

imposed on the Lieutenant Governor of Upper Canada in regard to money bills by my circular despatch of 31st of August, 1836, was conditionally withdrawn by my despatch to yourself of 28th Dec. 1837. So far as that instruction is concerned, you are therefore free to act on your own discretion in accepting or reserving any bill which may be presented to you by the Legislature for the issue of paper money. But before Her Majesty's Government could give their express previous sanction to a measure such as you contemplate, they would require much more detailed information respecting it than is contained in your present despatch. I proceed to notice the points on which that information is peculiarly defective.

You suggest that the contemplated notes should be used as a "Circulating Medium." You do not however state in what sums they are to be issued, in what manner the issue is to be made, whether in payment for provincial engagements and disbursements, or upon securities, or through the Banks; nor whether it is designed to constitute them a legal tender for debts. I need not point out the essential difference between a loan made on public security by the issue of State Bonds, and a creation of paper money inconvertible into coin, but which is to be forced into circulation with paper convertible into silver. The first plan only gives to capitalists a means of investment, temporary or permanent, and at the same time affords to the state the use of the capital lent. The second plan increases the whole circulation by an issue which cannot possibly circulate at par with a paper bearing an intrinsic value; and must therefore, if made a legal tender, drive out of the Province a certain amount of the silver now there, either in circulation, in the Banks, or in the Military Chest. The temporary relief, therefore, which such a measure might afford, would be purchased by an eventual increase of the embarrassment of the Province.

Your report is also defective in another point. You state that the existing debt of Upper Canada has been principally incurred in the construction of public works; but you do not state to what purpose the money to be raised by the proposed notes is to be applied. If the public income is insufficient to meet the expenditure essentially public, the balance must, in some way, be provided for. But if this balance is wanted solely for public works, or local improvements, every 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 Ma-

jeaty'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 5 per cent. interest, and authorising 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 £1,123,000, 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 burden 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 the honor, &c.
(Signed) GLENELG,

Major General
Sir Geo. Arthur, K. C. H.,
&c. &c. &c.