

## XI.

### THE MUNICIPAL LOAN FUND IN UPPER CANADA.

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The terrible collapse of Russia, where many of the pernicious fallacies, loudly advocated in Canada, were put into practice with disastrous results has, when rightly interpreted, many needed lessons for us. The conditions in Russia are, however, different from those in Canada, and the genius and traditions of the Slav quite different from those of the Anglo-Celt, so that perhaps we can learn more readily the lessons we need from our own long history and varied experiences.

Since the beginning of the present era of waste and extravagance I have often felt there is much to learn from the forgotten experience of our fathers with what was called the Municipal Loan Fund. The author of this disastrous scheme was Sir Francis Hincks, one of the outstanding public men of that day. He had in some respects genuine ability and, in matters which he understood, rendered considerable useful public service, but he was an idealist and a theorist without any practical grasp of the rigorous laws and unyielding facts of finance. He was patriotic and well-meaning, but his patriotism and good intentions did not save the country from the inevitable consequences of his scheme which those able to think clearly on matters of finance perceived from the beginning. He possessed in an eminent degree that fatal fluency of persuasive speech with which so many of our politicians are endowed, and swayed the people for whom he expressed, and probably felt, sincere devotion, with superficial catch-words and glittering generalities not founded on the stern realities of economic laws. The confidence he inspired only enabled him to do infinitely more mischief than would otherwise have been caused by his scheme, and did not protect the people from the losses and distress resulting from disregard of sound business principles.

The enterprise was inaugurated with great eclat on the 10th November, 1852, by the statute known to lawyers as 16 Victoria, Cap. 22, which provided credits for the municipalities of Upper Canada, now Ontario, on certain terms and conditions.

The municipalities were to pass by-laws which were advocated by the demagogues of that day.

Upon the passing of such a by-law as was provided for, the municipality borrowed the money specified from the Province which, in turn, borrowed from abroad. Those who warned the people that borrowed money would have to be repaid with interest were denounced as pessimists. By-laws were passed in many municipalities and those who shouted for lavish expenditures, for the time being, prevailed. It was not popular to point out that permanent prosperity could not be achieved by spending borrowed money. Indeed, as was said by an observant contemporary, no one in those days