

THE FINANCES OF CANADA

BUDGET SPEECH

DELIVERED IN

THE HOUSE OF COMMONS OF CANADA

On Tuesday, February 20, 1877,

BY THE

HON. RICHARD J. CARTWRIGHT,

Minister of Finance.

Hon. Mr. CARTWRIGHT rose and said :—

Whatever difference of opinion, Mr. Speaker, may exist among hon. members of this House as to the policy which the Government has pursued in the past, or as to the policy which it may be the duty of the Government to pursue in the future, I think that hon. members of all sides and parties in this House will agree with me in the statement that the financial year which closed on the 1st July, 1876, was one of an exceedingly critical character, and one which will be long remembered in our financial history. Indeed, in some important points, it may be said to mark the turning point therein. Now, sir, I fear that the questions with which the House will have to deal to-day will prove to be of a somewhat complicated character, and I must beg the indulgence of the House if I should appear to be somewhat unduly tedious in my treatment thereof.

During the year to which I have referred, our expenditure has touched the maximum point which, as far as we can judge, it is likely to touch for a considerable time to come, and on the other hand, as not unfrequently happens under such circumstances, our income (partly

from extraordinary and accidental causes, partly from the extreme depression of trade,) has been reduced to a very low point,—I would fain hope to the lowest point that it is ever likely to reach. However that may be, the net result is this: that whereas our expenditure during the year amounted to no less than \$24,488,000 in round numbers, our total receipts fell to about \$22,587,000—being a total deficit of no less than \$1,901,000. Now, Mr. Speaker, I would be the very last man in the House to make light of this fact. View it as we may, account for it as we may, the existence of a deficit at all, much more of a deficit of this magnitude, is a circumstance of a very serious and formidable character, none the less because it is the first avowed deficit, though not the first that has really existed, since the period of Confederation. And, Sir, if I believed that this large deficit was about to become chronic, then there could be but one question before us, and but one course for the Government to pursue. In such case it would undoubtedly be necessary to adopt very vigorous measures for the purpose of restoring the desired equilibrium between income and expenditure. But if it should appear otherwise,—if a fair and impartial consideration of the items of which this deficit is composed should show to the House that there is good ground for believing that by far the greater part is due to extraordinary and abnormal expenditures, not likely in the nature of things to occur again, then, of course, the advice which ought to be given to the House might be materially modified.

Now if hon. gentlemen having the public accounts in their hands will do me the favour to refer to the various items making up this deficit they will find that a very large proportion of this \$1,901,000 is composed of items precisely of the character to which I have alluded. In the first place some \$184,000 are charged on account of the expenses of the boundary surveys between ourselves and the United States, which expenditure was actually incurred prior to the close of the year 1873-74, and which, perhaps, as a matter of book-keeping even, ought to have been charged to the expenditure of that particular year. They will find also that no less than \$210,000 is charged for special services for the Philadelphia Exhibition, for the loan to the Menmonite settlers, and for the relief granted to the distressed settlers in Manitoba, all of which are clearly extraordinary and exceptional charges. Now, the House will recollect, with respect to another large entry in the Public Accounts that the policy of the present Government has always been to close at as early a period as possible the great expenditure which

was going on upon what are generally known as Minor Public Works—*i.e.* buildings and improvements of various kinds in different parts of the country; and they will also remember that this expenditure was largely in excess of the amount which, in our judgment, ought to be properly set apart for this service, at least under the present circumstances of the country, and that of the total sum so charged, (\$1,980,000, in round numbers,) \$980,000 may be fairly treated as exceptional and extraordinary expenditure, incurred for extraordinary purposes, the accounts for which are closed and which need not recur again. There remains only one item more to which I shall call attention, and that is the charge of \$250,000, or thereabouts, made for the change of guage, and also for the substitution of steel rails for iron on those portions of the Intercolonial Railway which belonged to the old Nova Scotia and New Brunswick railroad systems. These I also hold to be exceptional charges, and charges which in a very short time will disappear altogether from our books. . . . Therefore, the House, if it will add these sums together, will see that I am justified in saying that \$1,574,000 of the total deficit is really and fairly due to exceptional causes, and that this deficit may therefore, to a very considerable extent, be looked upon, as I have said, as one of an abnormal character. But, sir, this is not all. I have a further proof, and I am happy to say a much more satisfactory proof of the general correctness of that view. I find on examining the records of my Department that the total expenditure to the first day of January, 1877, amounted to about \$10,100,000, whereas the total expenditure for the same services during the like period of the year ending the 1st January, 1876, was no less than \$10,900 000. In other words, the reductions which the Government have effected have amounted to no less than \$800,000 in that period alone, a process which if it can be continued during the next half year, would of itself almost entirely remove the deficit. I ought perhaps, to add that the current receipts up to that date from all sources, have almost exactly equalled the current receipts to the same period for the year 1876, and that I feel justified in now stating to the House and to the country that had we been favoured with even a barely average harvest—had there not been an unusual and extraordinary deficiency in the harvest throughout many portions of the country—the calculations on which the Government proceeded last year would have been very completely verified; and that not only would the deficit have been greatly reduced, but I have no manner of doubt that I would have been able to state to the House that it would have been absolutely extinguished by the end of the current financial year without further exertion on our part.

And here sir, I would pause to correct an impression which may possibly have been made on the minds of some hon. gentlemen, unless they have considered with some little attention the note which I have caused to be appended to the statement of receipts and expenditure laid on the table. The half year ending on the first of January in any year, as hon. gentlemen opposite probably know, is usually a much more convenient point of comparison than any later period, for this obvious reason, that a great many of the payments which are made after the first of January are made at irregular intervals, as has been notably the case in the present instance. In point of fact, in the payments up to the date of the 10th February, 1877, \$1,250,000 in round numbers has been charged on account of interest and of the sinking fund investments in excess of the amounts charged for these purposes at the same date of 1876. Now I need hardly point out to hon. gentlemen that it is a matter of no importance whatever, in calculating our ultimate expenditure, whether these sums are charged ten or twenty days sooner or later in the months of February or March; but I am especially desirous of calling their attention to the fact—because the statement itself otherwise might be completely misleading, not only to them, but to other parties here and elsewhere: and I might also add that even the statements of receipts are scarcely to be relied upon, because we had clear evidence last year that a very unusual quantity of money was paid into the Public Treasury about this time in anticipation of a change in the tariff—a circumstance which has not affected our receipts to any appreciable extent during the present period.

