

No. 12.  
Lord John Russell  
to the Right Hon. C.  
Poulett Thomson.  
September 7, 1839.

required if the canals had been originally formed with a greater command of capital. These works having also been effected by borrowed money, the loans have been raised at a higher rate of interest than would have been required if the credit of the province had not been diminished by the absorption of its revenue in such undertakings. Further, it appears that the provincial treasury might have been recruited with no perceptible addition to the public burdens, if it had been possible to increase, to a moderate extent, the duties of import on goods introduced for consumption. But, under the combined influence of these causes, the expenditure has at length far exceeded the receipt; and some measures for reinstating the provincial treasury in a secure condition have become indispensable.

Her Majesty's Government willingly acknowledge the great advantage which will arise from extending to Upper Canada such aid as the revenue of Great Britain could afford, consistently with a due regard to the interest of this kingdom, and of the other members of the empire at large. This is, however, a subject for distinct consideration. For the present I shall confine my attention to the remedial measures adopted by the local legislature in their last session.

Of these, the first was the raising a loan by Government debentures, which was sanctioned by a Bill, entitled "An Act to afford further facilities to negotiate debentures for the completion of certain works."

This Bill was reserved for the signification of Her Majesty's pleasure, and has been confirmed by the Queen in Council.

The second financial measure of the year was the enactment of a Bill, authorizing the issue of treasury notes to the amount of 250,000*l.* sterling, for 1*l.* each. This Bill has also been reserved for the signification of Her Majesty's pleasure. I regret to state that Her Majesty cannot be advised to confirm it. The issue of such an amount of small inconvertible paper money, as a resource for sustaining the public credit, is not to be justified even by the present exigency of public affairs. The effect of the measure on the currency and monetary transactions of Upper Canada, and on the value of private property throughout the province, must be such as to counterbalance any advantage which could be obtained from this temporary relief. If the credit of the country can be made available to sustain for a time the transactions of the local treasury in a less hazardous and objectionable form, you will accede to any plan of that nature. It is only as a temporary expedient that any such resource will be requisite; and it is of great importance to the future welfare of the province, that the scheme devised to meet the pressure of the passing day should not be such as to preclude the early return to a more salutary course of financial operations.

A third measure of the same general character has been adopted by the local legislature, to provide for the indemnity of the sufferers by hostile incursions from the United States. The Bill for this purpose, entitled "An Act to ascertain and provide for the payment of all just claims arising from the late rebellion and invasions of this province," has also been reserved for the signification of Her Majesty's pleasure. I fear that Her Majesty's assent to this Bill, in its present form, cannot be given. The objection is not to the measure itself, in the propriety of which Her Majesty's Government entirely concur; but we think it impossible to advise The Queen to assent to an Act, which, if so sanctioned, would, by the terms of the preamble, convey a pledge from Her Majesty that the charge of this indemnity should be ultimately borne by the British treasury. The principle involved in this declaration is of too much importance to be thus incidentally recognised, even supposing it to be right that it should be admitted at all. Neither could Her Majesty properly affirm, in so solemn a manner, her acquiescence in this claim on the revenue of this country, unless it had been previously sanctioned by Parliament,—a sanction which has not been, and which could not hitherto have been, obtained. If a similar Bill should be passed, with the omission of the preamble, you will readily concur in the enactment of it.

The Legislature of Upper Canada have also passed a Bill, which has in like manner been reserved, for settling a civil list on Her Majesty in exchange for the Crown revenues of the province. It is with sincere regret that I am compelled to announce that this is also a measure from which, in its present form, the assent of the Crown must be withheld. The effect of it is to exclude from the protection of the grant the clergy, who at present derive their maintenance from the Crown revenue, and of whom the great majority have resorted to Upper Canada on the assurance that their stipends would be thus secured to them. Now as this charge has been lawfully fixed upon the Crown revenue, and as the Crown has no other