

2. What is it that prevents the Canadians from obtaining in this country a supply of capital equal to the demand for it in Canada; that is, equal to the opportunities of profitable investment which Canada presents? Mere distance is not the impediment; for British capital would be advanced without stint to any body at the Antipodes, who could offer what was deemed a really good security, both in point of value and in point of faith or obligation.

Respecting the mere value of Canadian securities, there would be no insuperable doubt in the British money-market, because inquiry would soon convince capitalists of the ability of the colonists to pay debts incurred for the improvement of their country; but there would be doubts on the point of faith or obligation. It must not be overlooked that the former province of Upper Canada was once in default with its public creditor. The immense losses which British capitalists have suffered from the bad faith of some of the United States, have caused a strong feeling of distrust and repugnance with regard to all American securities.—The recent rebellions in Canada; the vicinity of the colony to the United States; the annexation of Texas; the differences about Oregon; the circumstances relating to Canada in particular; which tend to deprive that colony of credit in the British money-market.

This view of the causes of the low credit of Canada in the British money-market, suggests two means, by which if they operated in conjunction, the credit of the colony might be sufficiently improved. There are two defects to be remedied; first, a want of confidence in the stability of any law but that of the Empire; secondly, a vague, but not less effectual fear of the instability of Imperial law in Canada.

In the first place, the British capitalist doubts, whether a provincial law under which he had advanced money in the colony, might not be altered by provincial legislation; and in the next place, he has an apprehension, which is far from definite, but therefore, perhaps, the more deterring, that political events might ensue which would render even Imperial law inoperative in Canada. There are two defects to be cured. The first of them, that is, the supposed instability of provincial law or the liability of provincial law to lawful alteration, might be cured by giving to contracts between British capitalists and public bodies in the colony the validity of Imperial law, the contracts should be made under a law of the Imperial Parliament, which, according to the constitutional law of the colony (the Imperial Act for the union of the Provinces) could not be lawfully touched by provincial legislation. In this case the contracts would be as much under the sanction of Imperial law, as if they had been made in pursuance of provisions contained in the Union Act itself. A method of curing the second defect is not so obvious. The effect would indeed be cured by the simple method of a specific guarantee by the Imperial Parliament against adverse political events, but there would be an awkwardness in the specific or direct admission by the Imperial Government of even the bare possibility of such events, which deprives this suggestion of practical value. The guarantee must needs be real, but there seems no reason why it should be specific or direct; a real guarantee to the whole effect in question was given by the Imperial Parliament, when it assured a certain rate of interest to the British capitalists, who recently advanced 1,500,000*l.* to Canada for the improvement of that colony; careful inquiry has not enabled us to discover any other mode of proceeding of the same character, by which the apprehension of adverse political events could be removed, without awkward admissions by Parliament of the possibility of such events.

Having suggested the mode in which, as it appears to us the discredit attached to Canadian securities, may, &c. &c. &c.

(No. 2.)

Gentlemen,

London, 10 April 1847.

I HAVE received your communication directing my attention to the paragraph in a Memorial lately presented to Lord John Russell, on the subject of a scheme of colonization for the relief of Ireland, in which it is asserted in plain and distinct terms, that the former Province of Upper Canada was once in default with its public creditor.

To that statement I am enabled to give a most distinct and unequivocal denial. The Province of Upper Canada never was in default with its public creditor one hour. I was for 24 years, and up to the union of the Provinces of Upper and Lower Canada, the Receiver-general of the Upper Province, and the only circumstance on which I can conceive this statement to be founded, so far from showing that the Province ever was in default with its public creditor, will prove that on the only occasion on which such a misfortune was apprehended, it arose not from a want of good faith, or of power on the part of the Province to meet its engagements, but from the failure of the agents in London of the Provincial Government.

Upon the receipt of the intelligence of that event I came to England, with the hope that, as the Receiver-general of the Province, and from the influence of my connexions here, an arrangement might be effected for preventing any discredit to the Province, or inconvenience to the public creditor from the loss of the large sum in the hands of the London agents. In that hope I had the satisfaction not to be disappointed.

The house of Baring, Brothers & Co., to whom I applied in the first instance, offered with great kindness and readiness to entertain the application, but Sir George Grey, who was