There remains, Mr. Speaker, however, another and a graver question to consider, and that is the question—not how these receipts compare with each other, but what are our prospects for the future? Is the revenue, already so reduced, likely to fall, or is it likely to increase? Now, sir, with respect to this, it is not in my power, it is probably not in the power of any human being in Canada, to say with absolute certainty what the final result may be. I can merely give the House the best approximate estimate I can make, with the facts and inferences I draw therefrom, and to leave it to the House to say how far I am warranted in the conclusions I have arrived at. I may, however, note this fact, that, large and unusual as the expenditures for the past year undoubtedly were, they are, nevertheless, well within the actual receipts for the year ending on the 1st July, 1875,—the actual receipts for that year having amounted to about \$24,650,000, whereas the total disburse-

ments of last year amounted to \$24,488,500, showing (which is worth noticing) that, compared with the actual receipts for the year 1874-75, our gross expenditure, large as it is, is still within the mark then attained. That is a point of some little importance, because, as I had reason to show on a former occasion, our receipts for that year were very considerably diminished by the operation of a variety of causes, to which I need not now refer; and, besides, the year itself was not one by any means of remarkable prosperity, as compared with those which preceded it. It may, also, be observed that the great loss in our revenue has arisen almost entirely from a falling off in one source alone. A great number of the important items which go to make up our revenue receipts remain fairly constant. One, that of Excise, has considerably increased, as compared with the preceding year. The great falling off, as everybody knows, occurred in the item of Customs. That reduction was simply enormous. The Customs have fallen off from a total of \$15,351,000 in the preceding year to a total of \$12,823,000, being a reduction at the rate of about \$2,500,000,—a sum larger than our entire deficit. I might also observe that there can be no doubt that had we enjoyed an importation equal to that of 1872-73 and 1873-74 the receipts, large as they were, would have been very much increased; and, therefore, that the real reduction in Customs is very considerably larger than even the heavy sum which appears in our public accounts.

I think, I am justified, under these circumstances, in saying,—not indeed that the Government were able to foresee exactly what would happen, but—that the policy and expectations of the Government were reasonably and fairly accurate. We did not base our policy on the expectation of a steady advance, we did not base our policy even on the supposition that we could maintain the great importations which had existed up to that time. We made our preparations not only for a stationary period, but for one of very considerable retrogression. The only thing we were not fully prepared for was the enormous and almost unprecedented retrogression in imports, which took place between 1874 and the close of 1876. In order that the House may fairly understand how enormous that depression has been, I would like, with their permission, to make a short comparison between our position now, and in 1867, which is the first year with which we can make any accurate comparison. Now, as I have excellent reason to remember, and as many hon. gentlemen in this House no doubt have excellent reason to remember, the first year of Confederation could by no possibility be defined as a speculative or even

a fairly prosperous year. On the contrary it was a year in which almost every merchant or importer felt himself bound to pursue an extremely cautious and conservative policy. There were many special causes which conduced to this. That year was the last of a period of very great depression. We had just lost the advantage of the Reciprocity Treaty with the United States, and two of the oldest and largest banks in the old Province of Canada had been obliged to suspend, resulting, in one case in total loss, in the other, in a heavy loss to the shareholders. There were also, as the House knows, very serious political complications regarding which it was not possible for any man then to see the end. In one word, the whole commercial policy of the country at that time was, as it ought to have been, characterized by extreme caution. Now, there is very good reason for believing that our total population in the year to which I have alluded, could not have exceeded three millions and a quarter:—(I am speaking of course of the four Provinces which originally formed this Confederation;) and it has even been doubted by some persons who are well able to form a correct estimate on this point, whether it was even three millions and a quarter. Since then matters have considerably changed. The five or six years which have elapsed since we last took the census, with the great exception of the last, have been years of prosperity. There has been a good deal of immigration into the country, and the total loss from emigration has been comparatively very small. I am therefore disposed to put the present population of these four Provinces at four millions, and if that point be granted—though I do not think it of very great importance to the correctness of my argument—then we have this somewhat remarkable result: That whereas in 1867-68, the first year of Confederation, we had a total importation of seventy-three and a half millions, with a population of three and a half millions, yet in the year just passed, with a population of four millions we imported only eighty-seven millions, Manitoba, British Columbia and Prince Edward Island being deducted. In other words, not only had we gone back to the point we occupied in 1867-68, but if you take a *per capita* estimate, our importations were positively three millions less, relatively speaking, in the year which has just passed than they were at the commencement of Confederation; and even if you choose to take the goods entered for consumption in place of those actually imported you will have an importation *per capita* at the present time barely equal to that in 1867. Now, Sir, the House knows, I have not been usually chargeable with the reproach of over extravagance in estimating our resources; but I have always

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seen clearly that since the culmination of Confederation, there has been a very great and marked increase in the wealth of this country, and that many indications show that this has been far greater in proportion than the augmentation of our population, and, therefore, whatever be the correctness of my calculations regarding the mere matter of population at these respective periods, if I can show, as I think I can, that we have advanced very greatly in relative wealth since that time, I am justified in saying to the House, that there is good reason for supposing, that we have seen probably the worst of the present depression.

