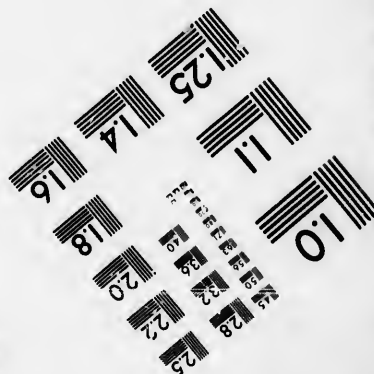
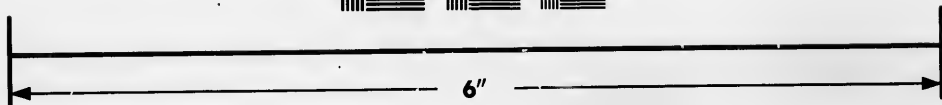
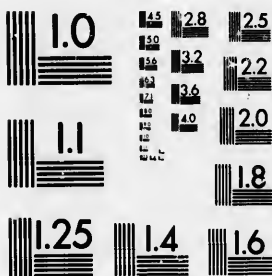


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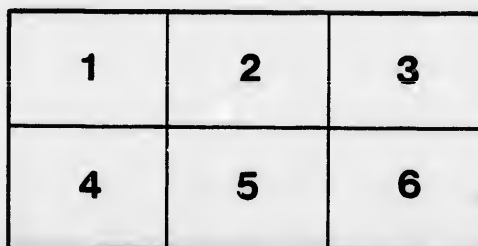
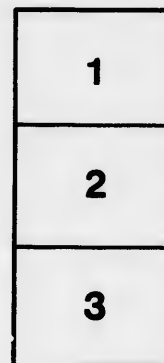
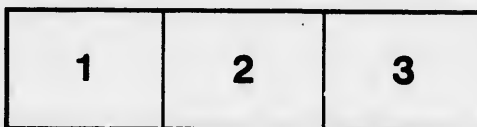
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PROVINCE OF QUEBEC. 

ITS FINANCIAL POSITION REVIEWED

AND A

COMPARISON OF RESULTS

OF THE

PRESENT AND PAST ADMINISTRATIONS.

SPEECH OF

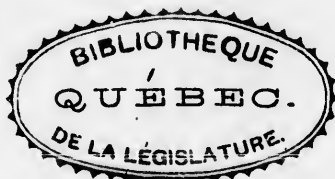
L. G. DESJARDINS, Esq., M. P. P., FOR MONTMORENCY,

IN REPLY TO THE SPEECH ON THE

BUDGET BY THE TREASURER.

Delivered in the House of Assembly, the 20th and 21st June, 1888.

QUEBEC.



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SPEECH OF
Mr. L. G. DESJARDINS, M. P. P., FOR MONTMORENCY,
ON THE
FINANCES OF THE PROVINCE,
Delivered at the sittings of June 20th and 21st, 1888.

Mr. Speaker,—The constitutional Opposition is one of the most important wheels in our parliamentary machinery, because it is in the interest of the public that the general policy and administrative acts of the ministers responsible to this house and to those who have elected us, should be submitted to the free discussion of the representatives of the people. The role of Her Majesty's loyal opposition is that of criticism, but to be useful and attain its object that criticism ought to be just in principle, should be based on indisputable facts and should recommend itself to the public approval by the sincerity of those who assumed the responsibility of it. I will consider it my duty to conform strictly to those essential conditions of all deliberation that is profitable to the country in the remarks that I have to make in reply to the able speech on the budget of the hon. treasurer, (Mr. Shehyn.)

We are all agreed that the proper management of our financial affairs is one of the questions that interest our province and, I will add, the country in general, in the highest degree. United on this point our divergencies of opinion commence and become more and more marked, as we study the situation of our finances, the policy which has produced it and more particularly the responsibility of the public men who have for several years directed or criticized the march of affairs. The recollection of our past discussions on the same subject is still present to the memory of all those who have given it any attention. It is not necessary to insist too much on that point, in order that my honorable colleagues may have a clear knowledge of the starting point of the debate in which I am now engaged in the name of my honorable friends

of the Opposition. Besides, the hon. treasurer (Mr. Shehyn) gave a resume of our former controversies in the opening words of his speech of Friday last. I have a perfect right to make use of his own remarks to show how, by carefully following the direction indicated by the principles and the facts, we can assuredly arrive at conclusions very different from those which he has drawn from them with such apparent satisfaction.

The Hon. Treasurer said:

"We promised to work with energy for the restoration of good order in the finances of the province; before submitting the budget it is our duty to show that we have kept that promise. Of course, in the brief period that has elapsed since our accession to power—a period of only fifteen months—it has not been possible for us to accomplish all that we undertook; but we have labored courageously in the work of rehabilitation, and the facts which I shall lay before you will, I hope, prove that we have accomplished the greater part of our task. In fact we have already placed the financial position of the province on a foundation which allows us to look to the future without fear, and if the policy that we are pursuing does not meet with too much opposition, we shall soon have accomplished the task at which we are aiming."

Let us further consider the remarks of the honorable Treasurer. He tells us that the present Government have labored courageously at the work of rehabilitation which they set themselves; that they had promised to work with energy in restoring good order in the finances and that they have kept their

word; that, in fact, they have already placed the financial position of the province on a foundation which permits them to look to the future without fear.

Need I say that I differ *in toto* from the hon. Treasurer on the first of the points that I have summed up? I dispute altogether the pretension that the present Government on acceding to power was under any obligation to undertake a work of financial rehabilitation. To picture the situation as desperate in order to justify the claim of having almost miraculously rescued those who were about to be its certain victims, is perhaps a piece of able tactics. But it does not show to advantage from the standpoint of strict veracity, or of justice towards opponents who are thus persistently held responsible before the public for a state of things which never existed save in the over-excited imagination of those who had a strong party interest in thus representing the facts.

In order to define the real financial situation bequeathed to the present Government the chamber will allow me to recall the following words which I pronounced last year on a similar occasion. On the 15th of April, 1887, I said:

"The Government of the Hon. Mr. Ross and the Conservative party bequeathed to the present ministry a most favorable financial situation which, in general terms, may be thus outlined:

We left them a surplus of \$257,646 in the nineteen months from July 1, 1885, till January 31, 1887.

Against a funded and floating debt in January 31, 1887, of \$18,884,241, we transmitted to them assets amounting to \$13,122,494, thus leaving a debt of only \$5,760,746.

Besides we transmitted to them assets immediately realizable amounting, in round figures, to \$2,250,000, with which to meet obligations falling due from during the two coming years and more.

