

diture over Receipts, under the Statement of the Financial Inspector, \$1,823,051, the real Excess of Expenditure over Receipts would be reduced to \$1,298,051, which is equal to an annual average Expenditure for Nine years of \$129,805; and the Interest on that sum, if charged to Capital Account, would be, at 4 per Cent., only \$5,192, a year,—a very small Annual Charge indeed.

(13.) In the Session of the Canadian Parliament for 1880, Mr. Blake, the Leader of the Opposition, stated that in Manitoba the Excess of Expenditure over Receipts was \$722,000; in Prince Edward's Island, \$1,027,000; in British Columbia, \$823,000; in Nova Scotia, \$2,060,000. Now, if the alleged or implied Excess of Expenditure in Section 10 of the Report be held to be a good set-off by Canada to non-fulfilment of her Railway Contract, the Provinces or either of them named above, as well as British Columbia, might be told that their Annual Subsides were stopped, because there was an Excess of Expenditure over Receipts. It is apparent, therefore, that the consequences of the enforcement of such a principle might be of the most serious character.

(14.) It has been shown that it is very probable that the Receipts and Expenditure in British Columbia for the last fiscal year, 1880-81 balanced, and that, in future, there would be an excess of Receipts over Expenditure. Assuming this to be the fact, there remains only to be considered what real financial burden has been borne by Canada in respect of the alleged Annual Deficits in the Receipts in British Columbia. By reference to "No. 11 Statement" hereto annexed, the Annual Interest in each Deficit appears; and for the four years of Surplus (see No. 7 Statement hereto annexed) viz.:—1871-2, 1872-3, 1873-4, 1874-5, the Total interest on the Deficits of those years in British Columbia amounted to only \$48,884.44: and in the five years of Deficits, 1875-6, 1876-7, 1877-8, 1878-9, 1879-80, (see No. 7 Statement) the Total Interest on Deficits in British Columbia amounted to only \$277,183.52. If each of the Annual alleged Deficits in British Columbia during the first Four years were charged to Capital Account, then, all the burden that Canada incurred for that Province was the pledging of the Public Credit for a sufficient Loan to meet the Deficits, and provide for the interest, either from Revenue or the issue of Dominion Notes. If the Deficits in British Columbia were made good out of Revenue from 1871-2 to 1874-5, it is very apparent that they will soon be paid back by the incoming Excess of Receipts over Expenditure as indicated. The Deficits, however, from 1875-6 to 1879-80 inclusive, with the interest thereon were met, there is no doubt, by Loans and the Issue of Dominion Notes (see "No. 8 Statement" hereto annexed), and thus no Canadian Taxpayer paid a dollar of the Deficits or the Interest: or to use the words of Mr. Blake in the House of Commons, on April 16th, 1880: "We have raised a large sum from our people without interest in the shape of legal tenders in circulation and compulsorily held as bank reserves." * * "We have had yearly deficits, and have been obliged to borrow to pay our interest." Mr. Blake was Minister of Justice during the three first years of Deficits in the Canadian Exchequer, and is, therefore, unexceptionable authority. We may fairly conclude, therefore, that the Excess of Expenditure over Receipts in British Columbia, whether the amount be great or small, has only cost Canada the trouble of borrowing to meet it—by pledging the Credit of the Dominion, of which British Columbia is one of the joint Securities for the payment of both Capital and Interest. As a matter of account it may seem important, but as a matter of fact it is not.

(15.) It is reasonably hoped, in conclusion, that no Canadian Government will hereafter put an alleged Excess of Expenditure over Receipts in a Province into a grave public document, with the apparent expectation of influencing her Majesty's Imperial Government, or as a set-off to their default in not fulfilling a treaty obligation.