I do not attach any great value to such indications of prosperity as are to be found in the number of banks established in this country, but these banks do, undoubtedly, afford us certain standards by which we may estimate with tolerable precision the increased volume of business throughout Canada; and I find that the general increase in various matters which are usually considered reliable signs of the advance of the population in wealth, have been very marked during that period. For instance it is well known that the amount of the circulation of a country, at different periods, affords a very tolerable indication of the volume of business done therein; and I find that whereas, on the 1st of January, 1868, our total circulation amounted to barely \$14,000,000 at the same period of the year 1877, that circulation (deducting in each case the Government notes held by the banks) had increased to, as nearly as possible, \$26,000,000, an increase of nearly 100 per cent. Similarly, within the same period, the bank deposits in the Provinces of Ontario and Quebec, for which alone we have returns, have increased from \$29,689,000, to a no less sum than \$70,450,000, the absolute increase in that case being 130 per cent.; and the deposits in Government Savings Banks from \$1,686,000 to \$7,178,000, an increase of fully 400 per cent., which is specially valuable as showing the growth of habits of thrift and frugality among our population; while the quantity of shipping owned and registered in this Dominion has grown from 776,000 tons in 1867, to 1,204,000 tons in 1877, being a total increase of 65 per cent.,—deducting from this estimate the outlying Provinces since added to the Dominion; and, although the gross volume of exports do not show equal additions, yet, the exports of our own products from the four original Provinces have grown from \$45,000,000 in 1867, to \$65,000,000 in 1877, exhibiting an increase in this direction of 45 per cent.

But, Sir, great as that increase is, an examination of the items of which it is composed, will go even farther than the statement of the gross business transacted, in showing the accuracy of the statement I make, that the absolute wealth of Canada has increased far more than in proportion to its population, within the past decade. In the first named year, Mr. Speaker, the total produce of the Fisheries amounted in value to \$3,357,000, whereas during the last named year the exports from that source amounted to about \$5,250,000. The exports of articles from the forest amounted to about \$19,750,000 in 1876, as against \$18,250,000 in the first named year, this increase being very small, while the exports of animals and their products have risen from \$6,893,000 in 1868, to no less than \$12,805,000 in 1875. The exports of agricultural products during the same time advanced in value from \$12,871,000 to \$20,469,000; deducting, in all these cases, the exports of the Provinces recently added to the Dominion from the calculations. There was also an equal proportionate increase in the department of manufactures; and there are some other increases which go incidentally to prove the truth of my statement. For instance, the total importation of sugar has risen from fifty-seven millions of pounds in 1868, to no less than one hundred and ten millions during the year just closed; and although I have not accurate statistics on the subject of life insurance, I believe I am correct in saying that within the past five or six years, the gross amount of policies of Life Insurance outstanding in Canada has increased from about \$35,000,000 to about \$85,000,000. Moreover, new and valuable branches of trade, as the House knows, have been developed; a large additional area of land has been taken under cultivation, and the land which is under culture is, as I can testify concerning certain portions of the country, and as no doubt other hon. gentlemen could testify respecting other sections of the country, very much better cultivated than ever before; our stock has increased in number and greatly improved in quality; our railroad communication is better and more extensive than it was, as compared with the previous period; and although a large portion of the railway expenditure incurred within that period, was of little practical utility,—much money being spent wastefully and much prematurely,—and although I fear that no inconsiderable part of the inflation and extravagance, from the effects of which the country is now suffering, has resulted from the improvident engagements which were entered into in that direction, whether by English shareholders or Canadian municipalities, still, notwithstanding all these drawbacks, it is clear that much valuable work has been done, and that we are

justified in believing that considerable profit will accrue to the country at large therefrom, however misdirected may have been the efforts of many of the parties originally engaged in these enterprises. I may add that the Customs Returns up to the present time afford very tolerable evidence that an improvement has already commenced. Not only have the receipts maintained themselves fairly, as compared with the corresponding period of last year, but I also note with pleasure, that there has been a decided increase in that great item of the 17½ per cent. list, on which, during last year, we sustained our heaviest loss. I am sorry to say, Mr. Speaker, that I cannot give an equally good report of the condition of the Excise Department. Though the receipts in this branch have been as large as they were during the year 1874-75, there has been a decided loss as compared with 1875-76, partly perhaps, attributable to the exertions of our temperance friends, partly, no doubt, to diminished consumption from ordinary causes, and partly to illicit distillation, which the low price of barley and hard times combined, have contributed to develop in certain portions of the country. Other branches of revenue have not only maintained themselves well, but have even increased somewhat, compared with the corresponding period of last year. I may also observe that our railway receipts, which are necessarily just now at their lowest ebb, may, I think, be reasonably expected to go on increasing, and improving, as new traffic develops, as ought and probably will be the case, along the lines recently opened.

Turning to the estimates I have recently had the honour of presenting to the House, you will perceive that the total sum demanded for the service of the year varies a little from the sum demanded for the past year—amounting to \$23,167,000 as against \$23,031,000, an augmentation of about \$136,000. Now with reference to the augmentation, I may observe that it is almost purely nominal, being composed in part of an item of about \$45,000, which appears on both sides of the account, (in one case as an addition to the Sinking Fund, and in another as investment of the interest of the sinking fund,) and in part of \$60,000 or thereabouts, composed of interest on money, which we are about to pay, and for which funds are lodged and actually bearing interest at this moment. The estimates are therefore substantially almost identical in amount with those submitted during the preceding year, although, as the House will see by reference to them, we have been obliged, in consequence of the contraction of the recent loan in London, to increase the annual charge

