

Appendix B

Alternative Money

This history has focused on legal tender money in Canada, that is to say money that has been approved by the authorities for paying debts or settling transactions. Canada also has a rich history of private money—coins and paper scrip produced by individuals and companies, which commanded sufficient confidence within a community that they circulated freely.

“Bons” and tokens

Through much of the colonial period in New France and later in British North America, merchants, and even individuals, issued paper scrip. The paper scrip was not backed by gold or silver but could be used to buy goods in the issuers’ stores—a sort of IOU, which quickly began to change hands as money. The value of notes and the extent of their circulation depended on the reputation of the issuer.

In Upper and Lower Canada, such fractional notes (known as *bons* after “*Bon pour*,” the French for “Good for,” the first words on many such notes) circulated widely during the eighteenth and early nineteenth centuries. Fractional notes were also issued by merchants in the Atlantic



Montréal, George King note, 1772

This note and others issued by the local merchant George King were denominated in “coppers,” a conventional designation for a halfpenny.



Halifax, merchant note, 5 shillings, 1820

Until the practice was outlawed in 1820, Halifax merchants commonly issued personalized scrip in low denominations to meet the need for coinage.

provinces. The widespread acceptance of *bons* (also called “shinplasters”) helped to set the stage for the issuance of paper currency by commercial banks (Shortt 1986, 37).

Similar to “*bons*,” brass and copper tokens circulated alongside legal tender coins and helped to offset a shortage of low-denomination coins, useful in small day-to-day transactions.⁷ With a face value of a half a penny or penny, tokens were widely distributed by banks, non-financial companies, and individuals. While some tokens identified the issuer, many did not. Provincial governments also issued tokens. These so-called semi-regal tokens were not legal tender coins because they were not sanctioned by the authorities in London. Issuing tokens was a profitable business, since the cost of production was significantly lower than their denominated value.

While most early colonial tokens were taken out of circulation in the 1870s, when the new federal government reorganized Canada’s copper coinage, trade tokens remained popular into the 1930s. Trade tokens were redeemable for goods and services of a given value (for example, a loaf of bread) and were issued by a wide range of companies. While these tokens were very successful in local communities, their popularity waned when transportation improved and business became less local in nature.



Bank of Montreal, halfpenny, 1839

The Bank of Montreal issued base-metal tokens for general circulation in the late 1830s and early 1840s. The rarest issue from this bank is the so-called “side views” that feature a view of the corner of the Bank of Montreal head office.



**Merchant token, I. Carrière,
½ loaf, Buckingham, Quebec**

From the late nineteenth through the mid-twentieth centuries, many Canadian businesses issued tokens as advertising and to encourage client loyalty. Typically made of brass or aluminum, they were redeemable by the issuer for the indicated item or service.

7. Useful references include Breton (1894), Banning (1988), Cross (1990), and Berry (2002).

Today, Canadian Tire “money” represents the best-known modern equivalent of trade tokens. First introduced in 1958 as a “cash bonus coupon,” Canadian Tire “money” constitutes a promotional reward program under which the scrip, which has no expiry date, is redeemable for goods at any Canadian Tire store in any amount. Canadian Tire “money” has sometimes been accepted by third parties in lieu of cash.



Canadian Tire coupon, 10 cents, 2002
Canadian Tire “money”—a Canadian icon

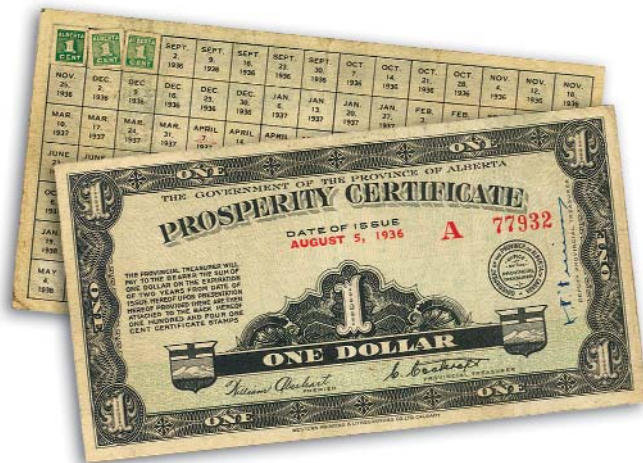
Prosperity certificates

During the Great Depression of the 1930s, a number of towns and cities issued scrip or certificates that circulated as money. In August 1936, Alberta’s Social Credit Government, led by William Aberhart, issued “prosperity certificates.”⁸ These were issued in denominations of \$1 and were used to pay relief workers on provincial public works projects. Additionally, the legislation allowed certificates to be put into circulation via special agreements with municipalities.

