

general principle is opposed to the raising it by an issue of inconvertible Government notes, unless there be a surplus revenue, or a state of public credit that justifies the expenditure. Under these circumstances, it appears to Her Majesty's Government that the proper course would be, after ascertaining the existing deficit in the revenue, to procure an enactment, revoking, in the first place, the law which prohibits the raising of loans in London on less favourable terms than at par, bearing five per cent. interest, and authorizing the negotiation of a loan in London to the amount of the deficit in the revenue, and no further, on the most favourable terms which can be procured, under the sanction and with the assistance of Her Majesty's Government, but secured on the revenues of the Province. If such a measure should be adopted, you would, in reporting it to me, transmit for the information of Her Majesty's Government, a statement showing the exact amount of the revenues and expenditure of Upper Canada, with such explanations as might appear to you necessary.

In respect to your proposal for the direct encouragement of emigration to Upper Canada, and the annexation to the Province of a sea-port, I refrain at present from entering into any detailed explanation. The latter of those propositions could of course only be effected through the intervention of Parliament, and until the plan of Her Majesty's Ministers for the future government of Canada shall have been laid before Parliament, it would be obviously inconvenient to enter into a discussion on isolated portions of it. But I beg to assure you that neither of those subjects have escaped our attentive consideration.

Lastly, you propose that Her Majesty's Government should, on the security of the British Treasury, raise a loan in England to pay off the whole debt of Upper Canada. The amount of this debt is not less than 1,125,000 *l.*, of which the greater part has been incurred, not at the suggestion of the Local Government, nor with the knowledge of the Secretary of State, or the Lords Commissioners of the Treasury, but by the authority of the Colonial Legislature for public works and local improvements. Her Majesty's Government can discover no ground on which they could propose to Parliament to throw on this country the burthen thus incurred by Upper Canada; at all events, they would feel it impossible to hold out any prospect of this nature at the present moment, when the general affairs of both the Canadas are engaging their serious deliberation, and must shortly be submitted for the consideration of Parliament.

I have, &c.

(signed) *Glenelg.*

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