on the public debt by nearly \$500,000. These estimates in a general way will speak for themselves. There are, however, two or three items to which I would desire to call attention. A certain increase is necessarily demanded for the efficient performance of the Light-house and Coast Service, which is partly due to the natural increase of the cost of this service, and partly for repairing injuries caused by violent storms on some portions of our coast. The increase, however, to which most interest and probably most importance should attach, is the large item of \$86,000, required for the services for Indians, to which I shall presently allude. Before doing so however, it is a matter of some importance that the House in looking at these estimates should bear in mind how very large a proportion is occupied by charges over which we can hardly be said to have any control. If the House will apply to these Estimates the same division introduced in the abstract in the Public Accounts, they will find that the total charge for "ordinary expenditure" during the years 1877-78 is no more than \$6,503,343, being a reduction of very nearly two millions on the actual charges which were incurred for these services in either the year 1873-74 or 1875-76; and that, too, although as the House will perceive, the expenditure for Indians, to which I have already alluded, has increased enormously, and although there is a much heavier charge on account of the Mounted Police in the North West than in 1873-74. Now, sir, these charges for Mounted Police, for Indian treaties and indeed, for the whole Government of the North-West, are, I think in a certain sense and to a certain degree, to be fairly regarded as charges on capital. Not that I at all propose so to treat them, or remove them from the Consolidated Fund; but it is evident to every hon. gentleman that when we undertook the government of that great region, we undertook a task in performing which we must make very large present sacrifices for the sake of the future gain which we hope may accrue therefrom. And I desire to call the special attention of my hon. friends from British Columbia, who, on former occasions, have made it a charge against the Government to which I belong, that we were utterly callous and indifferent to the prosecution of the Pacific Railway, to the fact that the present Government has expended, from 1st July, 1874 to 1st January, 1877, no less than \$6,000,000 on the work of the Pacific Railway and the survey thereof; and that the present outlay for Mounted Police and for Indian Treaties, and the Government of the North-West,—all of which are absolutely indispensable preliminaries to any successful attempt to colonize that region or construct a

railway through it, whether it be done with our own funds or by agreement with contractors or other parties,—will entail, an addition to our ordinary annual charges of no less than \$800,000. Now, if that sum were to be capitalized, it would represent, at $4\frac{1}{2}$ per cent., no less than \$18,000,000. I think, therefore, whatever other charge the Government may be liable to, that of indifference to the prosecution of this railway, or reluctance to do everything which we could reasonably and fairly be expected to do for that purpose, is certainly not one.

Hon. Mr. TUPPER—Do I understand the hon. gentleman that the expenditure since 1874 on the Pacific Railway has amounted to \$6,000,000?

Hon. Mr. CARTWRIGHT—From 1st July, 1874 to 1st January, 1877, the amount of \$6,000,000, as nearly as may be, have been expended on the railroad works and the surveys,—the survey of course, absorbing a considerable portion of that sum.

Before proceeding to discuss other matters, it may be as well that I should give the House details of the loan which I contracted recently in London, and the reasons which induced me to issue it in the manner I did. As the House is aware, in last November I had occasion to issue a loan for £2,500,000 sterling in London, at the fixed price of 91 per cent. That loan was made with the usual allowances customary in such cases; and the usual commission of one per cent. and no more was paid to the agents entrusted with the negotiation thereof. I may add that that loan fetched the highest price ever obtained on our own unaided credit, and I may further add—and it is a good illustration of the correctness of the judgment of the Government in deciding to issue a four per cent. instead of a five per cent. loan—that that loan fetched absolutely a higher price at wholesale than the highest retail price obtainable for our five per cents., payable in 1903, the actual value of that loan at 91 being as nearly as possible equivalent to five per cents. at 108, whereas the current selling price of those five per cents. was barely from 105 to $106\frac{1}{2}$, deducting accrued interest. Now, Mr. Speaker, the bare statement of these two facts might, and, under ordinary circumstances, would probably have been sufficient; nor should I have felt it necessary to weary the House with a prolonged explanation of the reasons which induced me to issue this loan at 91, or to adopt the mode of issuing it at a fixed price instead of by way of tender, save for one consideration. I am aware that the propriety of the course I adopted has been called in ques-

tion; and (which is of much more importance) I foresee that it is necessary to disabuse the mind of the public of some gross misconceptions on this point, if we would avoid serious difficulty and danger in future negotiations; and I shall, therefore, be compelled to speak at some considerable length as to the exact position in which Canadian loans have stood for some few years past, and my grounds for the steps I took. And, in the first instance, I must beg the indulgence of the House while I glance at the general position of Canada in the London money market. It must be remembered that the late loan was only one of a series,—that two other loans had been issued, and that it was known that other loans must follow within a very short period. Now, I do not at all wish to arrogate to myself any peculiar wisdom in the negotiation of these matters, but I must say this,—that no Canadian Minister of Finance has ever had such a task before him, or has ever had to discharge it under circumstances similar to those under which it has fallen to my lot to issue a series of loans in London. The House must bear in mind that the change of security from a 5 to 4 per cent. stock, was necessarily an experiment, and a difficult and delicate experiment, and that there was a great deal of tacit but very decided resistance to such an issue. It was perfectly understood on the Stock Exchange and elsewhere that, if Canada succeeded in establishing 4 per cent. as the rate at which she could borrow, all the other colonies of good standing would follow her example, and possibly other foreign countries; and therefore, not unnaturally, considerable difficulties were thrown in our way; nor was it a very easy matter to place Canadian four per cents. on the market as a favourite and popular security. Indeed, for some time it was very doubtful if we could establish them at all. It was matter of notoriety in London that a large amount of our loan of 1874 remained for a long time unabsorbed in the hands of the capitalists who had taken it, and perhaps it is not so well known as it ought to be that this loan was for a time at a discount in the London market, which would have been enhanced but for the precautions taken by large holders of the loan to sustain it. Under the circumstances in which I found myself placed, I think the House will agree that the Finance Minister had a double duty to discharge. It was not enough for me to negotiate a single loan on good terms. I was bound to obtain the best reasonable price for our securities; but I was also bound to take all possible precautions to guard against the risk of failure. I need scarcely say that there can be no man in the country more anxious than the Minister of Finance, whoever he may be, to obtain as good a price as he can for the securities of Canada, but I may add that there is neces-

