The principal feature, however, to which attention is called is not in itself the saving of interest effected by the first loan, so much as the fact that a great advantage was obtained to the Province, in the first place, by having its debentures issued in inscribed stock, which gives them a place in the money market along with other colonial securities; but, in the second place, it secured an important advantage in reducing the basis of interest to 3 %, and in following the history of subsequent loans we find that the effect is very appreciable, as comparison in the rates of discount will show. In 1895, on the net cash received, the interest amounts to only $3\frac{1}{10}$ % per annum, as against $3\frac{5}{8}$ % in 1891, the discount being lessened from 14 % to 5 %, and the cost of floating the loan in the latter case was only a shade over $3\frac{3}{10}$ % including all charges and the cost of underwriting. It will be seen, therefore, that a more favourable basis was established for further operations in the money market. Not only that but the credit of the Province has steadily risen. British Columbia inscribed stock is now quoted at 103 and 104, as compared with 87 in 1891. Instead, therefore, of the Province being a loser by the system which has been adopted, it has been a very great gainer, not only by establishing the interest on a lower basis, but in steadily reducing the cost to the Province, and in raising the credit to a high financial plane.

Some fault has been found with the Government for paying a premium for the conversion of outstanding debentures into inscribed stock, but as has been shown by the Finance Minister in his budget speech, this was a consideration which appealed to the good judgment of financial men used to the operations of the stock market, and was recommended by the highest authorities in London. Readers are referred to the budget speech of the Finance Minister of 1898, to which a letter from the Financial Agents is appended. From a financier's point of view, it simply meant that the premium paid enabled the Province to place a sufficient sum of inscribed stock on the market to be bid for by the investing public in search of securities of a high and improved character. When that was effected, the Government ceased to convert the outstanding debentures, which are allowed to mature at the old rate. Henceforth, all future issues will be in inscribed stock, and the ultimate saving effected by the conversion will be annually very great, and places the Province in a position to borrow large sums of money necessary for development on a par with the Dominion of Canada or any other Colonies of the Empire. Those who have criticised the methods adopted by the Finance Minister simply demonstrate that their conceptions of finance were moulded in a school of petty parish politics, and their inability to understand the requirements of the money market.

Budget Speech, Provincial Legislature, 1894.

EXTRACT.—"There are some, however, who still say that it is better to borrow at a higher rate of interest and get par value. They say you get so much more money at the time; when at par, instead of receiving $91, you receive $100. We will briefly consider this matter once more. I have just shown that our 3 % loan cost us really something under $3\frac{1}{2}$ % interest; that is, we make ourselves liable for $100 at the end of 50 years and we receive only $91, 3 % on $100, including expenses, being under $3\frac{1}{2}$ % on $91; but in order to borrow at par we should have to pay at least $3\frac{3}{4}$ % interest, and possibly more. Now, suppose a farmer wanted to borrow, say $5,000, and we will assume that he could do so on the same terms that the Government does. In order to borrow at par, he would have to pay 4 % interest and 1 % sinking fund, which would amount to $250 a year, whereas if he borrowed at the low rate of 3 % and 1 % sinking fund he would, at the rate of 91, in order to get net cash of $5,000, have to make himself liable for $5,495. His interest and sinking fund on this would amount to only $219.80, thus showing an actual saving by the last method of $30.60 per year, which would amount to a very handsome sum if compounded at 4 % for 50 years; that is, he would borrow $5,000 cash and give a note due in 50 years for $5,495, and save $30.60 annually. I feel certain, however, that this matter is very greatly misunderstood, and there are certain gentlemen who, I believe, do understand it who are trying to deceive the public."