

kenzie was represented to be, if he is not to guard against such blunders as I have called attention to. One of the advantages which was hoped for was that he would watch the details of carrying out the great public works, and it would not have given him much trouble to do it. It will not do for hon. gentlemen to turn round and say he had so much to do that he could not attend to such matters. The Minister of Public Works need only have had the profiles—and he must have seen them—of these great public works before him, and he could see what should be done first, and what could be postponed. There is only one other subject I will notice, and that is the last loan. I must say a little more than I did last Session on the subject. I only touched it then very lightly. I really forbore out of consideration for the Minister of Finance, pointing out what I considered the worst features of the loan, but seeing he declared in his last Budget Speech what I did not notice at the time, that it was only one of a series of loans, I desire to bring its most objectionable features before the House and country. There is one thing that every borrower of money, be it individual or nation, must make up his mind to—and that is to pay, in one shape or other, the interest that capitalists consider the securities loaned upon should pay. In the case of public securities the return that capitalists expect can be readily ascertained by looking at the market reports for the quotation of prices and the rates of interest. Now, our five per cents. at the time the last loan was negotiated, were at 105 to 106½. The Minister of Finance, in his Budget Speech last Session, said:—"The actual value of that loan at 91 being as nearly as possible to 5 per cents. at 108, whereas the current selling price of those 5 per cents. was barely from 105 to 106½, deducting accrued interest." Now, it must be remembered, that this is a borrowing country, and that, in the words of the Finance Minister, the loan he negotiated in November, 1876, was only one of a series of loans, and it behooved him, as it now behooves us, to borrow upon the terms which, all things considered, are the best for this country at present. Now, I maintain that was not done in the case of the loan of 1876. On the contrary, the injudicious system was introduced, of sacri-

Hon. Mr. Macpherson.

ficing a part of the principal and issuing the loan at a large discount, for the sake of a reduction in the nominal rate of interest. The true policy for a country like Canada, that has to negotiate a series of loans, is to pay the rate of interest that will command not less than par for the loans. To issue loans at a large discount, as our Minister of Finance did, involves a large loss of present capital, and was, therefore, burdening the present generation to relieve posterity. A loan at five per cent. should, have sold for about 105—that is, at a premium of five per cent. whereas the four per cent. loan which was negotiated netted this country only about 87½ per cent. Now, the difference in the result, if the loan had been issued at 5 per cent., would have been this—the loan of £2,500,000 converted at the old par of exchange, would be \$12,166,666, and at 5 per cent premium, would have yielded \$12,775,000. Deducting for agency one per cent., \$127,750, would make the net proceeds of the loan \$12,647,250. The net proceeds of the four per cent. loan actually negotiated was only \$10,645,833, or \$2,001,417 less than a five per cent. loan would have yielded. Now, capital is of the very first importance to us. The great works which we are now constructing are not for ourselves alone, but mainly for posterity. By the system adopted by Mr. Cartwright we lost for present use \$2,000,000 capital, and have to bear the whole burden of that loss for the sake of a nominally reduced rate of interest. To obtain the nominal rate of four per cent., instead of five per cent., interest, \$2,001,417 of capital was sunk. I think that was sacrificing too much for posterity. It would have been much better for us, and have made very little difference to posterity, if, instead of getting \$10,645,833 from a four per cent. loan, he had negotiated a five per cent. loan, and received as the proceeds \$12,775,000. I hope I have made my views plain to the House. I think the main facts must be sufficiently manifest—that by the plan adopted by the Minister of Finance in negotiating the last loan, he sank \$2,001,417 of the principal in the payment of interest in advance to make his nominal rate of four per cent. equal to five per cent. to the lenders for the whole period of the loan. Capitalists generally prefer negotiating a loan at a discount to