sarily no other man in Canada who is or who ought to be so keenly alive to the possible consequences of failure, or who, if he is fit for his position, is so well able to judge of the mischief which may ensue therefrom, as the Minister of Finance; and therefore I say that any man who goes to London charged with such a duty has the right to expect that he will receive from his colleagues and from the country a reasonable amount of confidence, and full plenary power to do as he may judge best in the interest of the country. I do not object to any fair criticism of my conduct, but I desire to point out that I had two things to consider,—not only how to get the best immediate price, but the possible consequence of failure in negotiating this loan, which I do not hesitate to say would have been of the most serious moment to Canada. I do not wish to cast the least reflection upon any hon. gentleman opposite; but I have felt on more than one occasion that it was a personal misfortune to myself, and to the Government, that there is no hon. gentleman on the Opposition benches, who has at any time filled the position of Minister of Finance. I felt that if any of those distinguished gentlemen who filled the office before me, if Sir Alexander Galt, Sir Francis Hincks, or Sir John Rose were sitting beside the hon. member for Kingston, it would be unnecessary for me to enter into these lengthened explanations, as they would understand that the Finance Minister had only taken the precautions which they themselves never failed to practice, and that they would be the first to declare that a Finance Minister who neglected to take these precautions, for the sake of a little temporary popularity or a little doubtful gain, would deserve the severest censure of the intelligent portion of his countrymen. Nor would they have made the vulgar blunder, to which a great deal of all this misconception is owing, of catching at some stray quotations in some odd English newspapers, and disregarding the steady current of quotations for months together. To judge of the price which can be obtained for any loan at wholesale by mere accidental retail quotations shows a very partial acquaintance with the real state of the case. If quotations are continued for a long time, and are genuine *bonâ fide* quotations, of fair amount, they do, it is true, afford a guide which may be relied on to a great extent, though it often happens that a market which would be well sustained with a small quantity of stock to dispose of, would droop exceedingly if any large amount should be suddenly thrown upon it. As is well-known in London and, as I should imagine, ought to be equally well-known in Canada, there are many stocks in which a peremptory order to buy or sell even the small amount of £50,000 or £100,000 sterling would have sent the stock up or down, from 1 to 2

per cent., as the case might be. Moreover, the fact seems to have escaped observation that the quotations usually referred to are those of the old loan of 1874, a loan which, having run $2\frac{1}{2}$ years, is necessarily more valuable and likely to attract the attention of large investing companies in preference to a similar loan which has 30 years to run. I am not, however, disposed to confine the case to mere general arguments. I have here a statement carefully prepared from journals of high financial repute—from the London *Economist* and the *Investors' Monthly Manual*—showing the actual quotations, after deducting accrued interest, (another matter which has been entirely overlooked) of the old loan, which, as I have shown, was preferable to the new. Now, sir, on the 1st July the *Economist* quotation, (which I think hon. gentlemen will admit to be as high an authority as can be produced) showed that the actual retail price, of our four per cents. varied from £90 6s. 8d. to £91 6s. 8d.—a quotation which was not disturbed during the entire month of July. In August it had risen to £90 11s. 9d., varying towards the close of the month from $90\frac{3}{4}$ to $91\frac{3}{4}$. The same state of things prevailed not only through September, but through the greater part of October, and only towards the close of October, through legitimate but accidental and temporary causes, did it range as high as $92\frac{1}{2}$. The quotations from the *Investors' Manual*, deducting accrued interest, and based on actual business done, shew that the quotations varied from $90\frac{1}{2}$ during two of these months to $90\frac{3}{4}$ in September, and reached the maximum of 92 in the month of October. This is all the more important because, in each case, these figures represent the actual latest business done; and though I am quite aware that one or two stray quotations may have ranged a point higher, I had very excellent reason to know that this advance was purely temporary and could not possibly have been maintained.

Now, sir, while I am on this matter I ought to state to the House the fact that, so far from those gentlemen who engaged in this transaction having the opportunity of making a large sum of money at the expense of Canada, the actual fact was that, the moment the new loan was issued, the price of the old loan, (which, as I said before, is a preferable security) appears to have fallen to $91\frac{1}{2}$, a rate at which I need not remark no possible profit would accrue to any body who held the new issue; and it appears during the whole month of November never to have touched as high a rate as 92, (deducting accrued interest,) while during the month of December it varied from £90.18 to £91.5, these quotations being taken from the official markings on the Stock Exchange

from the 10th or 12th November to the 31st December, 1876. To those who understand the meaning of these quotations, it will be apparent that it would be perfectly impossible for anybody to gain any wide profit out of our loan by purchasing into the new issue at a fixed price of 91, even deducting the allowances to which I have alluded; and if any hon. gentlemen are desirous of maintaining that it is possible for any man—I do not care who he may be,—I do not care what security he may be dealing in—to obtain anything like as high a price at wholesale for a loan of several millions sterling thrown suddenly on the London market, as they can for the same securities by retail, I would desire to call their attention to the circumstances under which a variety of loans were issued by other Governments doing business in the same market.

Country.	Date.	Amount of Loan.	Fixed at	Rate of Interest.	Quotations of previous issues of similar character.
Brazil.....	1871	£3,000,000	89	5 p.c.	97 to 99.
do	1875	5,301,000	96½	5	“ 100 to 101.
Chilian.....	1873	2,276,500	94	5	“ 97.
do	1875	1,000,000	88½	5	“ 91 to 92.
Belgian.....	1874	1,440,000	75½	3	“ No quot. in Engl'd.
French.....	1871	88,000,000	82½	5	“ No previous issue.
do	1872	140,000,000	84½	5	“ 84.85 frs. to 87.85.
Hungarian.....	1873	7,500,000	89	6	“ } 1st issue.
do	1874	7,500,000	91½	6	“
Italian Tobacco loan	1868	9,404,762	81½	6	“ No previous issue.
do	1869	5,200,000	73½	5	“ 84.
Russian.....	1873	15,000,000	93	5	“ 96½.
do	1875	15,000,000	92	4½	“ 96 to 98.
Swedish.....	1868	1,150,000	90	5	“ 1st issue in Engl'd.
do	1876	2,000,000	96½	4½	“ 97 to 99.
Norwegian.....	1876	1,320,000	96½	4½	“ 1st issue.

