

could be elected a poundkeeper in certain parts of this Province unless, to use his own picturesque language, "he shouted with both hands for the Loan Fund."

The moneys were borrowed and spent but the day of inexorable reckoning duly arrived. Some municipalities could not, and some would not, pay the interest due the Province, but the Province had to pay the interest due its creditors and to raise the necessary funds by taxation. On the 1st January, 1873, less than twenty-one years after the scheme was started with a great hurrah, there were arrears amounting to \$12,628,657.05. We now talk in billions, but in those days debts amounting to over \$12,000,000 were serious. The municipalities where wise counsels prevailed, and which had not borrowed from the Fund, complained that they were compelled to pay heavy taxes to meet the interest on moneys in respect of which other municipalities were in default.

Speaking on the subject in 1873, Sir Oliver Mowat (Mr. Oliver Mowat he then was) said: "The effect was to diminish the value of municipal securities generally, and to corrupt the moral sense of the people with reference to moral obligations." Sir Oliver Mowat did not overlook the material loss, but rightly regarded the moral loss as tremendously more vital.

In several Ontario constituencies candidates appealed and, sad to relate, appealed successfully for support on the ground that they would defy the Government to collect the amount due in respect of such loans, and the disastrous habit was formed of repudiating just obligations.

This habit persists and fundamentally is of the same nature as the act of the Germans in regarding the Treaty guaranteeing the neutrality of Belgium as a "scrap of paper."

The United States Constitution forbids legislation impairing the obligation of a contract; but in Canada, apart from the power of Disallowance, the security against such vicious legislation depends largely on the "moral sense of the people with reference to moral obligations."

In dealing with this subject one of our ablest jurists made the significant remark that our Provincial Legislatures within the sphere of their jurisdiction "are bound by no law, human or divine." This constitutes an additional reason why the statesmanlike and sagacious observation of Sir Oliver Mowat should be studied by the present generation.

The injustice of making the thrifty and wisely guided municipalities pay for the default of those who had been misled by the demagogues of the day, was so keenly felt that the plan was devised of forgiving certain municipalities which had borrowed more moderately, reducing the indebtedness of those which had borrowed heavily, and of voting \$3,388,777.40 to be distributed among the other municipalities. The total net loss to what is now Ontario was over \$13,000,000, though the taxpayers had been solemnly assured the Province would not lose a cent.

Of the first class was the Town of Woodstock which borrowed \$100,000. The authoritative comment made about twenty years after in regard to Woodstock was "Its investment became an entire loss and the work in aid of which the stock was taken has been abandoned, and there is no probability it will ever be revived. The company is hopelessly insolvent and the whole undertaking has collapsed never to be revived."

The loss was assumed by the Province and the debt of Woodstock cancelled by the Municipal Loan Fund Act.