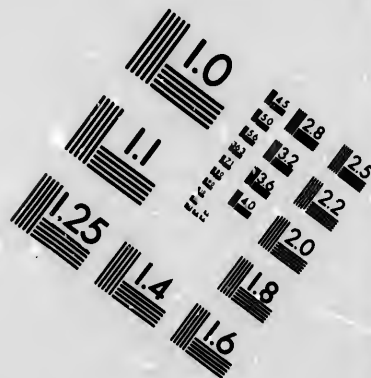
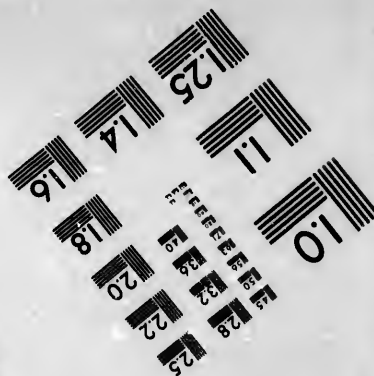




6"



Photographic Sciences Corporation

**23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4503**

**CIHM/ICMH
Microfiche
Series.**

**CIHM/ICMH
Collection de
microfiches.**



Canadian Institute for Historical Microreproductions / Institut canadien de microreproductions historiques

© 1982

Technical and Bibliographic Notes/Notes techniques et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming, are checked below.

- ☐ Coloured covers/
Couverture de couleur
- ☐ Covers damaged/
Couverture endommagée
- ☐ Covers restored and/or laminated/
Couverture restaurée et/ou pelliculée
- ☐ Cover title missing/
Le titre de couverture manque
- ☐ Coloured maps/
Cartes géographiques en couleur
- ☐ Coloured ink (i.e. other than blue or black)/
Encre de couleur (i.e. autre que bleue ou noire)
- ☐ Coloured plates and/or illustrations/
Planches et/ou illustrations en couleur
- ☐ Bound with other material/
Relié avec d'autres documents
- ☐ Tight binding may cause shadows or distortion
along interior margin/
La reliure serrée peut causer de l'ombre ou de la
distortion le long de la marge intérieure
- ☐ Blank leaves added during restoration may
appear within the text. Whenever possible, these
have been omitted from filming/
Il se peut que certaines pages blanches ajoutées
lors d'une restauration apparaissent dans le texte,
mais, lorsque cela était possible, ces pages n'ont
pas été filmées.
- ☐ Additional comments:/
Commentaires supplémentaires:

L'Institut a microfilmé le meilleur exemplaire
qu'il lui a été possible de se procurer. Les détails
de cet exemplaire qui sont peut-être uniques du
point de vue bibliographique, qui peuvent modifier
une image reproduite, ou qui peuvent exiger une
modification dans la méthode normale de filmage
sont indiqués ci-dessous.

- ☐ Coloured pages/
Pages de couleur
- ☐ Pages damaged/
Pages endommagées
- ☐ Pages restored and/or laminated/
Pages restaurées et/ou pelliculées
- ☒ Pages discoloured, stained or foxed/
Pages décolorées, tachetées ou piquées
- ☐ Pages detached/
Pages détachées
- ☒ Showthrough/
Transparence
- ☐ Quality of print varies/
Qualité inégale de l'impression
- ☐ Includes supplementary material/
Comprend du matériel supplémentaire
- ☐ Only edition available/
Seule édition disponible
- ☐ Pages wholly or partially obscured by errata
slips, tissues, etc., have been refilmed to
ensure the best possible image/
Les pages totalement ou partiellement
obscurcies par un feuillet d'errata, une pelure,
etc., ont été filmées à nouveau de façon à
obtenir la meilleure image possible.

This item is filmed at the reduction ratio checked below/
Ce document est filmé au taux de réduction indiqué ci-dessous.

10X	14X	18X	22X	26X	30X
☐	☐	☐	☒	☐	☐
12X	16X	20X	24X	28X	32X

The copy filmed here has been reproduced thanks to the generosity of:

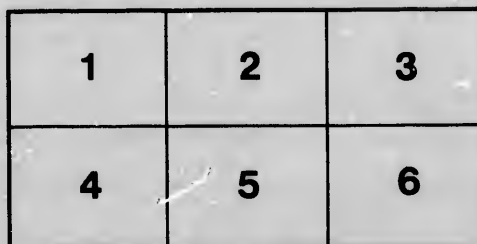
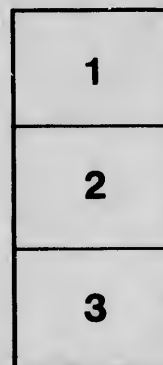
Izaak Walton Killam Memorial Library
Dalhousie University

The images appearing here are the best quality possible considering the condition and legibility of the original copy and in keeping with the filming contract specifications.

Original copies in printed paper covers are filmed beginning with the front cover and ending on the last page with a printed or illustrated impression, or the back cover when appropriate. All other original copies are filmed beginning on the first page with a printed or illustrated impression, and ending on the last page with a printed or illustrated impression.

The last recorded frame on each microfiche shall contain the symbol → (meaning "CONTINUED"), or the symbol ▼ (meaning "END"), whichever applies.

Maps, plates, charts, etc., may be filmed at different reduction ratios. Those too large to be entirely included in one exposure are filmed beginning in the upper left hand corner, left to right and top to bottom, as many frames as required. The following diagrams illustrate the method:



L'exemplaire filmé fut reproduit grâce à la générosité de:

Izaak Walton Killam Memorial Library
Dalhousie University

Les images suivantes ont été reproduites avec le plus grand soin, compte tenu de la condition et de la netteté de l'exemplaire filmé, et en conformité avec les conditions du contrat de filmage.

Les exemplaires originaux dont la couverture en papier est imprimée sont filmés en commençant par le premier plat et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second plat, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par la première page qui comporte une empreinte d'impression ou d'illustration et en terminant par la dernière page qui comporte une telle empreinte.

Un des symboles suivants apparaîtra sur la dernière image de chaque microfiche, selon le cas: le symbole → signifie "A SUIVRE", le symbole ▼ signifie "FIN".

Les cartes, planches, tableaux, etc., peuvent être filmés à des taux de réduction différents. Lorsque le document est trop grand pour être reproduit en un seul cliché, il est filmé à partir de l'angle supérieur gauche, de gauche à droite, et de haut en bas, en prenant le nombre d'images nécessaire. Les diagrammes suivants illustrent la méthode.

TO THE ELECTORS OF THE COUNTY OF HANTS.

MEN OF HANTS,—

In the speeches addressed to you, previous to the General Election, I almost invariably defined three lines of action:

1. To defeat the Delegates who had framed the British American Act.
2. To endeavour to get that Act repealed; and
3. Should we fail in the effort to repeal the Act, that we should endeavour to modify and improve it.

To accomplish the first I strained every nerve. Besides my labours in Hants, of which you were witnesses, I visited Archibald in Colchester, fought Tupper all round Cumberland, and in Queen's and Digby, by timely negotiations, endeavoured to establish the discipline which ensured success. Other gentlemen, who now profess to speak for the whole country, stayed at home and did nothing, outside their own counties, to secure the victory, the fruits of which they have ever since enjoyed.