Taking all the loans of any note whatever which have been made during the period from 1868 or 1869 up to the present time, we find these results:—Brazil in 1871 issued a loan of £3,000,000 at 89,—the market price at that time being no less than 97 for similar securities. These were, however, to expire in a fixed period of no great length, and therefore that quotation does not quite fully represent the actual state of

things; but in 1875 that country issued an important loan for a larger amount at $96\frac{1}{2}$; the then market quotations being from 100 to 101. The Republic of Chili about the same time issued a loan at 94, the current market price thereof being 97. It afterwards issued a loan at $88\frac{1}{2}$, the detailed quotation being 91 to 92. Apparently, the loan issued by the French in 1872 was placed at about 80. In the case of the Italian loan, which was issued at about 69, the difference was also very great. For that, I presume, there are special causes. In the case of Russia, in 1873, there was also a great difference. In the case of Sweden, in 1876, one or two loans were issued at $96\frac{1}{2}$, the retail quotation being 97 and 99. The same remark applies to the Norwegian loan, made at nearly the same period as mine. The fact of the matter is this, Sir,—and it is thoroughly well understood elsewhere, and is, I may say, apparent on the face of it—that it is quite impossible to obtain the same price at wholesale for any sum you may place on the market, by at least one or two per cent., as you can obtain in the small retail transactions on which these quotations are usually based.

But if my hon. friends ask for further proof, I think I might fairly refer them to the circumstances under which Mr. Tilley negotiated a loan in 1873. Now, it must be borne in mind that Mr. Tilley was able to present to the English market a security having very great advantages. Our four per cents., bearing the Imperial guarantee are, to say the least of it, as good as any security which exists in London or any other part of the world. Mr. Tilley issued that loan,—and I desire to say, in the first place, that I am not in the slightest degree censuring Mr. Tilley for anything which has been done: I am merely calling attention to the circumstances under which he acted and to the utter impossibility of obtaining as high rates for a wholesale transaction as for a retail operation, however good the security may be. Although it bore the Imperial guarantee, he was unable to obtain as much for it, within five per cent., as Sir John Rose obtained for the mixed loan issued by him in 1868-9, allowing for the discount on our five per cents at that date. The actual result was that Mr. Tilley netted about $102\frac{1}{2}$, the retail price of guaranteed fours at that moment, as any hon. gentleman can see by reference to the *Economist*, being from $104\frac{1}{2}$ to 106, while I, who netted 90½ on quotations ranging from 92 to 93 at retail, got quite as close to the maximum price with my decidedly inferior security as Mr. Tilley was able to do with the loan he issued. I may mention another curious fact bearing on a point to which I heretofore called the attention of the House, and that is this:—that whereas

the real intrinsic value of Mr. Tilley's fours, when issued, was no less than £114, as contrasted with the then price of consols, which were 92, Mr. Tilley was unable, as the House will see, to obtain within twelve per cent. of the sum which he ought to have got if we merely regard the actuarial value of the two securities,—the fact being that it is a matter of considerable difficulty in England to negotiate any loan at a premium, and such is the effect of long custom or of prejudice in the London market, that any new security, no matter how good the guarantee may be, is always very much cheaper than the old and better established ones. Now, I have already alluded to the fact that the loan of 1874 was a loan from which almost all the parties, who took an interest in it, derived very little or no profit. The House is probably not aware, but the returns of the Stock Exchange and other official documents will show that all through 1875 and the greater part of 1876 our loan (deducting accrued interest) was positively at a discount—in one or two instances going to as low a figure as 86½. I am not disposed to inflict on the House another long list of those quotations, but I shall be happy to verify the statement either with the hon. member for Cumberland or any other gentleman who desires at his leisure to investigate it.

As to the question of employing middlemen—in other words as to the possibility of dispensing with agents and other intermediaries in London, in negotiating our loans,—I beg the House to remember that any country going to London to borrow money, must, more or less, conform to the customs of that market. The London market is, to a very great extent, under the control of a corporation, (I might almost say of a close corporation,) consisting partly of a number of very powerful capitalists, and partly of brokers and agents; and the position which the outside English investing public occupy in relation to Canada can be only described as one of great indifference, of which a substantial proof may be found, in the fact that many English papers of large circulation do not insert Canadian or indeed any colonial securities, among their daily quotations of transactions on the Stock Exchange. This, no doubt, is a matter to be regretted, and it is one which I hope to see remedied by-and-by: meantime, I think I would have been very much to blame, if, under such circumstances, I had failed to avail myself of the ordinary means of placing our loans on the market. If I had done so I would have run the risk of making a total shipwreck of the transaction. In fact the whole question of employing middlemen and agents in London, resolves itself, to a great extent, into a question of insurance. No doubt, under a

peculiar combination of favourable contingencies, you can float a loan without the intervention of these agencies; but, in so doing, you are very much in the position of a merchant who sends a ship on a dangerous voyage with a most valuable cargo uninsured, and I did not feel it in the interest of Canada to run any risk at that moment, which I could fairly and honestly avoid.

As to the other question, whether, even admitting all that I have said, it was a prudent act to issue the loan at a fixed price or by tender, I frankly admit that this is a fair question for argument,—as is also the question of the employment of agents,—but I repeat it is necessary in all such cases to pay some regard to the temper and preferences of the market in which you are dealing. Now, Sir, the same remarks that I made with respect to the question of issuing loans at wholesale prices, one or two per cent. below ordinary retail quotations, applies, and applies with even greater force, to this question of issuing at a fixed price and not by tender. Let us take the list already referred to, which is in fact a list of all the countries which have issued any loans of magnitude—that is, all the countries of good standing—for the last eight years. Brazil, in 1871, issued a loan of £3,000,000 stg. at a fixed price; in 1875, one of £5,500,000 at a fixed price: Chili, as I before remarked, did the same: the Belgian Government issued one of £1,400,000 at a fixed price: France issued her two large loans at a fixed price: Hungary issued its large loans in the same way: Italy did the same: Russia did the same: Sweden issued its loans, each of similar amount, at a fixed price: and, lastly, the Norwegian Government, almost at the same time that we issued ours, issued its (at a much cheaper rate to the investor than mine,) also at a fixed price. These loans exhibited every variety of difference in the rate of interest and in other particulars, but they presented one common point—that they were all issued at a fixed price and not by tender. I find that they were issued by houses of the highest reputation, by the Rothschilds, Baring Bros., Stern Bros. and others, and I put this question to the House:—Are we to suppose that all these countries and all these well-known houses are entirely mistaken in their judgment of what is desirable and wise, in dealing with the London market? Or are we to believe that these houses so well and honourably known in every exchange in the world, conspired together to defraud those who put trust in them? I repeat, Sir, that although these loans differ in almost every imaginable particular, the House will find them all alike in reference to the important points,—that in each and