We also transmitted to them an annual revenue of more than \$3,000,000, thus assuring an annual surplus over ordinary expenses, as with good management the latter might be kept down to less than \$3,000,000.

The assets of the province give an annual revenue of \$700,000 in round figures.

We transmitted to the present ministry a magnificent public credit. Our provincial bonds at 5 per cent. are quoted as high as

113 on the British market. So much for the financial situation.

Moreover, the province is progressing. Railways are being built everywhere. Colonization is being rapidly developed. We are laying the foundations of a powerful national industry, and are creating everywhere a commerce which will soon assume large proportions.

Such are the conditions under which the present Government were charged with the administration of provincial affairs. If they do not profit by all the advantages of a situation so favorable for working in the well understood interest of the province, they will have to render a strict account to this house and to the province, after the solemn promises that our adversaries have lavished on the electors to win their confidence and their votes."

In this definition, made last year, of the situation bequeathed to the present Cabinet I have nothing to modify to-day. It was and it is essentially true, being based on incontestable facts. The new Government did, as the hon. Treasurer represented, find themselves confronted with the difficult task of rehabilitating our financial affairs. That untenable pretension led the hon. Treasurer to forget his *role* of a responsible minister and to devote almost the half of his speech to a criticism of the administration of his opponents, when he should have remembered that the public expected from him, not attacks on those who have no longer the direction of affairs, but a complete exposition of the Cabinets' policy and serious defence of its administration. The hon. Treasurer divided his speech into five principal points. I will follow the same order in order to facilitate for my honorable colleagues the comparison of my arguments and my figures with those of the financial statement that we heard on Friday last.

FINANCIAL YEAR 1886-87.

The house has doubtless remarked the efforts of the hon. Treasurer to cast upon the preceding Government all the responsibility of the operations of the year that ended on the 30th of June, 1887. I must confess that I was a little surprised, as I believed it just to admit that the present ministry share with their predecessors the responsibility for the financial administration of the preceding year. The Government in which the hon. member for Quebec East occupies the important position of Treas-

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urer arrived at power towards the close of January, 1887. He is therefore responsible for the five last months of the year. On the 15th of April, 1887, I thus stated the result of operations from the 1st of July, 1886, to the 30th of January, 1887, and I added my forecast for the close of the year :—

“ The favorable result obtained in 1885-86 has been surpassed by that which was realized during the seven first months of the current year, which will terminate on the 30th of June, 1887.

From the first of July, 1886, to the 31st January, 1887, the receipts were..... \$2,093,213

Deducting the receipts following :—

Repaid to the Longue Pointe asylum.....	\$ 7,125
Assurance on the old Parliament buildings.....	32,765
Contributions to the Teachers Pension fund.....	33,000
	72,890 00

Ordinary revenue from July 1, 1886, to January 31, 1887..... \$2,020,323 00

Let us now pass to the head of expenses during the same period of seven months.

Total amount paid from July 1, 1886, to the 31st of January, 1887..... \$2,705,400 00

Deducting for extraordinary expenses :—

Railway subsidies.....	\$ 628,964
Quebec Court house.....	70,876
Parliament building.....	54,306
Special grant for colonization paid to same capital as that of 1885-86.....	80,000
	834,146 00

We ascertain the surplus obtained by the Hon. Treasurer during the first seven months of the current year by the following subtraction :—

Ordinary revenue from July 1, 1886 to Jan. 31, 1887.....	\$2,020,323
Ordinary expenses.....	1,871,254
	\$149,069

Surplus in seven months..... \$149,069

I entirely differ from the opinion of the Hon. Treasurer as to the result possible from the operations of the current year. I say that this year ought to terminate with a surplus of ordinary receipts over ordinary expenses.

The Government, if it employs the necessary energy in the task, can and ought to receive in 1886-87 a total revenue of \$3,100,000 in round figures.

Here is my forecast on that point.

Ordinary revenue received Jan. 31, 1887.....	\$2,020,323
--	-------------

Possible receipts to June 30 :—

Balance, federal subsidy.....	\$59,580
Crown lands.....	325,000
Justice.....	115,000
Public officers.....	2,000
Licenses.....	260,000
Legislation.....	1,000
Lunatic Asylums, Municipal contributions.....	50,000
Interest, North Shore Railway....	186,000
Province of Ontario.....	60,000
Sundries.....	25,000
	\$1,083,860

Forecasting ordinary revenue, 1886-87..... \$3,104,173

Ordinary expenses, 1886-87 not to exceed..... 3,000,000

Possible surplus, 1886-87..... \$ 104,173

If the Government change a possible surplus of a hundred thousand dollars into a deficit of \$370,000, as the Hon. Treasurer foresees, the House ought to hold him to a strict account for it.”

In his budget speech the Hon. Treasurer has set down as follows the result of the ordinary operations of the year 1886-87 :—

Expenses.....	\$3,289,679 78
Receipts.....	2,965,446 62
	Deficit..... \$ 324,251 16

The Hon. Treasurer explains and justifies this deficit by saying that on his accession to office the financial situation was greatly embarrassed. In the first place I think it an exaggeration to estimate the deficit of 1886-87 at \$324,251. It must not be forgotten that in the amount of expenses just cited from the speech of the hon. Treasurer is comprised the special credit of \$80,000 for colonization, the payment of which, out of capital—the house had ordered. That sum deducted, the deficit is brought down to \$244,251. Account must also be taken of the general elections of October, 1886, which entailed an expenditure of \$50,461.

Who is responsible for the deficit of 1886-87, reduced, as I have just shown by calculation, to a couple of hundred thousand dollars? That is what imports this house and the public to know.

As I have just said, reading over my words of last year, on the 31st of January, 1887, when the change of ministry took place, there was a surplus of \$149,069 in the operations of the seven preceding months. In the five last months of the financial year the present Government brought the ordinary expenses up to the amount of \$3,289,697. It is an increase of about \$250,000 on the foregoing year, 1885-86, counting the special credits for colonization among

the ordinary expenses of both years. I wish to be just, and so I acknowledge that the former Government are responsible for the increase, amounting to \$38,000, in the service of the interest of the provincial debt. No particular responsibility attaches to one party or the other in the matter of the expenses for the general election of 1886, which took place at the regular expiry of the term of office of the house elected in 1881. It is the same with some other expenses of no great moment. But the present Government cannot free themselves of the responsibility of an increase of from a hundred to a hundred and twenty-five thousand dollars in the expenses of 1886-87 compared with those of 1885-86. It would have been wiser to accept it courageously and endeavor to justify it on the ground of the public interest than to try vainly to cast the responsibility of it on their predecessors.