You will remember that in 1867 I had laboured, in conjunction with Messrs. Annand and McDonald, for many months in England, to prevent the passage of the Act. In 1868, as a member of another Delegation, I laboured with equal zeal and energy to repeal it. On both occasions every faculty of my mind was strained to its utmost tension to accomplish objects so deeply interesting to our people, and to restore to our country the Constitution which, associated with patriotic men in the early portion of my public life, I had laboured to build up. Others might desire to defend or to restore what they believed to be valuable. I toiled with the zeal of an artist, passionately bent on guarding or recovering the work he had designed, with the parental feelings of a father struggling for the life of his own child.

Both those missions failed. That they did is not surprising, when the odds against us are calculated and taken into account; and when I returned from England in July last, it was with the full conviction that further appeals would be hopeless, and a settled determination never to go on any such errand again, unless a union of the Maritime Provinces (afterwards reported to be impracticable)

could be arranged. My own observations and experience were confirmed by the opinion, frankly expressed, by our tried friend and advocate, John Bright.

From the day that I returned home I never concealed my convictions from anybody, and have never changed my opinion. Others encouraged the belief that a change of government in England would give us repeal, and for six months the people of Nova Scotia have been deluded with hopes as baseless as a vision of the night. I would not lend myself to this deception, and became involved in a controversy with those who wished to conceal the truth. Minutes of Council and Resolutions were framed and sent to England, and another Delegation was promised. Threats of violence were held out, never intended to be realized, and a conflict was provoked with the Lieutenant-Governor, ending in apologies and humiliations not pleasant to contemplate. With these movements I had nothing to do.

In the Despatch which the Duke of Buckingham addressed to Lord Monck in June last, while distinctly refusing to repeal the Act of Union, he threw upon the Canadian Ministers the obligation to enquire into the working of that Act, with a view to such modifications and changes as would make it more acceptable to the people of Nova Scotia. On leaving England I had but slender hopes that they would make any serious attempt to discharge themselves of this obligation in good faith, but when some of those Ministers came down here in August, and solemnly pledged themselves before a committee of the Convention to make the attempt, I claimed for them a fair hearing and due consideration of any propositions they might make. In taking this line I acted in the spirit of my third proposition, that "if we failed to accomplish the repeal of the Act, we should endeavour to modify and improve it."

The negotiation thus opened with the consent of that Committee, was followed up by a letter addressed to me by Sir John A. Macdonald on the 6th October. That letter demanded from me the most grave consideration. Had I refused to receive or reply to it, I should have assumed a responsibility of which, by no after act of my life, could I have discharged myself in the face of this country. Her Majesty's Government would have been informed that Nova Scotia refused negotiation—a very large sum of money, now happily within our reach, would have been lost; and when the Local Legislature met, they would have had no alternative but to raise that money by direct taxation, or to let the Roads and Bridges go down. I would not assume that responsibility, and if I had I should have been held to a sharp account by the Electors of Hants, to whom I had promised, at twenty public meetings, to modify and amend the Act if

it could not be repealed. I therefore replied to Sir John A. Macdonald's Letter, and the correspondence only closed on the 26th of January last.

All through the autumn this correspondence was denounced by certain parties as treasonable and dangerous. I append it to this letter that you may read it and judge for yourselves. Those who denounced it, have wasted six months of life, and have got nothing to show but an infinite amount of boasting, and the two Despatches by which they have been rebuked by both the great parties in England, and in one of which they have been sternly told by a Cabinet, with John Bright in it, just what I have been telling them for half a year, that any further appeal to England will be utterly fruitless and vain.

I should be wanting in common justice if I did not acknowledge the infinite obligations which the country and myself are under to Mr. McLelan for the share he was kind enough to take in this negotiation. The results are now before you. In addition to the \$60,000 added to the Quebec scheme by the labours of the Delegates sent to England in 1866, we have now obtained for ten years a sum amounting, in round numbers, to \$160,000 per annum, making, since I put my hand to this work, \$220,000, or £55,000 a year recovered for Nova Scotia.

Before the ten years expire, should it appear that, from any cause, injustice is being done in money matters, the Canadians have now shown that they can be relied upon to reconsider the whole case, and to do substantial justice.

You will perceive by the Correspondence, that in August last the Premier offered me a seat in the Cabinet. That offer was renewed, and pressed upon me again in October. But I felt that it would be time enough to think of honors and emoluments for myself when I had tested the sincerity of his professions to do justice to my country, within the scope and boundary of his acknowledged powers of action. He did do justice. All that Mr. McLelan and I could fairly ask, on the basis we had laid down of perfect justice to the other Provinces, after an exhaustive sifting of the whole subject, was yielded, and then Sir John A. Macdonald, with some show of reason, pressed me again to take office. He said, we have now done justice so far as we could in monetary matters, and are prepared to deal fairly with Nova Scotia in all other Branches of the Public Service, as rapidly as we get the power; but I want your advice and assistance in order that this may be effectually done; and, what is more, I want some guarantee to give to Parliament that, when they have voted this money, the arrangement will not be repudiated by Nova Scotia. I felt the fairness of this argument. Our American Trade was of deep importance to our

people: Should I hesitate to aid the government in its recovery? The Intercolonial Railway was to be constructed. Nova Scotians, who might tender, should be protected. In all the Departments there was influence and patronage to be exercised and dispensed, and was I not bound to see that Nova Scotia was fairly treated?

While much influenced by these considerations, I knew that a good many persons still clung to the belief that Gladstone's Government would repeal the Act, and my determination was to return home—consult my friends—and wait till the Local Government got their answer. Unexpectedly, but very opportunely, the Despatch came while I was at Ottawa. I print it with this Letter. It is short and decisive, and gives the answer to all the nonsense written in the autumn.

I could no longer hesitate. The plain path of duty lay before me. All rational repealers had professed that the battle was to last only till the answer came from Gladstone's Cabinet. The answer was here. The battle was over. Had I come home, I must have gone back to Ottawa to be sworn in, and then returned to Nova Scotia to run my election. The Governor-General was to leave on Monday, and on Saturday afternoon I was sworn in as President of the Privy Council, to avoid a double journey, to and fro, of sixteen hundred miles.

This office, men of Hants, though the technical formalities make it mine, is in your gift, and to be of any value to me I must receive it at your hands. I could have accepted it with a seat in the Senate, and enjoyed it without your sanction. But you trusted me, and I am not afraid to trust you. On a calm review of all the circumstances, I believe that you will ratify by your suffrages my conduct and policy.

I cannot condescend to defend myself from the mean charges and insinuations with which those who have been for more than a year fattening on the public treasure, have already defiled the Press; but I shall be prepared to meet any of those persons before the Electors of Hants, to defend my own conduct, and perhaps to do what I have not hitherto done, make some inquisition into the correctness of their own.

Apart altogether from the mere personal question, you have got now to decide whether Nova Scotia shall raise £40,000 a year by direct taxation, or whether, by this negociation, ratified by the Canadian Parliament, our Roads and Bridges, and other public services, shall be amply provided for without any such necessity. You have also to decide whether there shall be a just and fair administration of public affairs, by your own Representative, who has seen some service, and gathered some experience, or whether Nova Scotia is to have no influence in conducting the Government of the

Dominion, to the authority of which, by law, her people are bound to submit.