every case the wholesale price is less than the retail price, and that in each case they were issued at a fixed price and not by tender. I need not say that this was a point long and earnestly discussed by the agents and myself. I was aware of the prejudice that existed here on this question; and if I could have done so with a due regard to the interests of Canada, I would have humoured the prejudice—groundless, as I believe it to be. But I think that it will be found on due examination, that there are only two cases in which parties may safely venture on issuing by tender. First, where, as in the case of a bond bearing the Imperial guarantee, they have security so good that they are masters of the situation; or in cases where time or immediate success in the negotiation is a matter of indifference. As an appropriate illustration of the correctness of this view, I may state that one of the most important Australian colonies had occasion sometime ago to negotiate a loan of £1,500,000. That loan was offered to the market by tender, with a sealed minimum. The tenders at or above the minimum only amounted to some £300,000. The minimum was then disclosed and tenders again invited, but only another £300,000 or £400,000 could be obtained. After many efforts to float it, the loan was finally withdrawn and the balance was taken up by the Australian banks, on private arrangements best known to themselves. I need not say that our case was directly opposite to this. Time was of vital importance, and any failure in the negotiation would have been attended with serious consequences to the credit of this country. As it was, we just escaped meeting with unpleasant reverses. Although no time was lost, although our prospectus appeared in the London papers the very moment that the armistice was agreed to between Turkey and Servia, yet within twenty-four hours of the closing of the loan, the whole market was completely deranged by the speech made by Lord Beaconsfield at the Mansion House, and replied to by the Czar of Russia next day; and I have the best possible reason for saying that it would have then been impossible to negotiate a loan on anything like the advantageous terms that Canada actually obtained. While on this question I may repeat that the London Stock Exchange have taken the strongest possible ground against the issue of loans by tender at sealed minimums, and that I much doubt, if it would be prudent to adopt that method of floating a loan, except perhaps in the case of Imperial guaranteed bonds. It is well-known that in the case of an open minimum there is not much chance of getting more than a few shillings above the price named; and that

there was but a very doubtful advantage to be gained in running the risk, as we certainly would have done, of losing a great many valuable subscribers,—men whose names I desired for various reasons to see recorded on the list of subscribers to the Canadian loan. Unhappily, there seems to exist a rather serious delusion as to the readiness with which we can borrow money in the London market. Doubtless our securities are gradually creeping into a good position there; but unhappily the mere fact that money is plenty in London does not by any means insure success to a Colonial Minister of Finance in negotiating a loan there. Money is plenty in a great many cases simply because credit is scarce, and it, by no means, follows that it is therefore always easy to induce investors to put their money in a comparatively unknown security. I may add that there were certain special features in our case which I was bound to consider, and which this House was bound to consider. It is perfectly well-known that Canada is not looked upon with a friendly eye by persons having great influence with the London press. More than once, during the progress of the negotiations of previous loans, hostile articles have appeared in London journals of widely extended circulation; and I had good reason to know that if there was much delay we might be exposed to the same adverse criticism, to the very serious detriment of the operation. It must be borne in mind that it is as well known in London as it is here—at least by those interested in such matters—that a very considerable deficit in the revenue of the past year was inevitable; in fact they had only to refer to my budget speech to see as much. The depression which existed in Canada and all over North America, was perfectly notorious, and would necessarily exercise an unfavourable influence upon this class of securities. The fact that we had heavy engagements to meet for various public works, and that we had a serious difficulty with British Columbia in regard to the Pacific Railway was equally well-known; and, furthermore, we were weighted down by the circumstance that a very large amount of English capital, amounting in all to a sum very nearly equal to the whole of the national debt of Canada, is unhappily locked up in railway investments from which very little return is at present looked for. I need scarcely add that it was likewise known to many on the Stock Exchange that large masses of Canadian indebtedness were maturing within one or two years, and that other loans must be contracted for the purpose of paying them off. Now, Sir, bearing in mind the facts I have stated, and bearing in mind that, for months before and for months after the issue of this loan, the

retail price barely ranged from 90 to 92 at the very outside, with perhaps the exception of one or two stray unimportant quotations, I must say it did but small credit to the good sense and patriotism of my critics to find that, without waiting for those explanations which I alone had the power to give, there were persons found indiscreet enough to attack not only my conduct in negotiating the loan—which they were perfectly welcome to do—but the personal honour of the distinguished houses which had been employed by me, as they were for many years by my predecessors, in conducting the financial affairs of Canada. Those attacks were dastardly, dishonourable and thoroughly to be deprecated: I trust before this debate closes there will be an universal expression of disgust at it from both sides of the House; and I desire to say with reference to the houses of Baring and Glyn, that on both occasions, in 1874 and in 1876, every penny of our stocks which they took, was taken up especially at my request, and at my earnest desire. They asked for none, and wanted none. It was I who took the responsibility of inducing them to subscribe, for reasons which would induce me, under similar circumstances, to repeat the request. And I have to add that the special means which these firms have of ascertaining the true value of the stock, and the fact of their being very large subscribers, had a great deal to do with the success which attended this loan. That success was remarkable, and was attributable to two causes. First to the precautions taken; and secondly to our good fortune in the choice of the moment of issue. I need not say that in the present state of Europe, and in the state in which it was when I last made my appearance in London, no man could say how soon the market might have been thrown into utter confusion, or when the present complications might have resulted in universal war, or how that contingency might have affected our chance of borrowing money at all. I hold that it is the very keystone of a sound financial policy for a country in our present condition with such large responsibilities, accruing and accrued, to be always well in advance, and never to allow ourselves to wait for the last moment for obtaining a loan,—more especially as it really costs this country very little, as I am always able to obtain nearly, if not altogether, as good a rate for whatever amount I have in hand as I have to pay to the lender. Moreover, Sir, another advantage of this loan was that it left no less a sum than £2,100,000 stg., Imperial guarantee, still in reserve, which may prove exceedingly valuable to this country, inasmuch as it is a security which I can always succeed in floating, no matter what difficulties or embarrassments may attend the negotiation

