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Canada's First Chartered Bank "The Bank of New Brunswick"

By Tom Craig, FRCNA

More than a century and one half ago, the doors opened on Canada's first chartered bank. On June 12th, 1820, a group of men gathered in a coffee house on Prince William Street in Saint John to bring life one of New Brunswick's most successful enterprises. Within a year, the Bank of New Brunswick had dozens of customers and a whopping £ 30,000 in capital.

Some 90 years later, it also had 31 branches across the Maritimes including 19 in New Brunswick., spreading from St. Stephen to Petitcodiac and Hampton to Hillsborough.

Banks were different then, very different. Only a few New Brunswickers ever has a reason to walk inside one. (whereas most of the province's population has a bank account today.)

The Bank of New Brunswick existed to serve the merchants and traders who were busy turning the quiet farming province of New Brunswick into a booming centre for timber and shipping.

Between 1817 and 1924, New Brunswick's population more than

doubled. In June of 1819 alone, 3,200 immigrants, mostly disabled soldiers, landed in Saint John. By 1820, there were 100 square-rigged vessels in its harbour. An economy based initially of cutting the masts for the British Navy and had one sawmilling, shipbuilding and thriving sea trade with Boston, London and New York.

A boomtown was the perfect setting for a new bank. And Saint John was one of North America's busiest trading centre.

In the 19th Century, most banks in Canada were small private businesses and very different from today's nationwide wide, multi service centres. Generally, a wealthy merchant would find some like-minded investors, gather a board of directors, appoint a manager and open shop. Despite the lack of formal protection for customers, early financial institutions such as the Bank of New Brunswick were careful not to jeopardize the funds entrusted to them.

You could deposit your money in New Brunswick's early banks, but not make any interest. You could borrow money, but only if you were "known" by the bank's directors. You could write cheques and store your valuables in their vault. You could cash promissory notes and even ask the bank to collect your debts.

Unlike today, money was not issued by the Bank of Canada (since Canada wasn't formed until 1867 and the government did not take over the issuing of bank notes until the 1930s). Instead each bank issued its own money in the form of coins and notes. This meant you could not only hold half a dozen different kinds of one-pound notes in you pocket, but you would eventually have no pockets left, since the coins weighed much more than they do today.

As part of the British Empire, New Brunswick took England as its model for finance as well as manners, and it was Great Britain's high opinion of the men behind the Bank of New Brunswick which determined that they (and not other merchants) should be granted Canada's first charter to operate a bank.

Who was behind the Bank?

Merchants, Lawyers and Traders: The merchant community of Saint John was anxious to import everything the province consumed as well as to export everything it produces. Such a condition made the calling of "store-keeper" a highly lucrative one. Saint John was booming, but a population of 40,000 was still very small. So, it wasn't uncommon for the people who ran the city to run the Bank.

Take John Robinson, the bank's first president. He was a loyalist from Virginia, but his roots ran deep into this thriving economy—he was also the Mayor of the Council and the Treasure of the Province.

He was joined by other like-minded men, including two future Supreme Court Justices, Ward Chipman, Jr, and Robert Parker, Jr. Merchants such as Hugh Johnson, part owner of the first steamboat to ply the river between Saint John and Fredericton; and Thomas Millidge Jr., a prominent shipbuilder whose yard launched more than 100 square rigged ships before the end of sale. Where was this yard? In Millidgeville of course (just downtown from Saint John today).

Yet for all their enterprise and ambition (remember, they were literally carving a civilization out of a forest), the bank's directors were a highly cautious, tightly knit lot. The President, for example, would carve the roast for his staff at mid-day meal.

However, the directors could also be vindictive. Each one had veto power over loans and votes were cast anonymously with black and white beans. According to evidence later produced at a public enquiry, a Director would "threaten his brother Director with the Black Bean" on loans in which THEY were interested.

Completed in 1878, the Bank of New Brunswick building still stands on Prince William Street in Saint John, as a monument to the strength and grandeur of the "Old Bank."

The original building completed in 1826 was a much simpler nature. The Bank of New Brunswick's charter allowed real estate investments of up to only £ 3,000 pounds. Luckily, when the Bank elected to build its new banking house in 1824, it was able to buy a fine lot on Prince William Street for a mere £ 550 pounds. And have it built for £ 2,210 pounds.

That building almost burned to the ground in the Great Fire of 1877 and was replaced by the structure you see here. It remained as the headquarters for the Bank of New Brunswick until 1913 when it became the Main Office of the

Bank of Nova Scotia. In 1978, Scotiabank's headquarters in New Brunswick were moved to the new premises in Brunswick Square in the heart of the city.

For 35 Years, this building housed the Entire Bank of New Brunswick.



The Engine of Prosperity gears up.... roars into action.... then stalls.

The Bank of New Brunswick and the province's booming economy were partners for many decades. Dozens of businesses sprouted up. Most were involved with cutting trees, shaping them into lumber, transporting them to Saint John and turning them into ships. But supporting this main engine of New Brunswick prosperity were hundreds of other enterprises, from blacksmiths to innkeepers to furniture makers and farmers. They all needed a safe place to put their money and some advice on where to invest it. Yet only six years after the Bank was founded, the very industry that brought unprecedented prosperity to the future province was responsible for the first great depression.