I hope to get into the County soon, and will then be prepared to answer any questions you may ask, or to give any further information that this paper does not supply. In the meantime,

Believe me,

Yours truly,

JOSEPH HOWE. ✓

(PRIVATE.)

OTTAWA, October 6th, 1868.

MY DEAR MR. HOWE,—Now that the Legislature of Nova Scotia has been prorogued, and the exciting discussions on Constitutional questions for a time ended, I think the time has come when I can again ask your aid and influence in endeavouring to allay the feeling that unhappily exists in Nova Scotia, and to give the Union Act a fair trial.

For that purpose, I desire to repeat, shortly, the material portions of the Statement that the Committee of the Convention, of which you were Chairman, were kind enough to allow Sir George Cartier and myself to make.

In the first place I will say, on behalf of the late Province of Canada, that in the question of Union we acted in good faith. The Delegations from the several Provinces were appointed by their respective Governments, and we had reason to believe that the Governments of Nova Scotia and New Brunswick as fully represented their people as the Canadian Government did.

I regret extremely the present unfortunate state of affairs, and my colleagues and myself are prepared to do all that we can to put an end to it.

By the Despatch of the Duke of Buckingham to Lord Monck, of the 4th June last, in answer to the Address of your House of Assembly, the Governor General and his advisers are precluded from even entering upon the consideration of the question of the repeal of the Act of Union.

His Grace declares that the measure is not only conducive to the strength and welfare of the Provinces concerned, but *important to the interests of the whole Empire*, and states that the Queen's Government feel that they would not be warranted in advising the reversal of this great measure of State.

He, however, draws the attention of Lord Monck and his Government to the points raised in the Address relative to taxation, the regulation of Trade and the Fisheries; and he expresses a confidence (which I am sure is well founded) that it will be the care and wish of that Government, and of the Parliament of the Dominion, to relax or modify any arrangements on those subjects which may prejudice the peculiar interests of Nova Scotia and the Maritime portion of the Dominion.

On this point I can only repeat what I stated before the Committee, that the Canadian Government is not only ready but anxious to enter upon a frank and full discussion of those points, and are prepared, in case the pressure of taxation should be shewn to be unequal, or unjust to Nova

Scotia, to relieve that pressure by every means in their power. They are also ready to discuss any Financial or Commercial questions that may be raised by the Nova Scotian Government or yourself, and the representatives of Nova Scotia in the Parliament of the Dominion.

You may remember that I suggested to the Committee that Mr. Annand, the Finance Minister of the Province, or any other gentleman or gentlemen selected for the purpose, should visit Ottawa and sit down with the Finance Minister here, for the purpose of ascertaining whether any inequality or injustice exists, the extent of such inequality and the best remedy. And I now reiterate the assurance I then gave, that the Government here will consider the question not in a rigid, but in the most liberal spirit, with a desire to do even more than justice for the sake of securing the co-operation of the people in Nova Scotia in working the new Constitution. We will enter upon this enquiry whenever it suits your convenience, and the Canadian Government engage to press upon Parliament, with all the influence they possess, the legislation required to carry out any financial readjustment that may be agreed upon.

I am aware that even if the Union Act were accepted, objections are taken by leading politicians in Nova Scotia to some of its constitutional (and non financial) provisions.

Now the Constitution is a new one, and to a considerable degree experimental, but it seems to me that it should have a fair trial, before we pronounce it so defective as to call for immediate alteration—still, that is altogether a matter of opinion.

The proper, indeed the only place for discussing any such changes is in the Parliament of the Dominion, and the able men who represent Nova Scotia will have full opportunity of pressing their views in their places there.

It is so obviously the interest of the Government and Parliament of the Dominion that the Union should work satisfactorily, that the Nova Scotian representatives may rest well assured of every suggestion of theirs being fully considered. Meanwhile, I would desire to impress upon you the great injury that is caused to the material interests of Nova Scotia by its not being fully represented in the Government of the Dominion, and by the position of isolation assumed by yourself and your co-representatives in the Parliament here. Questions of the greatest importance in the administration of affairs are continually arising, in which Nova Scotia should have a potential voice—and I may instance the rights of our Fishermen, the subject of Reciprocity and other matters of almost equal importance.

The Canadian Government, I see by the anti-Union papers, are charged with an unwise administration of public affairs, so far as Nova Scotia is concerned. All that I can say is, that we act according to the best information that we can obtain, and that if mistakes are made the fault is not ours.

I have already invited you to give us your aid and advice as a Minister, and regret extremely that you do not see your way to taking that position.

I trust that you may be able to do so—the sooner the better. Meanwhile, why do you, and those who act with you, not pursue a course

similar to that of O'CConnell? He was sincerely desirous of affecting the repeal of the union between England and Ireland, and, as you know, spared no effort for that purpose. But he did not stand aloof in Parliament. On the contrary, while still preserving his opinions as to repeal, he gave a general support to the administration of the day, and thereby secured for himself a potential voice in the administration of Irish affairs. At present matters stand thus:—The Canadian Government must either act without advice from Nova Scotia (which is of course inadvisable) or consult with those who, it is stated, have not the confidence of the majority of the people, which continues the irritation now existing.

Let me urge upon you to put an end to this unfortunate state of things. In the hope that this might soon be the case, the Canadian Government has, as much as possible without injury to the public service, postponed filling up the more important offices connected with Nova Scotia, and will continue to do so, although these delays are made causes of attack upon us for neglect of our duties.

I write with the approbation and concurrence of my colleagues, and this letter, although marked "private," and not to be used as an official document, can be shown by you to any friends that you think proper.

Believe me, &c. &c.

(Signed)

JOHN A. MACDONALD.

THE HON. JOSEPH HOWE,
HALIFAX, NOVA SCOTIA.

HALIFAX, 21st October, 1868.

MY DEAR SIR JOHN,—Your Letter of the 6th inst. reached me a few days ago. I at once informed Mr. Annand of its arrival, but did not ask him to read it, or to compromise himself or his colleagues by taking part in the Correspondence. The Members of the Local Government and Legislature have already, as you are aware, re-asserted their determination to obtain the Repeal of the British North American Act, and have sent forward their Resolutions and Minute of Council. They are hopeful that the new Parliament will do to Nova Scotia more substantial justice than the old, and, when the Elections are over, may despatch another Petition and Delegation to England. Heartily desiring, as I do, the repeal of the Act, I must confess that I am less sanguine. I used to believe that in a case involving vested interests, Constitutional rights, and great sums of money, British Statesmen and Legislators would do justice, though the Heavens should fall. With deep sorrow, and a sense of humiliation not easily described, I now am compelled to acknowledge that I have cherished a delusion.

Whether it be that the British Ministers yield to the representations of the Governor General, and to the paramount influence of Canada, or sincerely believe that the interests of the Empire are, in some mysterious way, which I cannot discover, bound up with this Confederation; or whether, as I shrewdly suspect, the men who represent the Railway and Financial interests to be affected by this measure, dominate and control

both Houses, I apprehend that unless some marvellous change is wrought by the new constituencies, we shall have as little chance of obtaining justice from the new Parliament as we had from the last.

My friends here are more hopeful, and I shall be delighted, should they make a fresh appeal, to find that I have been mistaken.