The present Government are responsible for the deficit of last year, not only by the fresh expenses that they incurred during their five months of power in that year, but also for not having been more diligent in looking after the collection of the revenues. From the 1st of July, 1886, to the 31st of January, 1887, the ordinary revenue reached the figure of \$2,020,323. With an energetic collection it was easy to raise it to \$3,100,000 at the close of the year. A hundred thousand dollars and more of expenses saved, and the receipt of from \$125,000 to \$140,000 would have left the operations of the year on equilibrium or even with a surplus.

But from the story of the official documents submitted to us and from the speech of the new treasurer, it is evident that the ministry were more desirous of making out a considerable deficit for the year 1886-1887, and that they brought the tenderest solicitude to bear on that of 1887-1888, for which they had the full responsibility. They were also most careful in enlarging the expenses of last year and especially to postpone to the first days of the current year the collection of sums really belonging to the preceding. Let it suffice to cite the amounts received from the Province of Ontario and the municipalities as their contribution to the maintenance of the insane in the asylums. The calculation of the ministry is easily understood; to bring out a seeming deficit from the operations of the foregoing year by resting the responsibility on their predecessors and to establish an apparent surplus for the

operations of the current year, furnished an easy plan for puffing their administrative capacity at the expense of their predecessors. But that ruse has not escaped detection and we shall show up its trickery and emptiness. The public will easily understand what it means and will with us rebuke the Government that had recourse to it.

The manner in which the hon. Treasurer has mixed up the operations, ordinary and extraordinary, of the year 1886-87 will permit some of his friends who are not over scrupulous, and care little for the serious discussion of public affairs, to base on those figures the conclusion that there was a deficit of \$1,445,533 last year. Several times already I have pointed out the fundamental error of such a method of calculation, because it is as clear as possible that it gives a false idea of the position of affairs. It is, consequently, injurious to the public. Why, then, this obstinate refusal to admit that principle in public finance, the truth of which cannot be disputed. But the deficit of any financial year is the difference between receipts that are ordinary, regular and permanent in their source, if not in their amount, and the expenditures of the same class. I cannot understand what the hon. Treasurer means when he speaks of deficiency in the service of the extraordinary budget. Not a single one of all the most renowned financiers who administer the affairs of the greatest and richest countries has ever made such calculations. I cannot conceive a government who have undertaken works, by common agreement set down to capital account, saying at the end of the year: "I have paid for those works, say, two million dollars, yet at the beginning of the year I had in the treasury only a million for that purpose. Therefore, I have a deficit of a million." On the contrary, it was understood from the first that those extraordinary disbursements should be paid out of extraordinary resources. There can be no question of a deficit in such operations, and again I ask why the hon. Treasurer persists in grouping his figures in so strange a fashion—a fashion that I have never found before in the speeches of statesmen dealing with public finances. He will, perhaps, have reason to regret it ere long, for we shall soon be in a position to turn it to account against himself. I don't renounce the right of using the arms of offence that he has himself furnished us with, seeing that they will prove, perhaps, the most efficacious means of rendering him a

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service—that is, of convincing him of an error of which he has availed himself, without regard to justice or reason, to criticize the policy of his predecessors.

ASSETS AND LIABILITIES, JUNE 30, 1887.

The statement of the assets and liabilities of the province at the close of the last financial year differs little as to the amounts from that which the hon. Treasurer presented over a year ago. The provincial debt is brought to the figure of \$22,188,700, but contrarily to what is practised everywhere else, the railway subsidies voted, but not due, are not counted. The assets are calculated at \$10,859,059, leaving a net debt of \$11,329,640. The hon. Treasurer afterwards went into long details on the floating debt so as to convince the house, if possible, that the famous loan of \$3,500,000 was absolutely necessary, still with the design of casting the responsibility for it on his predecessors. He has told us that, on the 30th June, 1887, he had to meet a floating debt of \$3,861,466. But why does he not acknowledge, what we all know, that a million and a half of that sum was composed of bonds which were not to fall due for a long time, and some of which will never fall due at all. He calculates the realizable assets on the 30th of June, 1887, at the modest sum of \$300,000. And still the statement of receipts for the nine months ending on the 21st of March last proves that, at that date, the hon. Treasurer had easily collected the sum of \$782,000, on account of our assets of June 30 preceding. Evidently the realizable assets bequeathed by the former Government rose to more than the \$300,000 of the hon. Treasurer's estimate.

THE LOAN.

Let us now pass on to the examination of the question of the famous loan. After the strange events that marked the negotiation for the loan of \$3,500,000 it was only to be expected that the hon. Treasurer would do all in his power to put a favorable color on the affair. He accordingly devoted a third of his speech to it. It is my duty to say that, notwithstanding that long and elaborate production, he has not succeeded in proving the absolute necessity for the loan, nor in justifying his Cabinet for the manner in which the negotiations were conducted—the result of which was the creation of a consolidated debt of \$3,500,000.

It is important to recall the exact position taken by the two parties in this house last

year on the subject of the ministerial project of contracting a new permanent loan.

The Government, on their part, in order to convince the house that it was right to authorize a loan of \$3,500,000, said that almost immediately obligations to the extent of nearly \$4,000,000 had to be met and that there were no financial resources to sustain the provincial credit.

On our side, we combated that loan policy, replying that the ministry greatly exaggerated the amount of its pressing obligations; that before contracting a new loan, the Cabinet ought to collect with energy what was due to the province, and that by so doing they could avoid, if not wholly, at least in great part, the permanent addition of \$3,500,000 to our consolidated debt.

Whoever will judge impartially the events that have taken place since last year, must admit that they fully justify the position that we then took. The Legislature was hardly prorogued last year when the Privy Council rendered judgment in favor of the province in the question of the commercial corporations tax. On the 30th of March last, the Government had already collected from those arrearages the sum of \$557,665. With the \$100,000 received from Ontario and the \$125,000 in the settlement of the account with the city of Montreal, we find a total of \$782,665. It is certain, therefore, that the Government could make the assets meet much more than they have made them yield to meet the extraordinary obligations that fell due.

