sup>24</sup> QUA, Herchmer family fonds. Business records, 1800-1834.

<sup>25</sup> Jane Errington, "John Kirby" in Dictionary of Canadian Biography, Volume 7 (1836-1850).

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- <sup>26</sup> QUA, John Kirby fonds, Business papers, 1812-1867.
- <sup>27</sup> QUA, John Macaulay fonds (1788-1946); Angus, "The Macaulays," 8-12.
- <sup>28</sup> H.P. Gundy, "The Business Career of Hugh C. Thomson of Kingston" in Historic Kingston, 21 (1973): 62-75; H.P. Gundy, "Hugh C. Thomson: Editor, Publisher, and Politician, 1791-1834" in To Preserve & Defend: Essays on Kingston in the Nineteenth Century ed. Gerald Tulchinsky (Montreal: McGill-Queen's University Press, 1976): 203-222.
- <sup>29</sup> Kingston Chronicle, January 1, 1819.
- <sup>30</sup> Ibid, July 21, 1820.
- <sup>31</sup> Cartwright's net worth at the time of his death in 1815 was estimated at £25,000. QUA, Richard Cartwright paper, State of the Property and Business of Richard Cartwright (1800-1843).
- <sup>32</sup> Dalton, Thomas Dalton, 9; Peter Baskerville, The Bank of Upper Canada: A Collection of Documents (Ottawa: Carleton University Press, 1987): xxviii.
- <sup>33</sup> Baskerville, The Bank, xxix; Bray Hammond, Banks and Politics in America (Princeton: Princeton University Press, 1957): 649.
- <sup>34</sup> Kingston Gazette, July 14, 1818.
- <sup>35</sup> Issued examples of these notes signed by the president and cashier of the bank are held in the National Currency Collection of the Bank of Canada.
- <sup>36</sup> Bank notices in the Kingston Gazette, and later in the Kingston Chronicle and Upper Canada Herald were signed by Smith Bartlet as "cashier." Kingston Gazette, December 14, 1818; Kingston Chronicle, July 2, 1819.
- <sup>37</sup> Kingston Gazette, December 14, 1818.
- <sup>38</sup> Dalton, Thomas Dalton, 10.
- <sup>39</sup> Robert E. Saunders's essay on the Family Compact entitled "What was the Family Compact?" in Historical Essays on Upper Canada ed. J.K. Johnson (Toronto: McClelland and Stewart Limited, 1975): 120-139 examines the classic myth of the Family Compact as an oligarchy that dominated all levels of power in Upper Canada from 1820 to 1837. Saunders begins by identifying those who directly and indirectly belonged to the Family Compact, and looks at how one became a member. He then examines the charges of abuse of power, corruption and usury made against the Family Compact by many of their contemporaries, namely Lord Durham, William Lyon Mackenzie and other reformers. Saunders concludes that the Family Compact was a typical elite group who shared a common experience, the War of 1812 and the defence of the British colony, and a common objective, the rise of conservatism, in the interest of preserving their British heritage and allegiance.
- <sup>40</sup> Quoted in Robert L. Fraser, "Christopher Alexander Hagerman" in Dictionary of Canadian Biography, Volume 7 (1836-1850).
- <sup>41</sup> S.F. Wise, "The Rise of Christopher Hagerman" in Historic Kingston, 14 (January 1966): 22.
- <sup>42</sup> Ibid, 19-21.
- <sup>43</sup> The figures are taken from a list of shareholder for the "pretended" Bank of Upper Canada dated 1825, found in A Statement of the Affairs of the Late Pretended Bank of Upper Canada at Kingston (York, 1827).
- <sup>44</sup> Upper Canada Herald, March 16, 1819.
- <sup>45</sup> Ibid, April 13, July 13, July 20, July 27, 1819.
- <sup>46</sup> Upper Canada Herald, April 6, 1819.
- <sup>47</sup> Kingston Chronicle, October 17, 1821; Dalton, Thomas Dalton, 15.
- <sup>48</sup> Dalton, Thomas Dalton, 10; Hammond, Banks, 650.
- <sup>49</sup> Adam Shortt's, 5-7.
- <sup>50</sup> The only known copy of the book, entitled Thomas Dalton and the "Pretended" Bank (2001), is located at the Queen's University Archives.
- <sup>51</sup> Dalton argues that government intervention in the settlement of the pretended bank's affairs was "well-intended but ill-conceived," and it led to significant complications that prevented the matter from ever being resolved. Ian Dalton, Thomas Dalton and the "Pretended" Bank (Toronto, 2001): 1, 271-272.
- <sup>52</sup> Kingston Chronicle, September 13, 1822.
- <sup>53</sup> Ibid, September 20, 1822; Dalton, Thomas Dalton, 16.
- <sup>54</sup> For a detailed account of the events involving Whitney and Bartlet that led to the failure of the private Bank of Upper Canada see Vindex, Examination of a Pamphlet Entitled, A Statement of Facts Relating to the Failure of the Bank of Upper Canada at Kingston. By Benjamin Whitney (Kingston: 1823).
- <sup>55</sup> Dalton, Thomas Dalton, 25-27.
- <sup>56</sup> Ibid, 30.
- <sup>57</sup> PLUC, "Journals of the Legislative Assembly of Upper Canada ... 1821 to 1824," 269.

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- <sup>58</sup> See PLUC, “Journals of the Legislative Assembly of Upper Canada ... 1821 to 1824,” 328-339 for a complete transcript on the report of the Committee to inquire on Banking Institutions and Paper Currency in the Province.
- <sup>59</sup> PLUC, “Journals of the Legislative Assembly of Upper Canada ... 1821 to 1824,” 338.
- <sup>60</sup> Also known as “The Bank Commissioners’ Bill.”
- <sup>61</sup> Allan J. Cohoe, “Early Banking in Upper Canada” in Historic Kingston, 30 (May 1981): 51.
- <sup>62</sup> n.a. A Statement of the Affairs of the Late Pretended Bank of Upper Canada at Kingston (York, 1827): 40; PLUC, “Journals of the Legislative Assembly of Upper Canada ... 1821 to 1824,” 339.
- <sup>63</sup> Kingston Chronicle, January 5, 1827.
- <sup>64</sup> For more information on the Bank of Upper Canada (York) see Peter Baskerville, The Bank of Upper Canada: A Collection of Documents (Ottawa: Carleton University Press, 1987).

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