A new House of Commons may take a more enlightened view of the subject, but Mr. Gladstone, who will be the leader, if the Liberals win, has twice spoken and voted against us. As matters stand, then, we have not a very cheerful outlook, nor are the remedies, which are now freely talked of all over this once loyal Province, pleasant to contemplate. I have for months set my face steadily against revolutionary movements, annexation intrigues, or open resistance to the law, but I will not disguise from you that it may be very difficult to stem the tide of public opinion that the rejection of enquiry by a new Parliament may set in motion, unless, in the meantime, some large and substantial measure of reparation and justice is offered by the Government of the Dominion.

Holding these opinions and foreseeing the dangers to be encountered, I am content to take the risk of this correspondence, of which I am quite aware that persons more sanguine of success will entirely disapprove.

I have shewn your letter to a few judicious friends here, and shall show it to others, including, of course, the Members of the House of Commons as they come up to town; and I intend to make no secret of the fact that such a correspondence is going on. I am asked every day if I have taken office, or "accepted the situation" as the phrase goes. My answer is that I have accepted nothing, but recognizing the obligation imposed by the Imperial upon the Canadian Government, I mean to discuss the whole subject with them in a frank and earnest manner. Some of my friends here are apprehensive that the fact of such a correspondence going on, will weaken their chance of getting Repeal from the new House of Commons. If I thought so I would break it off to-morrow, but, as it must close long before the time arrives for making that appeal, I am content to continue it, in the belief that no harm and some good will arise out of a free interchange of our opinions.

Whether we remain united, or ultimately separate, it is of the utmost consequence that the feelings of exasperation which recent events provoked among the people of British America should be allayed. The arrogant, petulant and hasty manner in which this measure was, from the first, forced upon our people aroused their passions. The visit of the Canadian Ministers here was the first movement in the right direction, and in your letter of the 6th inst. I recognize a spirit of fairness which I am prompt to acknowledge.

From the first we were much alarmed by the financial aspects of the scheme, your assurance that these shall be revised and substantial justice done is very satisfactory. Mr. Annand cannot go to Ottawa, somebody else may, but as the distance is great, we may be able to arrive at common conclusions by a simpler method. Mr. McLelan has already sent to Mr. Rose the substance of a speech which he delivered in the House of Commons last session. Enclosed you will find copies of a speech made by Mr. Annand.

Glancing over those papers you will perceive that, if not Confede-

Sir

rated, Nova Scotia could have met all her obligations, and, under her old Tariff, have had a small surplus in the Treasury. That by imposing one per cent. upon imports, could have raised money enough to keep up our roads and bridges, now left almost without any provision though our tariff has been raised to fifteen per cent. and sundry direct taxes have been imposed. It appears to me that the claim for \$3,000,000, on account of our public works, is a fair one, to say nothing of another based upon the disproportion of our annual consumption per head and that of your people. I do not wish to trouble you with many figures, or to involve you in financial discussions which can be more easily conducted by others, but I may observe that we ought not to be charged interest on \$622,458 of Province Notes, circulated and sustained for years on the public credit. Will you be good enough to ask Mr. Rose or Mr. Langton to examine Mr. Annand's speech and Mr. McLelan's figures, and inform me if the calculations are accurate or to what extent they agree with them. If there is a per contra side to the account let it be sent down.

As this letter is already so long, I may perhaps trouble your with another on the constitutional aspect of the question. I quite recognize the narrow limits to which you are confined by the Duke of Buckingham's despatch, but we both know that the colonial office would sanction, and Parliament approve of, any changes which experience might suggest, and I would rather discuss these with you in a friendly way now, because I fear that, without the approval of the Government, I would have but a small chance to win favor for them in the House of Commons.

I note what you say in reference to my taking office, and to the example of O'Connell. My position is certainly not a very profitable or a very enviable one, but I prefer to hold it just now. I have been driven into it by a sense of duty and by the force of circumstances which I could not control.

The responsibilities resting on me are not light, and I can only relieve myself of them by maintaining for the present a position of personal independence.

As regards the present Government of the Dominion, I did not last winter factitiously oppose them. Should I go to Ottawa again, (reserving the question of Repeal, if there is a chance in our favor), my action would be governed by yours. If you do justice I will give you credit for it. The choice of the route for the Intercolonial Railway meets my entire approval, and if you can place our commercial relations with the United States on a satisfactory footing, either by treaty or reciprocal legislation, and arrange the financial aspects of the question equitably, I think I may safely say that the gentlemen who may go from Nova Scotia to Ottawa would be justified in giving a fair support to your Government.

Believe me,

My dear Sir John,

Yours very truly,

SIR JOHN A. MACDONALD.
&c. &c. &c.

JOSEPH HOWE.

In November, the Hon. John Rose, Finance Minister of Canada, laid before the Governor General, a series of Reports and Papers, bearing upon the question of Nova Scotia Finance. These papers are too voluminous and detailed (covering forty folio pages) to be re-printed here. They will be furnished to the Public Departments, when copies come on from Canada. I subjoin the table of contents, that you may see what care and labor have been bestowed on this enquiry.

	PAGE
I.—Report of Minister of Finance to His Excellency the Governor General.....	i to viii
II.—Report of Auditor General to the Minister of Finance.....	3 to 17
III.—Appendix 1, Containing:	20 to 36
A. Statement, Debt of Nova Scotia and annual interest thereon.....	20
B. Details of debt.....	21, 22
C. Deficit and Surplus in Revenue.....	23
D. Gross annual receipts and expenditure since 1864..	24, 25
E. Receipts and expenditure on Services now under Dominion, since 1864.....	26, 27
F. Receipts and expenditure under Local Government.	28, 29
G. Analysis of Dominion and Local expenditure as given in statements D, E, and F.....	30, 31
H. & I. Statement of gross Imports and duties per head since 1864.....	32, 33
J. Table in detail of articles imported, distinguishing free from duty paying goods, during same period.	34, 35
K. Difference, between debt of Nova Scotia as assumed by Dominion, and as claimed by Nova Scotia....	36
L. Deficit of Nova Scotia during first year of Union..	36
IV.—Appendix II. Reply of Statements of Mr. Annand, Provincial Treasurer.....	39, 40
V.—Appendix III. Statements of Revenue per head of population in various Provinces from all sources.....	42 to 44
VI.—Appendix IV. Statement of estimated expenditure of various Provinces, distinguishing amounts voted by the Legislatures for principal services, from sums raised by Local Taxation.....	45

HALIFAX, December 4, 1868.

SIR,—

I have had the honour to receive the Printed Papers forwarded to me by the last mail, and I have read with deep interest the elaborate reports prepared by yourself and Mr. Langton. They appear to me to be conceived and expressed in a candid and judicial spirit.