In the second place, events have proved that the provisions of the hon. Treasurer as to the amounts he would have to pay, and for which he asked authorization to borrow \$3,500,000 were greatly exaggerated. I will, I hope, be allowed to remark that my own have been realized. On the 12th of May, 1887, I said :

“The hon. Treasurer has told us that from now till the 30th of June, it was imperatively required to meet obligations amounting to \$1,900,000. This forecast was very exaggerated. I calculate as follows what the Government will have to pay from now to the end of the current financial year :

Railway subsidies.....	350,000
Court House and Parliament Building, Quebec.....	250,000
Northern Railway and Exchange Bank.....	37,000
Deficit of 1886-87 at the most.....	200,000
Total.....	\$837,000

That is all the Government can be obliged to pay of expenses imputable to capital from now till June 30 next. The probability is that it need not disburse the whole amount. The temporary loans can be easily renewed and the payment will not be insisted on."

In his Budget speech the hon. Treasurer declared to us that "of obligations comprised in the floating debt and falling due from January 31 to June 30, 1877," he has only paid up a sum of \$758,407. That is \$78,593 less than I calculated on the 12th of May, 1887.

The hon. Treasurer had calculated that he would be called upon to pay \$1,200,000 for the expenses of capital during the current financial year, 1887-88. From July 1, 1887, to March 31, 1888, he had only to disburse for those objects the following amounts:—

Public buildings and iron bridges	
in the municipalities.....	\$ 180,412
Railways.....	651,075
Total.....	\$ 831,487

He will not have to pay more than \$250,000 from the 1st of April to the 30th of June current; or, during the year a total of \$1,081,000 or \$119,000 less than the forecast of the hon. Treasurer. In presence of these indisputable official figures, published under the signature of the hon. Treasurer himself, who can seriously pretend that, in the month of May, 1887, the Provincial Treasurer was so laden with obligations—such as those of the pretended floating debt—demanding payment at once or with very little delay, that it was necessary to borrow \$3,500,000—not a dollar less. If the ministry insists on it, I reply that the regrettable events which marked the negotiations of the unhappy loan give a formal contradiction to the hon. treasurer and his Government. Last May they must, they said, have the loan at once—otherwise the province would be unable to honor its engagements. But what happened. The public will recall the official pilgrimages to New York and the search for those millions that failed to turn up. Weeks and months passed away. The contract with the Credit Lyonnais was only positively concluded at London on the 30th of January, 1888, and the treasurer did not begin to receive those borrowed millions till after the 9th of February, 1888—that is nine months after the declaration, officially made in the house, that the province must have the loan without delay. And during those nine months of interval, under

circumstances of which I shall speak presently, had not the Government the resources necessary to meet the provincial obligations.

Is a new and still stronger proof required that the \$3,500,000 loan was not of absolute necessity at the time when it was proposed? I find it also in the documents on the finances deposited by the treasurer on the office of the house at the beginning of the session on the 31st of March last all temporary loans were paid up, as well as capital expenses paid as above stated, and there was in the treasury a balance of \$1,199,166. At that date, only \$2,413,437 had been received on account of the net proceeds of the loan. There still remained \$965,000 to receive. That balance was paid into the treasury in the early days of April. Let us add to the balance in the treasury on the 31st of March and we have an amount of \$2,264,166 to be disposed of. The hon. treasurer has told us that he reckoned that the ordinary receipts from the 1st of April to the 30th of June would be almost sufficient to pay the ordinary expenses of the last quarter of the year. So that, calculating the disbursements on capital account during the same period at \$264,000—and they will certainly not exceed that amount—the balance in the treasury on the 30th of June, 1888, will be in round numbers \$2,000,000. The fact that notwithstanding an increase in expenses of more than \$300,000 from the 1st of February to the 30th of June, as I shall prove in an instant there will be cash on hand to the amount of two million dollars, at the close of the current year, clearly proved that the loan of \$3,500,000 was not necessary in May, 1887, and has not been necessary since. The Government pretended that it was absolutely necessary to borrow \$3,500,000 to pay the obligations which their predecessors had left them. We have disputed the pretension with the irrefutable argument of figures. I have the right to say and the satisfaction to know that my previsions have been justified by events. You will have on the 30th of June next a balance on hand of at least \$2,000,000. What is, on the other hand, the balance of obligations of the floating debt contracted by former Governments which you will have to meet? Let us make the calculation from your own official documents and the hon. Treasurer's speech. In your statement of the liabilities of the province on the 30th of June, 1887, you enunciate the obligations following:—

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Estimate of the amount required to finish the Parliament building Contract for the status for the same.....	\$ 75,122
Estimate of amount required to finish Quebec Court House.....	25,060
Balance on lands and other debts of the Q., M. O. & O. Railway.....	100,487
Loss on Exchange Bank deposit.....	60,070
Total.....	27,000
	\$287,679

Such is your calculation.

From the 1st of July, 1877, to the 31st of March, 1888, you paid for the public buildings above mentioned \$169,611; and \$14,000 for the North Shore railway, making a total of \$183,611. According to your own statement of these old obligations, transmitted to you by preceding ministry, there only remained to be paid the difference shown by the following subtraction:—

Estimate of obligation June 30, 1887.....	\$287,679
Less amount paid March 31, 1888..	183,611

Balance March 31, 1888..... \$104,068

According to your own statement of the liabilities, on the 30th of June, 1887, you had still to meet the obligations of your predecessors for former railway subsidies and conversion of land into money subsidies, \$530,107 on the one hand and \$1,019,521 on the other hand, making a total of \$1,549,628. From the 1st of July, 1887, to the 31st of March, 1888, you paid on account of those obligations \$637,075, leaving a balance due of \$912,553. According to your own documents the balance of obligations transmitted to you by the preceding ministry was limited on the 31st of March last to the sum of \$912,553, plus that of \$104,068 for the public buildings above mentioned, or a total of \$1,016,621. As I said before, you will pay about \$264,000 on account of that balance from the 1st of April last to June 30, which will reduce it to a sum of \$752,621. To meet these obligations, now reduced to \$752,621, you will have, as I have shown, a balance from the loan of \$2,000,000, plus assets, easily realizable, of at least \$750,000, by the sale of Government property at Montreal, which is valued in your statement at \$138,348, but which is worth much more, by the collection, of what is due to the province by the Government of Ontario, for different advances, for arrearages of commercial corporations taxes, and the Municipal loan fund. In fine, if you choose to give serious attention to the collection of those assets, you can pay all the obligations handed down to you by your predecessors, comprising the tempor-

ary loans already paid, and you will have a balance remaining of at least \$2,000,000 from your permanent loan of \$3,500,000. You were not obliged, therefore, to borrow that sum of \$3,500,000 to pay obligations contracted by preceding Governments.

Why have you persisted in borrowing the total amount of \$3,500,000 after the receipt of \$100,000 from the Province of Ontario, and \$125,000 from the city of Montreal, and after the judgment of the Privy Council in the case of the commercial corporations which assured you another receipt of more than \$750,000, making, with the foregoing, a total of nearly a million dollars (\$975,000).

