

country that was altogether unfit for settlement, and where the running of the road when finished would be attended with constant and very heavy expense. The lenders of money in England were very like those who lend money elsewhere. They are very apt to follow it and see what is being done with it. He ventured to say there was not a year that a good many of those from whom we borrowed did not come to this country to see what we were doing with the money they had loaned to us. They would learn of the Fort Francis folly, of the large capital being hopelessly sunk in the railway between Lake Superior and the Red River, and of the amount lost and locked up in the unfortunate steel rails speculation, and of several other unwise expenditures, to say nothing of more equivocal transactions. While he did not blame the Finance Minister, he did blame the Government for having brought the country to the position in which it now is, and which compels us to borrow on such terms. He would state to the House what the terms really were. The loan carrying interest from the first of November was issued at 91. There was commission to the agents, one per cent. Then, by an extraordinary provision in the prospectus, the subscribers to the loan were allowed to deduct from the May instalment the six months' interest payable on the first of May. That was a remarkable condition. It was a direct payment of interest out of capital. It would be difficult to conceive anything more objectionable from every point of view than that arrangement. It diminished the amount of capital which the country should receive for the loan, and it was a direct payment of interest out of capital, and without being passed through the books in this country, as it ought to be. It was an absolute concealment from Parliament of a very important condition of the loan. It was unjustifiable that a portion of the principal should be withheld and applied to the payment of interest as had been done in this case. The effect would be to mystify the Public Accounts, to conceal the true amount of the deficit on the 30th June next, and if this were done Parliament and the country would be misled as to the true state of the public finances by means which could only be characterised as a "cooking" of the Public Accounts. The loan was issued early in November last at 91 per cent. but carrying interest at four per cent. per annum on the full amount of its face from the first day of November. It was payable as follows, viz. :—

20 per cent. on 31st January, 1877.
 20 " on 27th March, 1877.
 20 " on 25th June, 1877.
 11 " on 25th July, 1877.
 9 " discount.

 100
 By the conditions of the loan the subscribers were allowed to withhold this six months' interest payable on 1st May, out of the instalment due on 25th of May, thus making it a payment of interest out of capital, and diminishing by the amount of such interest and sinking fund the sum to be received by the country from the loan. The deductions to be made are—
 Discount..... 9 per cent
 Commission to agents..... 1 "
 Six months' interest due 1st May, withheld..... 2 "
 Sinking fund, agency, &c..... ½ "

12½ per cent.
 The net proceeds as nearly as can be ascertained, in the absence of information from the Government, would be, loan, £2,500,000 sterling, equal to \$12,166,666
 Less for discount, for commission, for interest withheld out of capital, sinking fund, agency, &c., in all 12½ per cent..... 1,520,833

\$10,645,833
 To which would have to be added the amount received by the Government for interest upon the instalments of the loan, paid in, between November and May, but which we have not the means of ascertaining. He thought it might be safely assumed however, that the amount the country would receive, would not exceed \$10,750,000, while it would be paying interest, sinking fund, &c., upon the full face of the loan—£2,500,000—or \$12,166,666. The interest, sinking fund, &c., upon this sum will amount, at least, to \$600,000 a year, and be an additional charge of that amount, upon the Consolidated Revenue Fund, which will have to be provided by means of new and increased taxation. He would not detain the House any longer at that late hour, but from what he had stated he thought honorable gentlemen would agree with him that prudence in respect to the public expenditure was most necessary; that there was an absolute and pressing necessity for the introduction of the retrenchment which the present Government had promised.

Hon. Mr. PENNY said he was rather surprised at the honorable gentleman's remarks respecting the sugar duties.

Hon. Mr. MACPHERSON—What I said

5 per cent. on application }
 15 " on allotment } 8th Nov.