

DESPATCH

FROM SIR GEORGE ARTHUR TO LORD GLENELG,
IN RELATION TO THE FINANCES OF THE PROVINCE, WITH SUNDRY DOCUMENTS;
TOGETHER WITH THE
ANSWER FROM HIS LORDSHIP TO HIS EXCELLENCY THE LIEUTENANT GOVERNOR.

GEO. ARTHUR.

THE LIEUTENANT GOVERNOR transmits to the House of Assembly for their information a copy of a Despatch relating to the Finances of the Province, which His Excellency addressed to Her Majesty's principal Secretary of State for the Colonies, together with His Lordship's Reply.

Government House,
12th March, 1839.

Copy.
No. 91.

GOVERNMENT HOUSE,
Toronto, 20th November, 1838.

MY LORD:

In my Despatch to your Lordship, No. 56, of the 11th of August last, I had the honor to transmit for your Lordship's perusal, a copy of a communication which I had addressed to the Earl of Durham, on the 30th of June preceding, on the subject of Crown Lands and Emigration, wherein, in connection with it, I took occasion to advert to the causes which had tended to produce derangement in the finances of this Province, and stated that its resources had been anticipated to an extent that was felt to be embarrassing.

Occupied as I am upon matters of the most urgent nature, it is of the greatest importance that I should without delay bring this matter under your Lordship's notice in a more special manner, as in the ensuing meeting of the Provincial Legislature the question of how the pressing pecuniary demands of the Province shall be satisfied will require to be discussed; and, in anticipation of such discussion, I would wish to receive your Lordship's instructions on the point which I beg leave to submit to your consideration.

In your Lordship's Circular Despatch to Sir Francis Head of the 31st of August, 1836, your Lordship states, after some preliminary observations: "With this view, I have to desire that you will not permit any act, or ordinance, or proclamation, or regulation, to come into operation in the Colony under your Government, relating to the local Currency and Circulating Medium, or to the rates at which coins shall pass current or be a legal tender, or to the circulation of promissory notes or other paper, either by the Local Government, or by any corporate bodies or individuals, without having first received His Majesty's sanction, conveyed to you by the Secretary of State."

This Despatch, having been submitted to the House of Assembly by my Predecessor, formed the subject of an address to him from that Body, enquiring "if he would be prevented from giving the Royal Assent to any Bank Bill in future;" which Address, together with his reply to it, Sir Francis Head transmitted to your Lordship in his Despatch, No. 10, of the 5th of February, 1837,—the receipt thereof being acknowledged in terms of approbation in your Lordship's Despatch, No. 162, of the 19th of April following.

Fully concurring in the view taken by Sir Francis Head respecting your Lordship's instructions, as stated

in his reply to the Address referred to, I am desirous of adhering to them as strictly as I am able; but, as the very peculiar circumstances of the Province may render unavoidable some departure from them, I wish to be prepared to meet possible contingencies.

I venture, therefore, to suggest to your Lordship, that in the event of such a measure being proposed in the Legislature, I should be provisionally authorised to give the Royal assent to any Provincial enactment, having for its object to allow the Receiver General to issue, on the credit of the Government, bills or notes, payable in Toronto at twelve months after date, to the amount of £100,000; to be used as a Circulating Medium, and made chargeable on the prospective revenue of the Province.

That such, or a similar measure, may be rendered necessary by events, I consider highly probable; and it appears to me, as far as I can judge at this moment, that no other so well calculated, by its simplicity to effect the desired object, could be conveniently resorted to.

Though the cases are not exactly parallel, yet in illustration of the principle, and as affording a precedent for such a course of proceeding, I would instance the circumstance, that, during the last war in these Colonies, bills of the description I have mentioned were issued by the Provincial Government, and were found, as a temporary resource, of the utmost value to the public service.

Debentures payable in the Province are altogether unsaleable from the want of local capital; and debentures payable in London, where alone they are negotiable, have been already issued to a larger amount than has yet found purchasers.

With reference to these Debentures, the accompanying letters from the Receiver-General, (inclosing others addressed to him by Messrs. Baring,) and Report of the Executive Council on the subject of their contents, will put your Lordship in possession of every necessary information respecting the circumstances under which they were issued; and your Lordship will at once perceive that, however powerful—and certainly they are very forcible—may be the arguments used by Messrs. Barings against the mode of their negotiation, yet that they could only have been made available for the immediate and urgent wants of the Province, through the medium of the local Banks, in the manner which was practised.

In drawing the attention of your Lordship to the measure here suggested, I would wish to impress upon your Lordship that, viewed as a continued system, I consider the issue of Government paper, not convertible into specie, to be detrimental to the credit of the Province, and calculated to displace the more wholesome convertible currency. Unless, therefore, I could see before me a prospect of financial relief, founded upon a sound and simple basis, I should not look for any good result from mere temporary expedient.

Though large in proportion to its actual revenue, the debt of this Province has been mainly incurred through incidental causes—namely, the construction of the public works, the outlay on which is commensurate less with the country's present productive wealth than with the development of which its vast natural re-