I therefore come to the certain conclusion that the loan of so large a sum as \$3,500,000 was not necessitated by the engagements contracted previous to your accession to power, and that you were in no wise obliged to undertake such a financial operation, which so greatly augments the consolidated debt of the province.

It is easy to see to-day why you were so persistent in authorizing the \$3,500,000 loan. You revealed the reason when you declared in the speech from the throne that you had to propose a measure for new railway subsidies, and that you wished to develop your policy of iron bridges in the municipalities. You make the matter still clearer when you ask in your supplementary budget of the current year, and in your general budget of 1888-89, to vote you for the Parliament building and the Quebec Court house \$420,000 more than the amount that you deemed necessary for those buildings on the 30th of June, 1887. You must have been courageous to assume full responsibility for the policy that you proposed to adopt. If you thought it in the public interest to further subsidize those important railway enterprises, and you had to borrow in order to do so, why did you not frankly say so to the house and to the province? We should then have judged your policy on its own merits, without prejudice, from the single standpoint of the greatest good to the province, which, be assured, we love as well as you do, and whose prosperity we desire, deeming it an honor to labor with all our strength on its behalf, as we have always done, in spite of the obstacles that you have constantly placed in our path. We are justified in reproaching you with having obtained from this house authority to raise a considerable loan under the pretext that you required it to pay obligations which you had inherited and for which you

were not responsible, when the true reason for that demand was that you desired while unjustly shielding yourselves with the responsibility of your predecessors to obtain the resources necessary for giving effect to a policy that you were preparing, but thought well at that time to keep secret from the public. In spite of all the reasons against it, you contracted the loan. Nor can I leave that subject without speaking of the manner in which you conducted these important negotiations, as appears from documents deposited in the office of the house in reply to an address which I had the honor of proposing at the beginning of the session.

YOUR OPERATIONS IN NEW YORK

will remain legendary. In the first place, the idea of contracting a loan at New York was not a happy one. A little reflection would have warned you that you were exposing yourselves to misunderstanding from which the interests of the province would not fail to suffer. Everyone knows that New York is not a favorable market for the placing of state loans. And the reason is not difficult to perceive. Doubtless the metropolis of the American Republic is an extremely wealthy city. Its progress has been wonderful, and it bids fair to be one day the greatest city in the world. But the United States is not a country where much money is lent to foreigners. And why? Because the immense improvements which are made every year throughout the territory of the Republic absorb the national savings and even necessitate foreign capital. When it is considered that as much as \$400,000,000 is expended annually in the United States in railway building alone, and in the single city of New York from \$60,000,000 to \$70,000,000 for new houses, we cannot be surprised that our neighbors have constant need of all the capital which their powerful manufacturing and agricultural industries, and the ceaseless activity of their commerce may accumulate.

The two great money markets are London and Paris. A recent statistical document estimates at \$500,000,000 the annual accumulation of capital in England, to be disposed of by investments in the United Kingdom and elsewhere. England has more than ten milliards of dollars (\$10,000,000,000) invested abroad and in the colonies. At an average interest of four per cent., those ten millions would yield an annual

income of \$400,000,000, coming to England from all parts of the world. New enterprises in a territory already so encumbered and so limited in area as that of Great Britain could not absorb all that capital, a great part of which goes abroad again in search of investments as profitable as those which yielded it. The first mistake of the Government in the negotiation of the loan was to fancy that they could obtain in New York conditions as favorable as they would find in London or Paris. Having once taken the wrong path, they were sure to come to mischief. I am not disposed to be very severe in my criticism, knowing the cruel ordeal through which they had to pass in the interval between the end of August, 1857, and the beginning of the present year. Those were long months, I am convinced, and the memory of them will not soon perish in the minds of the Government.

The representative of a New York syndicate made a proposal with respect to the loan, which the ministry considered exceptionally advantageous. He offered 94 per cent. for the debentures on 3½ per cent. interest. What astonishes one is that they could for a moment have imagined it possible to place a provincial loan on such conditions on the New York market. The very nature of the offer ought, to my mind, to have put the Government on their guard, and to have prompted the enquiry whether they had really to deal with serious men of business. But the least suspicion does not seem to have entered their minds on that head.

Before signing the loan contract, the hon. treasurer and his colleagues ought to have fully assured themselves that the person with whom they were negotiating was in a position to meet his obligations. Mr. Nelson, who represented the syndicate, offered, in guarantee, to deposit bonds or debentures of the United States or the city of New York, at the "Chemical National bank" to the amount of \$3,500,000. It was all very fine on paper, but the agreement had the grave inconvenience of being signed at Quebec on the 16th of August, 1857, by the hon. treasurer and the attorney of Mr. Nelson while Mr. Nelson did not bind himself to make the deposit of United States and New York city bonds until on or before the 23rd of August, 1857, seven days later. The contract was signed, but in reality the Government had not a single dollar of guarantee that the New York syndicate would fulfil its obligations. On the 23rd of

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August, the Hon. Treasurer began to be anxious, and by a despatch, I suppose (though it does not appear in the documents on the subject of the loan), he addressed the Chemical bank with respect to the famous deposit. On the same day he received the following reply :

NEW YORK, August 23, 1887.

Joseph Shehyn, Treasurer Province of Quebec, Quebec:

No; nothing known at Chemical bank regarding the transaction.

[Signed]

W. J. QUINLAN.

The deposit had not been made. After the primary mistake of going to New York for the loan, and the remissness shown in having signed a contract with Mr. Nelson without asking for a guarantee, I blame the Government for not immediately breaking off all relations with the pretended syndicate and its representatives, and for having, for nearly five months, allowed the public credit of the province to be dragged through the markets of the American metropolis, at the mercy of men who could not execute their contract, and who were not even able to make the deposit of \$100,000 subsequently offered and accepted as a guarantee, in place of the three millions and a half of United States and New York city bonds.

All hope of a success, which kept constantly receding, being lost, the Government at last took counsel, in December, 1887, with an eminent New York lawyer what recourse for damages they could obtain against Mr. Nelson who, having dazzled our ministers by flashing his millions before their eyes, turned out to be completely impecunious. In his reply (which my honorable colleagues may read among the loan documents), Mr. Cardozo says that the Government's right is unquestioned, but he adds the two following phrases which have a lively interest :—

"Still it is a question of fitness rather than of right whether it is judicious to take action against him under the circumstances. According to the information that has been furnished to us, and after the behaviour of those people, it is not likely that Mr. Nelson is a man of any financial responsibility and a judgment obtained against him would result, I fear, in a profitless victory."

