

the various matters of public policy which it is proposed to entrust to them, and it is evident that unless ample provision is made in the arrangements, great danger will arise that the machinery whereby the local wants of the people are intended to be met will speedily become impaired, causing complaint on the part of the inhabitants of the respective localities, and involving considerable danger to the whole machinery of government. (Hear, hear.) In the case of Canada it will be remembered that the sum of nearly five millions of the public debt has to be borne by Upper and Lower Canada. It will hereafter be for the House to decide how this sum shall be apportioned, but the probability is that the Government will recommend that it shall be divided on the basis of population. (Hear, hear.) It must be remembered that Canada will have at its disposal a large amount of the local assets, including especially the sums due to the municipal loan fund, which will produce an income for the support of their local institutions. As a matter of account between Upper and Lower Canada and the General Government, they will be charged with the interest on their respective proportions of the five millions against the subsidy which it is proposed shall be given to them; while they themselves will collect from the municipalities and other local sources all the revenue and amounts which now enter into the general revenue of the Province of Canada. The question of the sub-division of the local assets of Canada is not, however, before the House. What we have now to consider is whether the bargain as between Canada as a whole and the Lower Provinces ought to be assented to. If it be assented to the question will arise, how shall we deal with the local matters between Upper and Lower Canada? and a proposition will be brought down which I hope and believe will satisfy both sections, and do them substantial justice.

HON. MR. DORION—Will Lower Canada be charged with the municipal loan fund, the seigniorial indemnity, and the educational indemnity?

HON. MR. GALT—I must repeat that, no matter what views the Government may have on the distribution of the liabilities as between Upper and Lower Canada, they will be susceptible of alteration in any way the House may see fit, this being a matter solely of local arrangement, and in no respect involving the agreement entered into with the other provinces; but I must point out that, as regards the original seigniorial indemnity and the mu-

nicipal loan, they are both included in the sixty-seven millions already stated as the liabilities of Canada, and cannot, therefore, form any additional charge against Lower Canada. (Hear, hear.) Indeed, as regards the Municipal Loan Fund, instead of being stated as a liability, it appears that the sums due under it are, in connection with the question as I now view it, to be regarded in the light of assets, because we are considering now the sums received as assets by Lower Canada. The Municipal Loan Fund being one of them, the sums due to it under the existing provincial arrangements will become payable as an asset to that section of the province. (Hear.) It will be observed that in the plan proposed there are certain sources of local revenue reserved to the Local Governments, arising from territorial domain, lands, mines, &c. In the case of Canada, a large sum will be received from these resources, but it may be that some of them, such as the Municipal Loan Fund, will become exhausted in course of time. We may, however, place just confidence in the development of our resources, and repose in the belief that we shall find in our territorial domain, our valuable mines and our fertile lands, additional sources of revenue far beyond the requirements of the public service. If, nevertheless, the local revenues become inadequate, it will be necessary for the local governments to have resort to direct taxation; and I do not hesitate to say that one of the wisest provisions in the proposed Constitution, and that which affords the surest guarantee that the people will take a healthy interest in their own affairs and see that no extravagance is committed by those placed in power over them, is to be found in the fact that those who are called upon to administer public affairs will feel, when they resort to direct taxation, that a solemn responsibility rests upon them, and that that responsibility will be exacted by the people in the most peremptory manner. (Hear, hear.) If the men in power find that they are required, by means of direct taxation, to procure the funds necessary to administer the local affairs, for which abundant provision is made in the scheme, they will pause before they enter upon any career of extravagance. Indeed, I do not hesitate to say, that if the public men of these provinces were sufficiently educated to understand their own interests in the true light of the principles of political economy, it would be found better now to substitute direct taxation for some of the indirect modes by which taxation has been imposed upon the industry