What happened? The bottom fell out of the market for timber and ships: too many countries, such as Sweden, Germany and the United States were carving out forests to supply Great Britain's mighty fleet. Unfortunately for New Brunswick's economy, England was at peace for the first time in years. So, her insatiable appetite for the fine lumber that let Britannia rule the waves was satisfied with much less from New Brunswick.

The depression of 1826 swept away many profitable merchant and the bank's profit dipped as well. The situation was not serious enough, however to tarnish its reputation as one of the most carefully and well-run banks of the continent. In fact, when The Bank of Nova Scotia petitioned Great Britain for its charter in 1832, it was advised to model itself on the Bank of New Brunswick.

For the next 80 years the banks's assets and deposits continued to rise. Farming and fishing were added to forestry as anchors of New Brunswick economy. Waves of immigration from Britain and Europe brought the population up to 331,000 by 1901 and New Brunswick's entry into Confederation in 1867 gave it new markets for its exports.

The steady upwards growth of the Bank of New Brunswick was occasionally halted by socio-economic forces at the time. Many examples abound: the American Depression of 1837 was so severe that many US Banks couldn't meet their obligations. The elimination of colonial timber preferences in the 1840s meant more competition and fewer

customers for New Brunswick lumber. The growth of steamships and the decline of wooden sailing ships wreaked havoc on the province shipyards.

The conservative nature and out-look of the Bank of New Brunswick had paid off in the past marked by periods of boom and bust. It was this same conservatism, however, that eventually brought about its demise.

Unlike other banks, the Bank of New Brunswick simply wasn't interested in expanding by opening new branches across the province, so it was cut off from new areas of growth. The reasons made sense at the time—it would take too much money to build and staff the branches and a long wait before they began to make money.

Some samples of money produced or used by The Bank of New Brunswick.



1843 One penny Token



1845 One Penny Currency



Half Penny 1864



One Penny 1861



One penny 1864



New Brunswick Silver Coins issued; 1862 & 1864 5 cent, 1862 & 1864 10 Cents, 1862 & 1864 20 cents.

PAPER MONEY ISSUED; HERE ARE A FEW OF THE MANY ISSUED.

Besides, in the year 1885, the Bank of New Brunswick was in fine shape and could not foresee future problems. From a single building it had built up to \$3,000,000 in assets and “an excess of idle funds.” By 1910, its \$10.4 million in assets made the Bank healthier than it had ever been in the past, operating 18 branches in New Brunswick in addition to four branches both in Nova Scotia and Prince Edward island.



This is a Specimen cheque for 10 pounds. It is undated, but believed to be around 1862



A sample of a \$5.00 bank note dated 1892, Saint John, Issued by *The Bank of New Brunswick*.



Another sample of a \$5.00 bank note, dated 1892. Notes were issued for the \$10.00 as well.



A very scarce savings bank from the Bank of New Brunswick.



For the 2010 RCNA Convention, the Medal issued, illustrates the front of the Bank of New Brunswick, Saint John Coin Club.

This was too little and too late to meet the challenges of the offered by the 20th Century. The turn of the century ushered in significant changes at the Bank. The most imposing took the shape of a dry goods merchant from Saint John. His name was James Manchester and became the bank's new President with a mandate to sweep out the cobwebs and inject some new momentum into an institution that had a reluctance to make changes.

Manchester's main contribution to changing the Bank occurred when he hired William E. Stavert away for the Bank of Nova Scotia and installed him as General Manager. Less than a year later, Stavert began promoting the idea of a merger between the two banks.

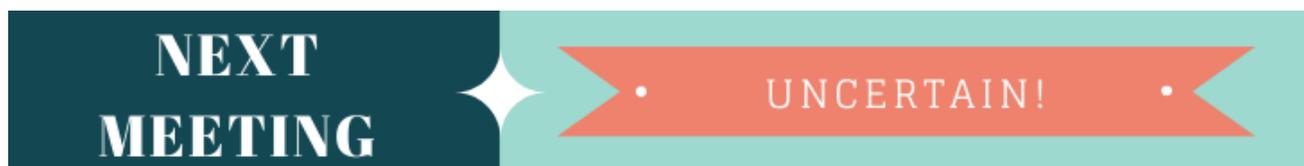
By 1911, the 20th century began to catch up with the bank founded 91 years ago. Not only competition gradually draining its vigour, but some of its own people had weakened its position further. A director had gone bankrupt after heavy speculation. A defaulting manager in a suburban Saint John branch caused another scandal.

But the “Old Bank” was tough one as well and stayed the course. In January 1912 most of the directors still opposed a sale or merger. However, by Christmas of that same year, their minds were changed by an offer from the Bank of Nova Scotia. According to James Manchester terms were, “if not generous...advantageous and shareholders will find their income increased through association with one of the strongest banks in the country.”

The meeting adjourned with a vote of 8,966 in favour; to zero in favour of the “amalgamation.” On February 15, 1913, the merger between the Bank of New Brunswick and the Bank of Nova Scotia was complete. The Bank of New Brunswick was now allied with another Maritime bank, the Bank of Nova Scotia. At the time, the Bank of Nova Scotia had 17 branches and now at 19 branches. The Bank of Nova Scotia is 70% owned by Maritimers.

Today the province of New Brunswick is 236 years old. Today, the Bank that shares its name would be 200 years old. Today the Bank that amalgamated its strength is 188 years old.

Most of this information came, with permission, from a booklet published by the Bank of Nova Scotia, Heritage Series on the occasion of the 200th anniversary of New Brunswick Bicentennial in 1984.



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