The ministry may make all the excuses they please, but they cannot quit themselves of the charge that, being entrusted with

an important financial operation, they assumed the responsibility of negotiating with a man who was incapable of fulfilling his engagements and neglected even to take the trouble of informing themselves as to the real position of that person. An attempt is made to explain the failure of the operation by the death of two of the chief members of the syndicate. The documents inform us, indeed, that a Mr. Ross and another person died shortly after the signature of the contract at Quebec. But I find nothing which proves that those two persons were capable of placing the loan or even that they formed part of the two famous syndicates. Did fatality pursue the negotiators of the loan, since two of those who, we are told, were engaged in the business, were stricken by death within a few days of each other? In such circumstances, the ministry ought to have become a little superstitious and have concluded that it was about time to have done with an operation that claimed so many victims. Mr. Nelson explained his failure to make the deposit agreed upon in the National Chemical bank to the considerable rise which had taken place in the interval in the securities on the market. I regret that the hon. Treasurer should have pleaded this excuse in his budget speech without assuring himself of its truth. I have ascertained that it was not well founded. I have made out a statement of the rates on the New York market from the 12th of August to the 14th of September, as published in the *New York Herald*, and I find that no such rise took place in United States securities. Two classes of securities were quoted, one at 107, the other at 127, and there was only a slight variation during the period in question.

The New York loan having utterly failed, it was necessary to make application elsewhere. And so an arrangement was concluded with the Credit Lyonnais. This time, at least, the ministers had to do with serious business men who were capable of fulfilling the obligations which they contracted. But the directors had wind of the fiasco at New York. They knew that the Government had got into a predicament and that they would regard as saviours those who came to their rescue. They accordingly availed themselves of their knowledge to obtain from the Government more advantageous conditions for the stock holders of the Credit Lyonnais. I do not blame those who have charge of the affairs of that important institution. They made the best

bargain they could in the circumstances and in doing so, only discharged their duty.

Whatever the hon. Treasurer may have said against the system of adjudging securities to the highest bidder, I claim that the ministry ought not to have sold the bonds of the province at a fixed price to the Credit Lyonnais; that they ought, on the contrary, to have placed those securities on the market at a definite minimum which might easily have been fixed at 99, reserving to themselves the right to let the province have the advantage of the competition of those who were in search of a first-class investment, at the rate of interest, relatively high, of four per cent. It is a singular coincidence that on Friday, the very day on which the Hon. Treasurer pronounced in the house against the system of adjudication in public loans, the Federal Government employed that system, with the greatest success, for the Canadian loan of \$20,000,000.

Launched on the London market at 3 per cent., and at the minimum of 92½, that loan was subscribed three times and by the competition of the purchasers the offers accepted surpassed 95. In that way the profit of 2½ per cent. and more realized by the rise produced by the run on values so secure as those which Canada offered to lenders goes to the Federal Treasury, instead of, as in the case of the Quebec loan, the profit going to the Credit Lyonnais, the fortunate negotiator, and not to the Provincial Treasury. The 2½ per cent. premium above the minimum fixed for the recent loan is a profit of \$500,000 for the twenty millions of securities realized by the Ottawa ministry by means of adjudication which the hon. Treasurer here finds so unfavorable. Sold to the Credit Lyonnais at the fixed price of 99 and net 96½, our securities at 4 per cent. were launched on the London and Paris markets by that institution on the 14th of January, 1888. The Credit Lyonnais thus fixed at 100 per cent. the minimum at which our securities should have been placed by auction on the market. They thus had a gain of 1 per cent., having purchased at 99.

I was astonished at the candor with which the hon. Treasurer, in order to justify his having made the loan at a fixed price, gave us certain information concerning the manner in which the Credit Lyonnais managed to its own profit the placing of the securities on the market. He told us that a syndicate largely interested in the institution had raised the first subscription of securities to

launch them at a rise and give them a good position on the market. He added, moreover, that the Credit Lyonnais had the greater part of those bonds in securities. But how is it that the Hon. Provincial Treasurer failed to see that he was thus giving the best reasons possible for his own condemnation in having sold the securities of the provincial loan at a fixed price. If I had any doubts before, I should assuredly have been convinced that he had acted wrongly. But what signifies the act of that syndicate which would have subscribed at a considerable premium for the institution itself which placed those securities on the market and the fact that, although they are now quoted at 104, the Credit Lyonnais still keeps those securities in the same form, if not that the present possessors of our bonds are well aware that they have values which, from day to day, will be more appreciated on the market. The Credit Lyonnais, whose resources of credit are very great, made no haste to dispose of our securities, because it knew that, enhanced by the development of public credit which was the immediate consequence of converting the English debt, by the success of the important operations that the Canadian Government and Pacific Railway company were soon to transact at London, it could, by still waiting, realize a profit greater than what was possible at the time. To-day the Credit Lyonnais can sell those securities at 104—a profit of 5 per cent. on the price paid. Five per cent. for three millions and a half is a net gain of \$175,000, of which the Credit Lyonnais is assured, and which the province has undoubtedly lost by the transaction. Nor is the Credit Lyonnais satisfied with even that, because it is aware that before long it will be able to make still more, and therefore it is content to wait. I confess my surprise that the hon. Treasurer had the complacency to tell us a fact of which, assuredly, he has no reason to boast.

The hon. Treasurer has made calculations to prove that, compared with the rate of our 5 per cents on the market, the price of 96½ net realized for the securities of our loan represents the real value of that new class of our provincial bonds. But he has forgotten an essential point, and therefore, his comparison, having no solid foundation, falls to the ground. There is, indeed, a certain parallel in the rates, if we take no account of the differences in the rate of interest. But the hon. Treasurer ought to know that the duration of a first-class se-

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curity, such as ours, on the market, goes for much in the valuation that the purchasing public put on it. The new provincial 4 per cents are for fifty years, whilst our 5 per cents will fall due, some in sixteen, some in twenty and some in twenty-four years. The 4 per cent. security, payable in fifty years, is worth proportionally more than the 5 per cent. payable in twenty. It is so true that the duration is of importance in the appreciation of values on the market that our 5 per cent. securities whose time is more distant are always quoted higher than those whose date is nearer the present. There is often a difference of from $1\frac{1}{2}$ to 2 per cent. between the rates of those payable in 1904 and those payable in 1912.