You are aware of the line taken here by the members of the Local Government. As they are trammelled by their action prior to the receipt by me of Sir John A. Macdonald's letter of the 6th Oct. and by their subse-

sec
wo
the
nion
can
gov
Sco
ter,
ral
have
end
afrai
are n
I
ject
be u
ment
any t
Lond
peopl

The I

SIR,—
Th
Repor
other
embra
genera
justme
the Do

In
shown
When
1864,
perty w
Canada
of exp
left wit
whole a
the abso
Annapo

sequent condemnation of the correspondence in which we are engaged, it would be hopeless to expect from any member of the Government any aid in the rather difficult task of adjusting our financial difficulties with the Dominion on an equitable and satisfactory basis. It is therefore fortunate that I can call to my assistance a gentleman, who is not unknown at the seat of government, and in whose integrity and financial skill the people of Nova Scotia have entire confidence. A. W. McLelan, Esq. M. P. for Colchester, has given much time to the investigation of all the branches of the general subject covered by your reports. I have sent them to him. When they have been digested, we will meet you either at Portland or elsewhere, and endeavour in a free and full discussion to arrive at sound conclusions. I am afraid that neither of us can leave home till after New Year, but when we are ready the time and place of meeting can be arranged by telegraph.

In the mean time permit me to say that, having discussed the whole subject with Mr. McLelan, we both concur in the opinion that nothing that would be unfair to the other Provinces should be asked of the Dominion Government. We seek only justice to our Province, and are quite satisfied that any fair and equitable reconsideration of the financial arrangements made in London will prove that the exceptions taken to those arrangements by the people of Nova Scotia can be sustained.

I have the honour to be, Sir,

Your obedient servant,

JOSEPH HOWE.

The Hon. JOHN ROSE,

Minister of Finance.

OTTAWA, *January 20th, 1869.*

SIR,—

The undersigned, having given careful and anxious consideration to the Reports submitted to them, and having discussed with yourself and with other members of the Cabinet the important questions which those Reports embrace, deem it their duty to state, with as much precision as possible, the general principles which they conceive ought to govern any satisfactory readjustment of the financial relations between the Province of Nova Scotia and the Dominion of Canada.

1.—DEBTS AND ASSETS.

In the adjustment of debts regard should be had to the population, as shown by census, and to the amount of property thrown into common stock. When \$8,000,000 were assigned as the recognized debt of Nova Scotia in 1864, the actual expenditure did not exceed \$5,000,000, representing property which might have been considered a fair offset to the Assets held by Canada; and had the Provincial Government funded the difference, instead of expending it, they might have applied the interest to local services, now left without any adequate provision. But they expended more than the whole amount in the construction of the Railway to Pictou, which becomes the absolute property of the Dominion, and in promoting the Windsor and Annapolis, which is properly an extension of and will be an important feeder

Canada,
Papers,
papers
to be
rtments,
contents,
on this

PAGE

i to viii
3 to 17
20 to 36

20

21, 22

23

24, 25

26, 27

28, 29

30, 31

32, 33

34, 35

36

36

39, 40

42 to 44

45

r 4, 1868.

led to me by
reports pre-
be conceived

of the Local
the receipt by
y their subse-

to all the lines that the Dominion has assumed. These works cost more than \$3,000,000, exclusive of the right of way. They are of local advantage; but, as the other Provinces, since the Conference, have made no large expenditures on works which become Dominion property, it would be unfair to charge the whole cost of ours to the Province, and it would be but just that \$2,000,000, or two-thirds of the whole expenditure, should be carried to our credit by the Dominion. A result equivalent to this, would be obtained by another process, equally legitimate. The Auditor General estimates at \$46,667,501, all the properties which Canada threw into common stock, as an offset to our railways, which, including the recent expenditures, cost \$7,395,000, besides the right of way paid for by the counties. If, with this amount of property, the Canadas were taken into the partnership with \$62,500,000 of debt, Nova Scotia would be entitled to enter with a debt of \$9,930,874.

2.—PUBLIC BUILDINGS.

In addition to the sum expended upon railroads, after the adjustment of existing debts and assets, nearly a quarter of million of dollars was expended by the Provincial Government upon a new Public Building in the city of Halifax, intended to accommodate Departments, the control of which, by the North American Act, is now divided between the Local and General Governments. If it be assumed that, under the Act, that portion of the property created by being contracted for just prior to the Conference, although the expenditure was subsequently made prior to the adjustment of the debts and assets, reverted to the Dominion, then we would urge that Nova Scotia is entitled to claim whatever sum was paid subsequent to that adjustment.

If, however, the full amount be not allowed, on the ground that a contract, signed just before the Conference, constituted a Provincial liability, we would remind you that that contract was cancelled, by failure on the part of the contractors, and that the building was completed last year under later arrangements.

3.—PROVINCE NOTES.

Nova Scotia, for nearly half a century, has, from time to time, issued Province Notes, which formed a cheap circulation, costing no interest, as they were received in payment of duties at all the Revenue offices, and redeemed out of such specie as flowed into the Treasury, or in Bank paper equivalent to gold. At the time of the Union this circulation amounted to \$622,000, on which sum the Dominion would have to pay no interest, and we would therefore urge that on it none should be charged. It is fair also to assume that, in the lapse of half a century, a considerable proportion of this paper has been burnt at fires, lost at sea, or been otherwise destroyed, and it is but just that the Dominion, on assuming the circulation, should make to Nova Scotia a fair allowance for that proportion which it will never be called upon to redeem.

4.—SAVINGS' BANK.

The Dominion, under the law, assumes the deposits in our Provincial Savings Bank, which bear but 4 per cent. of interest, and will henceforward enjoy whatever benefit may be derived from obtaining money through this

source,
the Pro
sufficient
instituti
prior to

In th
the time
vinces h
our own
tigated
Finance

As th
rency, a
adjustme
Nova Sc

The c
tion, rat
determin
the incre
ever, tha
of money
the comm
filled her
Confeder
tion of h
tariff so l
liabilities
From
1868, a p
from sour
under a to
now unde
sidies, lea
should ha
tion, the
when hea
when the

NOTE.—
to the pass
Contractors
they been f
they would

more than
advantage;
large expen-
be unfair to
ut just that
arried to our
obtained by
ates at \$46,-
stock, as an
ost \$7,395.-
this amount
\$62,500,000
\$9,930,874.

source, at that low rate of interest. But it is obvious that it should allow to the Province, either in the form of a suspense account or in a round sum, sufficient to cover the amount which the experience of our own or of other institutions renders it fair to assume will never be called for by depositors prior to the transfer.

5.—STORES.

In the Board of Works and Railway Departments there was deposited, at the time of the Union, a considerable amount of stores. If the other Provinces have property of this description, which, to some extent, would offset our own, we assume that, under the Act, their claims and ours will be investigated and adjusted, as matter of account between your Department and the Finance Ministers of the Provinces.

adjustment of
was expended
in the city of
which, by the
neral Govern-
the property
although the
the debts and
ova Scotia is
stment.

6.—DIFFERENCE IN CURRENCY.

