

The Provincial Parliament was specially summoned to devise measures to meet the crisis which had arrived.

One of the measures of relief adopted, was giving authority to the Government to issue debentures payable in London, in lieu of those payable in the Province found to be unsaleable.

The House of Assembly adopted this measure in anticipation of the debentures being purchased by the banks in this Province, who might use them in raising funds in London, either by way of sale, or by adding their own credit to that of the Government, and thus obtaining advances.

The Act was so drawn as not to leave it in the power of the Government to sell debentures under par; this was in conformity with all the other Acts authorizing the negotiation of loans.

The balances in the hands of Messrs. Wilson & Co. appeared to be in jeopardy, and the Government could not take the responsibility of sending large amounts of public securities to agents in London.

If they were so sent, it did not appear probable that they could be sold at par, and therefore the sending them as a means of immediate relief, would not have the desired effect of giving immediately available funds.

By a sale to the banks in the Province, these funds became immediately available.

It was necessary to name some house in London at which the dividends on the debentures should be made payable.

Under the pressure of these circumstances, the Council most reluctantly assented to the sale of debentures in the Province, and at the time, it did not appear that the banks entered into the transaction without considerable risk; as if depreciation in American securities had continued to increase, they must have been severe losers, notwithstanding their gain by the exchange.

The Council were under the full impression that the transaction would have been immediately explained to Messrs. Baring & Co., and their approval under the circumstances obtained, which they regret extremely was, however, not promptly done.

After the return of the Receiver-general to the Province, upon his reporting favourably of the perfect stability of the house of Messrs. Baring, and upon his statement that he was so well assured of the debentures being saleable in London, a further sum of 60,000 *l.* was transmitted to that house for sale.

It appears, however, that to this day they are not saleable at par, according to law.

The expenditure which these debentures were expected to cover was in consequence obliged to be borne partly out of the sum raised in the Province, though this appropriation was certainly not strictly legal, and partly by a renewal of the measure of disposal of debentures in the Province, adopted with the approval of the Receiver-general.

Had the debentures first negotiated by the banks been sent to London in the usual manner, as the sum of 60,000 *l.* was afterwards sent, and had they been drawn against at once, which was the only way of meeting public exigencies, and had they proved unsaleable, the bills must have been protested, and the credit of the Province would have been ruined. This was a risk which the Council could not incur, from any considerations of expediency or advantage in the transaction.

The Council, in their own justification, beg to state, that the measures for the negotiation of the extensive loans authorized by Parliament were in no wise Government measures; they originated altogether in the House of Assembly, and their adoption was not witnessed by the Council without serious fears of consequent embarrassment.

The Council have made this general statement of the principles upon which they felt themselves compelled to act, and they humbly conceive that subsequent events have not proved the want of judgment in the measures advised by them; they endeavoured to proceed with safety, and if profit was in any degree sacrificed thereto, the Council hope that the state of public affairs will prove a sufficient excuse for their proceedings.

While the Council admit the principle, that the interests of holders of public securities should be most tenderly guarded in the negotiations of new loans, these interests cannot be held as superseding all considerations of public welfare and convenience. The history of the National Debt of England shows frequent and extreme depreciation of public securities, in consequence of new and extensive loans; and this has been too often the case to admit of the recognition of the principle, that the interests of the old holders of debentures should be so exclusively considered as to prevent the negotiation of new loans in the best practicable manner, should the necessities of the Province or the public interests require such a measure.

It is due to the Hon. Messrs. Allan and Draper to say, that they were absent when the first sum of debentures were sold to the banks, and that therefore they cannot be held liable to any censure which may be held to attach to the transaction.

All which is respectfully submitted.

(signed) *R. B. Sullivan, P.C.*