The hon. treasurer has made long calculations to show that his loan was made on better terms than those which preceded it. This comparison is wholly unfounded. You cannot with reason compare the results of those operations without also comparing the situations at the different periods when they were concluded. There is a great difference between the general conditions of the public credit to-day, and those of 1874, the year of our first provincial loan. At that time the Canadian Government hardly obtained 90 per cent. for its 4 per cent. securities. On Friday it was able to negotiate at 95-120 a 3 per cent. loan—an average rise of 30 per cent. in our Federal credit since 1874. The fruitful progressive policy of the Canadian Governments since Confederation, at Quebec as well as at Ottawa, has greatly developed our provincial credit by the confidence in our future that it has inspired among capitalists in search of advantageous and secure investments. It was owing to that patriotic and intelligent policy that the present Government was enabled to negotiate with the Credit Lyonnais on the conditions of which we are aware, which, nevertheless, as I have shown, are not the best obtainable under the circumstances, and considering the actual situation of the public credit and of the money market. The hon. Treasurer might, therefore, have saved himself the trouble of instituting comparisons. The real point at issue was whether he had really made the most advantageous arrangement that it was possible to make. Because, for reasons that I have explained, the offers made to him were more favorable than those obtained in 1874, 1876, 1878, etc., it by no means follows that he was justified in concluding a contract on a principle which has

occasioned considerable loss to the province to the advantage of those with whom he negotiated.

The unhappy eagerness of the ministry to contract a loan of which they had no immediate need has also caused the province to forfeit advantages which it might gain from an operation on the money market—if it became necessary in the public interest—advantages which would be still more important in a near future, owing to the new conditions created in the market by the conversion of the British debt and the brilliant transactions of the Federal Government and the Pacific Railway company. For those two loans thirty-five millions were asked, and two hundred and ten millions were, so to speak, spontaneously offered at rates the most favorable.

I also disapprove of the manner in which the loan was effected for another reason. I would have preferred the issue of annuities, redeemable capital and interest, in thirty, forty or fifty years, instead of the issue of securities for a term of fifty years, as has been done. For the Federal Government, for the Australian colonies, and, in general, for all countries that have still many works to complete on account of capital, I conceive that it is important not to undertake a rapid redemption of the public debt, but rather to obtain on the best possible conditions the capital necessary for the carrying out of great improvements of general utility. But I believe that at the stage which we have reached in our province the best financial policy to adopt is to begin to provide for the gradual redemption of our provincial securities. It is for that reason that I would have favored the plan of terminable annuities for the new loan, granting the necessity of contracting it, which I think I have successfully disputed.

THE PRESENT FINANCIAL YEAR 1887-88.

After drawing a gloomy picture of the situation on his accession to power and of the operations of the year terminated on the 30th of June, 1887, the hon. Treasurer became altogether radiant when he took up the subject of the present financial year. What is the secret of this change of tone? It is, of course, because in the present year the Ministry now in office are responsible for the financial administration of the province. The hon. Treasurer understands that the *role* of the pessimist is ended and that it is time, for the sake of the Govern-

ment's popularity, to begin to paint things in a more brilliant, or even exaggerated color. Indeed, I am almost tempted to felicitate him on the suppleness with which he has made the transition. He passed suddenly from the most complete apparent discouragement to the most intoxicating illusions as to the present, which he represents as all that could be desired, and to the prospects of future prosperity, which he claims the merit of having assured to the province. Personally I have much esteem for the hon. Treasurer, and would not cause him the least displeasure. But I have a public duty to accomplish, and I trust he will not take it ill if I make a large hole in his cherished illusions. In fact I am obliged to do so by the efforts that he has made to impose his views upon my honorable colleagues and the general public.

Speaking of the present financial year the hon. Treasurer said:—

"It is impossible to indicate precisely the result of the year, but the statement of receipts and payments down to the 1st of April, 1888, shows that for the nine months the ordinary receipts were \$3,024,981.65 and the ordinary expenses \$2,259,960.14, which leaves a surplus of \$705,021.51. It is probable that this surplus will not be sensibly diminished at the end of the year, if we collect all that we hope to do."

The hon. Treasurer goes on to claim for the Government and himself the merit of having administered the finances so well since the commencement of the year that it will end with a surplus of about three quarters of a million. But the figures that precede it without the comments that they provoke are calculated to lead the public into error. The honorable treasurer ought to have said that the revenue which permits him to count upon the surplus indicated at the close of the year is composed of arrearages extending over several previous years. He has received \$160,000 from Ontario, but \$70,000 of that amount was dues for the two foregoing years. The Ontario Government had, without reason, refused to pay it.

On the 31st March, 1888, the sum of \$557,165 had already been collected for arrearages of commercial corporation taxes by virtue of the Privy Council judgment of last year. The regular contribution to the revenue from that source is about \$125,000 for the present year, the remainder being for previous years. To consider all

those sums as part of the ordinary revenue of 1887-88 is to invent a surplus for which there is no basis in fact, as far as those constituents of it are concerned. I need not insist more on that point as the house and the public will easily understand that the revenue of the current financial year has been largely increased by extraordinary receipts which will not be renewed hereafter.

THE EXPENSES OF THE PRESENT GOVERNMENT.

Have the present Government endeavored to put in force the regime of economy which they so often and so eagerly claimed, and and promised in Opposition? That is a feature of the financial question which ought to be studied with care. Evidently, in order to make a fair comparison between the expenses of the present Cabinet and those of their predecessors, we must take into account only those expenses for which they are respectively and entirely responsible. Apart from that, moreover, we may judge of the financial policy of the present Government by comparing the budgets that they ask us to note with the expenses of the preceding ministry during their last complete year of administration—1885-86.

The current year will not end until June 30, and we shall not have the public accounts of it till next session. But we can even now make an interesting comparison on the basis of the statement for 1886-87, covering the same period as that for which we have the expenses of 1887-88. Let us compare the expenses for the same services for the nine first months in those two financial years:

From the 1st of July, 1887, to the 31st of March, 1888, under the present Government, the ordinary expenses were.....	\$2,250,653
Under the former Government they were, for the same services.....	2,137,390

Increase in nine months under the present Government. \$113,263

I may surely calculate this increase at more than \$150,000, because the statement for 1886-87 contains the \$50,000 disbursed for the general elections.

Let us now compare the expenses of the several services during the same period of nine months for the two years:

Civil Government in 1887-88.....	\$158,780
Do. 1886-87.....	145,766
Increase.....	13,014
Administration of Justice, 1887-88..	328,870
Do. 1886-87.....	304,921
Increase.....	23,949

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Public Instruction, 1887-88	337,010
Do 1886-87.....	322,235
Increase	14,775
Public works and buildings, 1887-1888	94,411
Do. 1886-87.....	57,844
Increase	36,567
Sundries, 1887-88.....	27,469
Do. 1886-87.....	16,849
Increase	10,620
Crown lands, 1887-88.....	124,050
Do. 1886-87.....	110,000
Increase.....	14,050

It will thus be seen that there is an augmentation in all the services which are most easily controled. Where, then, are the evidences that the promises of economy were fulfilled.