As the debts of Canada and New Brunswick are calculated in one currency, and ours in another, we claim that they should, in any fair general adjustment, be brought to the same basis, as the revenue is now collected in Nova Scotia in Canadian currency.

nd that a con-
al liability, we
n the part of
r under later

7.—INCREASED TAXATION.

o time, issued
terest, as they
and redeemed
per equivalent
to \$622,000,
nd we would
also to assume
of this paper
and it is but
ake to Nova
be called upon

The claims above enumerated are so evident and equitable that calculation, rather than argument, is required to sustain them. It is not so easy to determine the amount which Nova Scotia should receive in consideration of the increased taxation to which she has been subjected. It is apparent, however, that at no period of her history has she been embarrassed for the want of money. That, if her revenues fell off, as they did, for a single year, at the commencement of the American civil war, light additional taxation soon filled her treasury; and that, though in the two or three years just preceding Confederation, her resources had been strained by a somewhat too rapid extension of her railways, her credit was so good, at home and abroad, and her tariff so low, that she could, by a slight increase of taxation, have met her liabilities and provided for all services, general and local.*

From 1864, when the Quebec Scheme was arranged, to the 30th June, 1868, a period of three years and three quarters, the receipts in Nova Scotia, from sources of Revenue now transferred to the Dominion, were sufficient, under a ten per cent. tariff on enumerated articles, to meet the cost of services now under the charge of the General Government, and to have paid the subsidies, leaving a surplus of \$328,565. If then, as has been asserted, we should have required to increase our import duties, irrespective of Confederation, the money would mainly have been required for local services; and, when heavy additions have been made to our specific and ad valorem duties, when the rate of discount at the banks has been increased, and stamp and

Provincial Sav
henceforward
y through this

NOTE.—It has been said that some of her Bonds were unsaleable in England prior to the passage of the Act of Union. This is a mistake. Those Bonds, paid to Railway Contractors, reached the London market in an unusual and irregular manner. Had they been forwarded through the proper channel to the London agents of the Province, they would have been promptly sold.

newspaper taxes have been imposed, it is obviously unfair to leave the local services without adequate provision. That the British America Act does this is easily determined by reference to the Nova Scotia Estimate for 1868 and 1869.

The direct returns to the Dominion Treasury, from this increase of taxation, can only be correctly ascertained in future years; but the increase must be large, and the advantages secured to your manufacturers ought not to be overlooked. The average import of dutiable goods into Nova Scotia for the four years preceding Confederation, amounted to \$23.50 per head of her population. Canada imported but \$12.25. This difference, annually amounting, on our population, to \$3,722,141, is a large sum on which to collect duties, over and above the ordinary consumption of Canada, and warrants us in claiming, irrespective of the monies due to Nova Scotia, as stated under the preceding heads, a liberal provision for her local services.

Should your Manufacturers annually supply our people with goods to the extent of this \$3,722,141, even although those goods come in free of duty, it is obvious that, if they cannot be furnished as low by the Manufacturers of Great Britain and the United States, the Nova Scotians must pay higher prices on this consumption.

We have endeavored to state the claims of Nova Scotia thus freely and succinctly. The facts on which they rest, apart altogether from political considerations, challenge enquiry, and will, we have no doubt, induce the Government to honorably redeem the pledge conveyed in the letter addressed by Sir John A. MacDonald to Mr. Howe, on the 6th of October last.

We have the honor to be, Sir,

Your very obedient servants,

The Hon. JOHN ROSE,
Minister of Finance.

JOSEPH HOWE,
A. W. McLELAN.

[COPY.]

OTTAWA, 26th January, 1869.

GENTLEMEN,

Since I had the honor to receive your communication of the 20th instant, the subject of it has, as you are aware, continued to engage the serious attention of the Government.

They have not failed to give the fullest consideration both to the propositions contained in your letter, and to the further explanations which, during our discussions in the intermediate period, have been from time to time offered by you.

I have now the honor to apprise you of the conclusions at which the Government have arrived, and which are such as they believe will commend themselves to the approval of Parliament.

I can but add, on my own part, the expression of my sincere hope that they may be satisfactory to the people whose interests you have so untiringly advocated.

I have, &c.,

JOHN ROSE,
M. F.

The Hon. J. HOWE, M. P.,
A. McLELAN, Esq., M. P.,

Russell House, Ottawa.

*COPY of a Report of a Committee of the Honorable the Privy Council,
approved by His Excellency the Governor General in Council on the
25th January, 1869.*

The Committee have given their attentive consideration to the annexed Report of the Honorable the Minister of Finance, having reference to and submitting certain correspondence that has taken place between him and Messrs. Howe and McLelan, together with certain reports, on the subject of the readjustment of the financial conditions attending the admission of Nova Scotia into the Union; and concurring in the suggestions of the Minister of Finance, they respectfully advise that a measure be submitted to Parliament at its next session providing—

1st. That the debt of Nova Scotia, on entering the Union, be placed at \$9,186,756, and that that Province be relieved from any charge of interest, unless her debt exceed that sum; and—

2nd. That for ten years, from the 1st July, 1867, an annual subsidy of \$82,693 be paid to that Province.

The Committee further report their concurrence in the recommendation of the Finance Minister that Nova Scotia be debited, after the completion of the Province Building, with interest on the cost of that building, until it shall have been placed at the disposal of the Dominion.

(Certified)

WM. H. LEE, C. P. C.

FINANCE DEPARTMENT.

OTTAWA, January 28, 1869.

The undersigned has the honor to bring under the consideration of His Excellency the Governor General in Council, the Confidential Report made in the month of November last, on the affairs of Nova Scotia, and to state the result of the communications which, with the assent of the Council, have since taken place.

In that Report the undersigned stated his opinion as the result of his enquiry into the affairs of Nova Scotia as follows:

1. That the principle on which the debts were arranged by the Union Act operates with some unfairness to Nova Scotia.

2. That in the division of the property, local assets and revenues, or because the assets possessed by her were not of a character to be available, Nova Scotia is less favorably situated than the other Provinces in respect to Local Revenues.

3. That the increase of Revenues presses more directly on Nova Scotia than the other Provinces, but this apparent increase and the consequent pressure, it is believed, will be mitigated every year, as goods which she formerly imported from abroad, and which were chargeable with duty, are produced in other portions of the Dominion, and will now be available to her for consumption free of duty.

4. That she must have raised about \$400,000 annually by way of additional taxation if she had remained out of the Union.

5. That the amount raised by the Dominion from Revenue from Customs and otherwise is about adequate, if the results of last year continue in future the same, to meet all the current expenditure the Dominion is called on to

make on her account, but less by \$100,568, if Nova Scotia is to be charged a *per Capita* contribution to the cost of the Civil Government and Legislation of the Dominion.

6. That the Local Sources of Revenue at present possessed by Nova Scotia are inadequate to carry on the Services devolving on the Province.

The Report in question having been communicated to the Hon. Joseph Howe, various meetings subsequently took place with that gentleman and Mr. McLellan, at which the difficulties were fully discussed in a frank and temperate spirit. These gentlemen, from the outset, disclaimed any desire to seek Financial concessions which were not warranted on grounds of strict justice ; or any modification of the original terms of Union which would place Nova Scotia otherwise than on a footing of equality with the rest of the Dominion, or beyond what would enable that Province to meet the expenditure indispensably necessary to carry on its Local affairs, without having recourse to a system of direct taxation new to its inhabitants, and to which none of the other Provinces of the Dominion required to subject its people.

The numerous objections which have, from time to time, been urged in the interest of Nova Scotia, were fully reviewed, and the result has been a limitation of the points of controversy to those stated in the accompanying letter from Messrs. Howe and McLellan, which are still strongly pressed, and which may be succinctly stated to be :

1. That a just apportionment of the debts of the several Provinces, based on the amount of assets which each contributed, would entitle Nova Scotia to enter the Union with a debt of \$9,980,874.