To promote the circulation of certificates, increase spending, and deter hoarding, holders were required to affix a one-cent stamp to the certificates every week to maintain their value. At the end of two years, the Government of Alberta promised to redeem the certificates using the proceeds of the stamp sales, with the residual (after paying the expenses related to the issuance of the certificates and the stamps) going to the government.

Prosperity certificates, quickly known as “funny money,” were not well received by the general public who objected, among other things, to having to buy stamps to maintain their purchasing power. Most stores were also reluctant to accept them. Almost immediately, the Alberta Supreme Court issued an interim injunction halting a deal between the province and the city of Edmonton on the issuance and circulation of

8. See *An Act Respecting Prosperity Certificates*, Alberta, 1936.



Alberta, \$1, prosperity certificate, 1936

certificates by the city.⁹ Following a subsequent decision by the government to redeem the certificates monthly instead of waiting two years, the stock of outstanding certificates declined sharply. The Alberta government finally abandoned the issuance of prosperity certificates in April 1937. At that time, only \$12,000 were still in circulation out of \$500,000 printed.¹⁰

9. The Court did not base this judgment on the constitutional merits of prosperity certificates, although it believed this to be a very important issue. Rather, the injunction reflected the fact that the payment of a stamp tax on the certificates by the city represented a burden on Edmonton tax payers and that the city did not have the authority to carry on business through two monetary systems, one based on legal tender, the other based on certificates. Although the Supreme Court of Canada apparently never gave an opinion on the prosperity certificates themselves, it ruled in 1938 that three pieces of Social Credit legislation (*An Act Respecting the Taxation of Banks*, *An Act to Amend and Consolidate the Credit of Alberta Regulations Act*, and *An Act to Ensure the Publication of Accurate News and Information*) were unconstitutional.
10. The Globe, 8 April 1937

Community money

Communities, typically isolated ones such as islands, have sometimes issued scrip or alternative currencies that could be used locally to buy goods and services. In 1837, William Lyon Mackenzie issued dollar-denominated notes in the name of the Provisional Government of Upper Canada on Navy Island in the Niagara River, following his abortive attempt to seize Toronto in the Rebellion of 1837.

During the second half of the nineteenth century, private notes, denominated in dollars, were issued by Calvin & Son, a family-owned firm, on Garden Island, located in Lake Ontario near Kingston and then home to about 750 people. The company, which was principally involved in the timber and ship-building businesses, owned virtually everything on the island. Its notes could be used to buy goods in the company-owned general store (Swainson 1984).

Since 2001, Salt Spring Island, British Columbia, with a population of about 10,000, has issued its own alternative currency. Salt Spring Island dollars are issued by the Salt Spring Island Monetary Foundation, a not-for-profit society, whose objective is to maintain a local currency on



Salt Spring Island, \$5, 2001

In 2001, the Salt Spring Island Monetary Foundation was established to issue note-like certificates to help fund community initiatives on this island off Canada's west coast. This note was designed by Warren Langley and Pat Walker.

the island for community projects and to promote local commerce and goodwill.¹¹

The bills, which are considered to be gift certificates, are designed by local artists and are protected by sophisticated anti-counterfeiting devices. They are widely accepted by stores, individuals, and financial institutions on the island. While not legal tender, they are redeemable upon demand in Canadian currency. To ensure

convertibility, each Salt Spring Island dollar in circulation is backed by a reserve fund in the form of cash, term deposits, or gold. Certificates may be bought and redeemed on demand at participating stores, banks, and credit unions.

An interesting feature of Salt Spring Island dollars is that they are issued in limited editions. It is hoped that the attractive bills will be retained by visitors to the island as souvenirs. Net income generated by the reserve fund is used to help finance community projects.

11. See www.saltspringdollars.com.