The hon. treasurer has given us but scanty information as to the current year and the probable results at its close. It is a reserve on his part which certainly savors of prudence, as it was his interest not to provoke discussion on that point. I must however gratify the impulse to enlarge on it a little further. At the present moment and with the official documents in our possession, we may make an approximate calculation of the amount of the ordinary expenses of the current year. We have just seen that for the nine months ending with the 31st of March they amounted to \$2,250,653. It seems certain, then, that on the 30th of June they will reach the figure of \$3,350,060. The Government had voted the following sums last year :

Ordinary general budget for 1887-88	\$3,015,329
First supplementary budget.....	67,960
Special orders to May 16.....	180,003
Second suppl. budget now asked for	123,282
Codification of laws.....	45,000
Total.....	\$3,431,573

If the House vote the supplementary budget that has been submitted, expenses amounting to \$3,431,573 will have been authorized during the current year. I do not exaggerate, then, when I say that the real expenses of the present year will reach \$3,350,000, supposing that the credits voted be not exhausted.

Let us compare the ordinary expenses of the current year with those of the last complete year of the former Government :

Expenses of 1887-88.....	\$3,350,000
" 1885-86.....	2,961,563
Increase.....	\$ 388,437

This comparison shows an increase of nearly \$400,000. It is thus, forsooth, that the present Government practice economy by augmenting the expenses by four hundred thousand dollars in a single year.

Replying last Friday to certain remarks of the hon. leader of the Opposition, the hon. Prime Minister admitted that the financial operations of the current year were far from satisfactory. I give him credit for the frankness of the acknowledgment, but he does wrong when he tries to throw the responsibility, partially at least, on his predecessors. We may ask, however, whether the Ministry purposes to conduct the operations of the coming year more satisfactorily. Evidently they do not, if we may judge by the general budget which they ask the House to vote. They ask us for ordinary expenses of 1888-89, credits amounting to \$3,277,359, to which amount it is only fair to add the special credit of \$63,000 for the codification of the laws, and the credits, amounting to \$17,000, for various public works imputable to revenue, as in the past, because those expenses have always been reckoned among the ordinary expenses of the year. The addition of those credits brings the entire figure up to \$3,358,259. Nor is that all. We may expect that the Government will ask for a first supplementary budget before the end of the year and a second at the next session of the Legislature,—both being included within the financial year, 1888-89. Nor shall I exaggerate if I set down those supplementary budgets at \$150,000 which will bring the ordinary expenses of 1888-89 to the relatively enormous amount of \$3,500,000 in round numbers, or an increase of \$540,000 on those of 1885-86, for which the former Government is entirely responsible. Clearly then we have not entered upon a reign of rigorous economy, but rather on an era of rapidly increasing expenditure.

The hon. Treasurer counts upon an ordinary revenue of \$3,345,672 for next year. I consider his forecast of receipts just on the whole. But even granting that they are completely realized—and we must always beware of miscalculations—it seems to me inevitable, judging by appearances, that the Ministry may close the operations of 1888-89 with a deficit of from \$100,000 to \$150,000. We shall, in that case, only too surely return to the era of deficits to which the preceding Government had happily put an end.

Is it possible to prove more clearly than I have done that the present Government has not fulfilled the promises so often and solemnly made by those who form part of it when they were in Opposition?

Let the hon. Treasurer permit me to say that he has been unjust towards his opponents when he claimed for his colleagues and himself all the merit of the augmentation in the resources of the province. The development of the revenue in the current year and in those to come is almost entirely the work of the Conservative Governments which have administered public affairs since 1879. It is very strange to hear you cite, for example, the commercial corporations tax as a proof of what you have done to increase the revenue, when every one knew with what energy you combated that measure. And is not your pretended surplus in the present year composed almost entirely of the arrearages collected on account of those taxes which had accumulated while your predecessors were courageously striving to obtain from the tribunals recognition of the constitutional right of the Legislature to levy those taxes.

If you wish to be treated with justice (and, be assured, we shall not withhold it from you) you ought to begin by showing justice to your adversaries, whom you have too long been combating with the weapons of a party spirit the most deplorable and most hurtful to the public interests.

You boast of having placed the finances of the province on a solid foundation. But that task was fully accomplished before your accession to power. You got into office just in time to profit by the patriotic labors of those whom you have so unjustly accused.

Your predecessors had an ordinary budget of three million dollars in round numbers. You pretend that it was an alarming situation. You arrive at power and in two years your ordinary expenses have risen to three millions and a half, while your revenue, by your estimate, is only \$3,345,672. Yet you cry out that you have saved the province from the ruin that threatened it. Is there any possible way of accounting for so strange a pretension?

CONCLUSION.

If I have deemed it my duty to show up the numerous contradictions between the conduct of the hon. ministers in power, and the principles which they professed in opposition, it was not, be assured, for the vain pleasure of drawing a party advantage from it. Since they have had the responsibility of office, our opponents have evidently begun to judge the affairs of Government very differently. I will not reproach them with their contradictions, provided they acknowledge they were deceived. Under certain circumstances, it is even honorable to contradict oneself, when the act is inspired by a broad sense of duty to the country. But, that it may have its full merit, it must be accompanied by a ready acknowledgment of the error of opinions formerly held. On our side, also, the roles are changed. We are now Her Majesty's loyal Opposition. To fulfil with good results to the province the duties of our position, we must understand that, far from being an obstacle to the vigorous administration of public affairs, a parliamentary opposition ought rather to be a source of energy by which the ruling powers are impelled to fresh ardor and higher efforts in the public service. Its criticism, if enlightened, loyal, just and marked by elevation of thought and patriotic feeling, should convey to the Government the impulse of its own sincerity and earnestness. On their side, let our adversaries cease to cast upon their predecessors the responsibility for their own acts. Neither the party in power nor the Opposition can live by recrimination. It is well to review the past when we can draw from it useful information or timely suggestions. But we should not forget that our duty as the people's representatives is to labor in such a way as to make the future as prosperous, brilliant, and as happy as it can be made. To that patriotic task let the Opposition apply themselves with unceasing energy and praiseworthy ambition and then it will have done its share of the work which it is the mission of this Legislature to accomplish.