2. That an allowance should be made for the new Province Building erected since the date of the Quebec Conference, at a cost stated to be nearly \$250,000.

3. That an allowance should be made for the Provincial Note circulation of Nova Scotia, amounting to \$622,458, both on the ground that it bears no interest, and that a portion of the circulation may fairly be considered to have been lost, and that it will not be presented for redemption.

4. That a deduction should also be made from the Savings' Bank deposits, amounting to about \$657,610.04, of such an amount as it may fairly be supposed will never be called for by depositors.

5. That an allowance should be made to Nova Scotia for stores on hand at the time of the Union.

6. That the debt of Nova Scotia, being in a different currency, should be brought to the same basis as that of the other Provinces.

7. That Nova Scotia, being subjected to increased taxation under the Union, to an extent which it is contended would have sufficed to meet the interest on her increased debt, and also made adequate provision for her local expenditure had no Union taken place, is entitled to ask that these services shall be provided for by a grant from the Dominion.

After giving the fullest and most anxious consideration to the various points which were raised, and to the additional information furnished, the undersigned sees no reason to depart from the general conclusions enumerated in his former Report. But he has been enabled to estimate the practical extent of the inequalities to which he adverted, and to form an opinion as to the modifications which would be required to meet the exceptional circumstances in which Nova Scotia stands, and to place her under the Union in a position of financial equality with the other Provinces.

It may be convenient, in the first instance, however, to consider *serialim* the seven heads of claim preferred by Mr. Howe and Mr. McLellan.

1. That the assets contributed by Nova Scotia would entitle her to enter the Union with a debt of \$9,980,874.

It is undoubtedly true that at the time of the Quebec Conference, in Oct., 1864, the debt of Nova Scotia was only about \$5,000,000.

Between that time and the date of the Union, in 1867, the Province had expended in money, or contracted engagements, which the Dominion had to meet [but with which Nova Scotia is charged], that have swelled her debt [subject to certain adjustments,] to \$9,300,000.

That outlay was mainly on works which became the direct property of the Dominion, and among which may be enumerated the following:

A. Outlay on Truro and Pictou Railway.

B. Province Building.

C. St. Peter's Canal.

D. On Halifax and Truro Railway—four works on which an outlay, amounting in the aggregate to about \$2,600,000, took place in the interval; and, besides these, about \$1,100,000 has been expended, or is in course of payment, for the Windsor and Annapolis Railway, which will not become the property of the Dominion, but, it is urged, will form an important feeder to the Dominion lines.

It is also urged that of the rest of her debt, amounting to about \$5,500,000, the principal part had been previously incurred on the railways from Halifax to Windsor and to Truro, which are also assigned by the Act of Union to the Dominion as its property, and that this sum is exclusive of the right of way, which, by the legislation of Nova Scotia, was furnished at the expense of the localities; whereas the land for the other parts of the Intercolonial Railway is being provided at the public charge.

It was therefore strongly pressed, as is now repeated in the accompanying letter, that a comparison should be instituted of the value of the entire property which each Province brought into the Union, and that it should have a corresponding claim on the Dominion Exchequer. Whatever justice there may be in principle in this proposal, such a comparison obviously involves many particulars, which would make it difficult, and even impossible, to arrive practically at an equitable solution.

The advantage of particular works to the localities as compared with their advantage to the Dominion could hardly be estimated. The geographical situation might enable one Province to contribute, at a smaller cost, an asset more directly productive in itself, but which might still be dependent for that productiveness on another more costly, and less directly remunerative, constructed by another Province.

The question whether one Province had not procured these works on better terms by the adoption of a different system than the others would arise. The prospective productiveness, and whether that productiveness might not depend on the development of the natural resources of the several Provinces at their own cost, and various other elements, all equally conjectural, would likewise have to be considered. The undersigned therefore submits that it could not result in any practical good, but on the contrary would lead to embarrassing comparisons with the other Provinces, to endeavor to adjust the claims of Nova Scotia on any such principle.

The undoubted facts to which reference has been made, give it, it will be conceded, a fair claim to consideration, but it is believed that the relief may be given in a way less calculated to raise complicated issues, and which, under circumstances believed to be parallel, has already been accepted by Parliament as an equitable arrangement in the case of one of the other Provinces.

2.—NEW PROVINCE BUILDING.

It would seem at variance with the provisions of the Union Act to make any special allowance on account of the Province Building at Halifax. It is true that this building, intended for services now under Dominion control, has been erected since the Quebec Conference, and has never been used by the Province of Nova Scotia, and that its cost goes to make up the total debt of Nova Scotia. But it is, nevertheless, Dominion property, as much as the Railways—portions of which have been constructed in the same interval—and it therefore stands on the same footing; except, perhaps, as to any outlay since July, 1867, which may form the subject of equitable adjustment.

3 AND 4.—PROVINCIAL NOTE CIRCULATION AND SAVINGS BANK DEPOSITS.

The points advanced touching the special character of these items, composing part of the debt of Nova Scotia, and as entitling her to be relieved from any charge of interest in respect of them, merit fair consideration.

It is stated that the Provincial Notes of Nova Scotia in circulation, amounting to \$622,458, bear no interest at all, and that the Dominion ought not, therefore, to debit Nova Scotia with a charge for interest which is not paid, and that besides some of the notes have been issued 40 years ago, and will never be presented for redemption.

Then as regards the Savings Bank deposits, amounting to \$657,610⁴⁰/₁₀₀, it was urged that they bear only 4 per cent. interest, and that a considerable per centage of the gross deposits would never be demanded; that, therefore, the Dominion ought not to charge more interest than if paid, and should absolutely reduce the capital of these two items of the Provincial debt.

The undersigned cannot wholly acquiesce in the view of the case as urged by Nova Scotia, but after a careful examination into the state of these accounts, he believes that a moderate per centage, not exceeding 10 per cent. of each, may, with propriety, be placed to a suspense account; that on this per centage no interest should be charged until the Dominion is called on for it by the holders or depositors.

The fact that the Provincial notes bear no interest, if it stood alone, might be a good ground for exempting Nova Scotia from a charge of interest on any sum beyond such per centage of the circulation as it was prudent to keep in bullion.

But a consideration of this question obviously involves a comparison of the rate of interest which the Dominion is called on to pay on the total liabilities of the several Provinces. Canada had a considerable circulation of Provincial Notes at the time of the Union which also bore no interest, and a large portion of her debts bore only five per cent. interest.

This comparison shows that the Dominion has to pay 5⁴⁰/₁₀₀ths of interest on the aggregate Nova Scotia debt, and but 5²³/₁₀₀ths per cent. on that of the former Province of Canada.

Under the circumstances there would be an obvious inequality were Nova Scotia to be relieved from interest on this item of the debt, while that interest was made a charge against the late Province of Canada.

5.—STORES IN HAND.

It would be practically impossible to make an inventory of the whole of the stores on hand in the several Provinces on the 30th of June, 1867, and besides the comparison, even if the figures were ascertained, would, as to any practical results, be attended with the same difficulties as applied to a comparison of the entire assets of the several Provinces; and apart from this, the undersigned believes that the comparison would show a balance against Nova Scotia.

