

as such. Governor Arthur admits that the ordinary Government debentures could not be disposed of in the Province because there was no capital to take them up, and they could not be sold in London because the credit of the Province was gone. Under ordinary circumstances he says he would be opposed to the issue of inconvertible paper money, but the circumstances of the country are peculiar. There is a terrible stagnation in business, and property of all kinds is unsalable, while the inflow of British immigration and capital has been greatly checked. Now the only circumstances under which a Government can safely issue a paper currency is when the expanding prosperity of a country stands in need of an enlarged medium of exchange. Under such conditions the Government may forestall the banks and supply a share of the paper currency, as in the case of our Dominion notes. But when business is stagnant and the Government in need of capital, to issue a paper currency is simply to exaggerate the evils which already exist. As already pointed out, the policy of Governor Head and the directors of the Bank of Upper Canada in preventing the suspension of specie payments by the banks, had added to the natural burdens of the commercial crisis an abnormal shrinkage in the currency of the country. But under the conditions then existing the crisis had done its work, the banks had suspended specie payment when the crisis was over, and there was now plenty of money for any business there was to do. It was capital, not money, that both the business men and the Government wanted.

However, before the Lieut.-Governor got a reply to his enquiries, Lord John Russell had become Colonial Secretary, and the Right Hon. C. P. Thomson, afterwards Lord Sydenham, was Gov.-General. In his instructions to the new Governor, Lord Russell refers to the reserved bill authorizing Treasury notes or bills of credit of one pound each, to the extent of £250,000. The measure, he says, cannot be confirmed, because the issue of such a large amount of inconvertible paper currency would do much more harm than good in its injurious effect on the currency, monetary transactions and private property of the Province. If the credit of the Province can be made to sustain the Treasury in any ordinary way he may authorize it, but it would be disastrous to have the future prosperity of the country threatened and