

unqualified consent to the operation on the terms and to the extent to which it was carried out.

12. The Government of Canada had therefore, under these circumstances, to deal with the alternative, of allowing the large deposits to remain unproductive and entail a loss of about 350,000 dollars a year; or of placing them temporarily, and in a way that would be available as the money was required for actual outlay.

It was not unnaturally to be supposed, that if the Imperial Government had sufficient confidence in Canada, to guarantee or endorse her bonds, that confidence also extended to trusting her with the outlay of the money on the work for which it had been raised; a work which was declared to be essential to the consolidation of the Union of British North America, and a condition of the assent thereto, of Nova Scotia and New Brunswick; and one to the completion of which the good faith and interest of every Province of the Dominion were pledged.

If the Imperial Government had conveyed the intimation that Canada could not be entrusted with the money for the prosecution of its own works, or had sought to impose restrictions on its outlay, which would necessarily have presupposed that distrust, the Finance Minister believes it would have been the unanimous opinion of the people of Canada, that the guarantee of Her Majesty's Government to the loan, however highly they might have prized the granting of it, and however advantageous it might have been, ought not to have been accepted on such a condition.

13. The meaning of the inquiry made in the House of Commons plainly is, that, under the pressure of financial necessity, Canada used the Intercolonial money; if indeed the inquiry be not meant to convey the imputation that Canada raised the loan prematurely with that object. The Minister of Finance believes it to be his duty to repel an insinuation which would be alike unworthy of the Government, as it would be utterly opposed to the character for good faith and straightforward integrity which the people of every Province of the Dominion have justly earned, and for the maintenance of which they have ever held the representatives in whom they place confidence to a strict observance.

14. It is only necessary to advert to the financial condition of Canada at the time, to prove how irreconcilable with the actual facts such a supposition is.

It is true that there was a certain amount of floating liability due by the Dominion, but only to its fiscal agents in London; its bankers in Canada, and a small amount to one of the Provinces of the Dominion.

This liability, so far from being pressing, was one which the public creditor would have too gladly allowed to remain, but the Government thought it proper to make provision for its gradual funding, partly out of deposits in the Government savings banks; partly out of deposits required from insurance companies, under the law, and by other equally certain means. Had they been disposed to place a loan for the purpose on the market, it could have been successfully accomplished without any difficulty; for the only loan issued since the Union (except the Intercolonial) was promptly taken up in Canada; the six per cent. stock being now readily saleable and in continued demand at a premium of eight to nine per cent.; and the Government has been compelled to decline repeated applications for further issues.

A certain amount of bonded debt also fell due last autumn, for which ample provision had been made, but the great bulk of the holders expressed in advance their wish either to renew it or convert it into the Dominion Stock already mentioned; an offer which the Government thought it proper in the public interest to decline.

15. It is unnecessary to say more to prove how unfounded any imputation is that the motive of financial necessity had any part whatever in inducing the arrangements with reference to the temporary investment of the Intercolonial money, or to show that the Government was influenced solely by the one single consideration of finding a temporary investment for it, on the condition of perfect security and immediate convertibility, by which a heavy loss of interest might be avoided.

In carrying this out, the Government took unwonted and exceptional precautions in order that by no possibility whatever might there be any doubt that the money borrowed would be as safe and as immediately available as it would have been were it deposited at call in the Bank of England.

16. Some of these precautions are indicated in general terms in the Order in Council, approved of by his Excellency the Governor General in August last, a copy of which, with the accompanying report of the Minister of Finance, it is presumed, was transmitted to the Secretary of State for the Colonies by his Excellency.

The Minister of Finance is not aware that any exception has ever been taken to the arrangements so made.

17. It is proper briefly to recapitulate the means immediately and prospectively available to the Government of Canada for the purposes above mentioned.

a. The Government have a cash balance in the hands of their bankers of upwards of 2,750,000 dollars, a portion of which they are now endeavouring, though so far unsuccessfully, to place on special deposit at interest.

b. They have a further special deposit with their bankers, at 4 per cent. interest, of 1,500,000 dollars.