Canada had a large amount of Military Stores on hand, and her Lighthouse and Steamship Stores are believed to have been as extensive, comparatively, as those of Nova Scotia. New Brunswick also had a considerable amount of Railway Stores on hand, which became the property of the Dominion.

6.—That the debt should be calculated in a uniform currency.

It is believed that the proposition to pay the subsidy, and regulate the interest on the basis claimed, is an equitable one.

Having thus adverted to the first six points enumerated in the accompanying letter; the discussion of the seventh involves a consideration of the whole case of Nova Scotia.

Sufficient time has not elapsed to permit any reliable estimate to be formed of the extent (if any), by which the burdens of Nova Scotia are increased by Dominion legislation.

The experience of the six months ending in December last, confirms the impression conveyed in the former Report, that the alleged increase in Customs is no criterion by which to estimate the actual increase of taxation.

It is believed that it really falls short of the nominal per centage, and that the pressure of any augmented burdens, whatever these may really be, will be further mitigated every year.

The undersigned is not insensible to the arguments which were verbally pressed, that the two smaller Provinces are in some respects placed at a disadvantage as compared with the larger ones, that the cost of their Local Governments must necessarily be more per head; that the resources of Nova Scotia are as yet comparatively undeveloped; that the coal trade, on which she depends for a considerable portion of her local revenue, is in a condition of unusual depression; and that the physical character of the country entails on her a larger expenditure to secure the necessary means of communication than the other Provinces have to meet.

It may be urged that this expenditure should be met by direct taxation. It appears, however, that though no sum is levied in money for this service, the people are compelled to contribute a considerable sum in the shape of work—a fact of which the undersigned was not aware at the date of his former Report.

It is impossible to disregard the fact that the system of direct money contribution for Roads and Bridges has never been pursued in Nova Scotia, but that these local works have been carried on hitherto mainly by direct grants

from the Public Exchequer, and that the too sudden introduction of a new system of taxation at this moment, or the stoppage of the accustomed grant, would alike aggravate the existing discontent.

It will thus be seen that while some of the points urged on behalf of Nova Scotia cannot be controverted in fact, and that therefore as a consequence she may justly claim some modification in the existing financial arrangements, there is much practical difficulty in determining the measure of these concessions, and the best means of their substantial accomplishment.

The exceptional position of New Brunswick was considered in the arrangements which preceded the Union, and has been acknowledged in that provision of the Act which accords to her for the limited period of 10 years a special grant of \$63,000 per annum, pending the increase of her population and the material development of her local resources.

The justice of this provision has not (so far as the undersigned is aware) been called in question; and he believes that the same state of facts which led to the grant to New Brunswick exists in the case of Nova Scotia.

In view of these considerations he undersigned is of opinion that the most equitable solution of the present difficulty would be to submit to the favorable consideration of Parliament the propriety of placing the Province of Nova Scotia, as far as practicable, on the same footing as New Brunswick, and to allow it to come into the Union with the same debt per head of the population, as established by the last census, on the terms stated in the British North American Act, and to pay for it, for a limited period of ten years, an additional annual grant at the same rate per head of the population as is given to New Brunswick.

Should this principle commend itself to your Excellency, the result would be as stated by the Auditor General in the annexed Return.

1. That Nova Scotia would be entitled to enter the Union with a debt of \$9,188,756, and to be relieved from any charge of interest, unless her debt exceed that sum.

2. That she would receive for ten years from the 1st July, 1867, a subsidy of \$82,698 annually.

As respects the cost of the Province Building, it appears but reasonable that as the Dominion has not yet obtained possession of it, Nova Scotia should be debited with interest on the amount until it is put at the disposal of the Dominion.

The undersigned would add in conclusion that he has carefully analysed the estimated local expenditure of Nova Scotia for the years 1868 and 1869, in conjunction with the gentlemen representing that Province, and he believes that if the arrangements proposed are carried out, Nova Scotia will have sufficient means at her disposal to meet those services which devolve upon her by the terms of the Union Act, provided they are placed on a moderate but efficient footing. If, on the contrary, the Province has to depend on the provision made by the existing terms of the Union Act, no inconsiderable deficiency must be met by the imposition of direct taxation.

JOHN ROSE,

Minister of Finance.

[Copy.]

SIR,—

We have
your report
Council the
A. Macdon-

The de-
den e, as
to us, and
sincere de-
tations a-
Perm
both you
cate re-
ceived

The

ult.
the
An
an
ed
w
8
C

[COPY.]

OTTAWA, January 29, 1869.

SIR,—

We have had the honor to receive your letter of this day's date, enclosing your report to His Excellency the Governor-General, and the Minute of Council thereupon. These papers close the negotiations opened by Sir John A. Macdonald's letter of the 6th of October.

The decision of the Government upon the points raised in our correspondence, as discussed at Portland and in Ottawa, is, on the whole, satisfactory to us, and will, we believe, be regarded in Nova Scotia as evidence of a very sincere desire on the part of the General Government to meet the just expectations and provide for the local services of the Province.

Permit us to express our sense of the very fair and judicial spirit in which both yourself and the Auditor General have conducted this intricate and delicate negotiation, and for the courtesy which in every stage of it we have received at your hands.

We have, &c.,

JOSEPH HOWE,
A. W. McLELAN.The Hon. JOHN ROSE,
Minister of Finance.

EARL GRANVILLE'S DESPATCH TO THE GOVERNOR-GENERAL.

DOWNING STREET, 13th January, 1869.

SIR,—I have the honour to acknowledge the receipt of your despatch of the 12th ult., transmitting copies of certain resolutions addressed by the House of Assembly to the Lieut.-Governor of Nova Scotia respecting the recent Confederation of the North American Provinces, and of a statement on the same subject addressed to the Lieutenant-Governor by the Executive Council. The statement of the Executive was forwarded to the Secretary of State in Lord Monck's despatches of the 8th September, which was acknowledged by the Duke of Buckingham and Chandos, in his despatch of the 8th December. The resolutions of the Assembly appear not to have been before His Grace when that despatch was written, but they do not call for any lengthened observations from me.

I greatly regret that a majority of the House of Assembly should entertain and express sentiments embodied in some of the resolutions, but I can hold out no expectation that Her Majesty's Government will propose, or that Parliament will entertain any measure for the repeal of the Act of 1867. That Act was passed at the desire of the three Provincial Legislatures; its operations have not hitherto been unsuccessful, and, on the faith of it, important transactions are already in progress.

Further, I have reason to believe that the Government of the Dominion is disposed liberally to fulfil the expectations expressed in my predecessor's despatch of the 10th of June last; that the Government and Parliament of Canada would modify any arrangement respecting taxation, or respecting the regulation of trade and fisheries, which might prejudice the interests of Nova Scotia and of the Maritime Provinces of the Dominion.

I most earnestly hope, therefore, that even those inhabitants of Nova Scotia who are not convinced of the expediency of Confederation, will see it to be their interest and their duty to abandon any agitation which is only calculated to perpetuate disunion, to arrest progress of settlement and commerce, and divert the efforts of the Government and Legislature from those objects of general utility to which they ought to be steadily directed.

I have the honour to be, sir, your most obedient and humble servant,

(Signed)

GRANVILLE.

To Governor-General Right Hon. SIR JOHN YOUNG.