of ordinary securities in the English markets or elsewhere. However, my main object is to correct two false impressions which I found prevailing on this side of the Atlantic. In the first place I desire to correct the absurd idea that it is possible, under any circumstances, to obtain as much for a large sum at wholesale as at retail prices; and I desire to call attention to the falsification or misconception of the quotations which actually exist in the London market. Let hon. gentlemen take any recognized authority they will—whether the *Economist* or the *Investors' Manual* or the official markings of the Stock Exchange, and they will find that with the possible exception of a few stray transactions, the whole current of the quotations of our loans are precisely as I have described them. Now, Sir, any attacks made upon me can do me little harm; and I am perfectly able to defend myself here or elsewhere; and any attacks which may be made on the personal honour and integrity of the agents of Canada will do them very little harm. But I cannot but feel that they may do this country very considerable harm; and it is on that account that I have deemed it my duty to indulge in this somewhat long and tedious explanation, in order that every hon. gentleman may satisfy himself that the advice given by our agents was fair and sound, and based on the true condition of the market. And I repeat that before this debate closes, I hope that the right hon. member for Kingston—who, as the first Minister of the previous Government, must have been intimately acquainted with the whole of the transactions between Canada and these two great houses for a considerable time—will take occasion to disown the attacks which have been made upon the integrity of those gentlemen. If he does not, I am afraid even his silence may be construed into an endorsement of this most unfortunate attack on men who, both in former times and now, have done and are doing all in their power to maintain the good name and the credit of Canada.

Perhaps before finally disposing of this question, I may as well embrace this opportunity of explaining to the House the application which has been made of the very large sums of money which have, at various times, been borrowed by this Government. We have borrowed in all—on three separate occasions—the nominal sum of £9,000,000 sterling, realizing an actual net result of \$41,000,000 or \$42,000,000. I find, on examining the public accounts, and those of my Department not yet produced, that it is accounted for as follows:—From the 1st July, 1874, to the 1st January, 1877, we have expended in all on the

Intercolonial Railway the sum of \$4,173,000. We have expended on capital account for the Nova Scotian and New Brunswick Railways, a further sum of \$922,000. For the completion of the Prince Edward Island Railway we have expended some \$1,018,000. On the Pacific Railway survey we have expended \$1,652,000; and on the works of construction therewith connected we have expended \$4,356,000, making a gross expenditure on what I may call railway account of about \$12,121,000. With respect to other public works, chargeable to capital, we have expended on the Lachine Canal, \$1,457,000; Welland Canal \$4,296,000; and on other canals, about \$1,238,000. On the completion of these buildings (the Parliament Buildings), \$629,000; and on what are known as improvements of the River St. Lawrence, conducted under the Montreal Commission, \$564,000,—making the total for other purposes \$3,184,000; or a total expended in these two years and a half, \$20,305,000 on capital account. We have, besides, now in hand a sufficient sum of money to expend between \$6,000,000 or \$7,000,000 on the various works mentioned in our estimates. And I have also made provision for the redemption of something like a couple of millions of dollars which fall due within the next nine or ten months. We have, moreover, paid off debts or made advances to the various Provinces, amounting to between \$16,000,000 and \$17,000,000, with this satisfactory result, that, whereas we have increased the charge for interest by about \$1,750,000 on the one hand, we have reduced it on the other by about \$930,000. In other words, the \$27,000,000 (composed of the sums now in hand, which we are about to spend, together with the expenditures which I have just enumerated), will cost this country very nearly three per cent. per annum, which is not a very bad financial operation,—always admitting the necessity of constructing these works at all. Now, it is perfectly well known that I myself have never approved of the construction of all these works at one time; and although I do not wish at this present moment to enter on anything like a political discussion, I must observe that I believe there is not a single one of the works to which I have alluded; for which, or for the inception of which, the present Government can in any way be held responsible, with the exception of a certain part of the expenditure for the construction of the Pacific Railway.

And now, Mr. Speaker, having shown to the best of my abilities the results of the general financial policy of the Government, and having given such explanations as I think the House can

fairly demand at my hands, of the reasons which induced me to select the particular mode and price of issue of the loan recently effected, I ought perhaps to add that, for obvious reasons, I have not hitherto stated to the House certain circumstances which came to my knowledge as to the difficulties with which we met in establishing our four per cents in the English markets. I would now repeat my assurance that these difficulties were neither few nor slight, and that we required, not months, but years of patient negotiation to overcome some of the most formidable of them.

The only other point on which much further explanation is needed, is with reference to the future position we are likely to occupy as regards both our ordinary annual expenditure and our capital outlay on those other great works which we are obliged to undertake or proceed with. It is extremely necessary in estimating the present position of this country, and in judging correctly of the policy which the Government are about to advise the House to pursue, that we should bear accurately in mind the liabilities now existing, (or which will exist when the funds at present in hand are expended,) as compared with those which we found impending at the time we assumed office. In 1874, counting from the 1st July of that year, I find that our liabilities up to 1880,* were computed by me pretty nearly as follows:—I expected to be obliged to spend on the completion of the Intercolonial Railway, a sum varying from \$6,000,000 to \$7,000,000, which I may say, is almost exactly the amount that has been or will be spent for this purpose, if the estimates for 1877-78 are fully expended. I also expected that the task of completely repairing the Nova Scotia and New Brunswick Railways, as contra-distinguished from the original Intercolonial Railroad, would require a total of about \$2,000,000, which I proposed to expend and have expended, partly from capital and partly from income.

* Intercolonial Railway.....	\$7,000,000
Nova Scotia and New Brunswick Railways.....	2,000,000
Prince Edward Island Railway.....	1,000,000
do do Land Grant.....	800,000
Minor Public Works.....	4,000,000
Welland Canal.....	10,000,000
Lachine Canal.....	7,000,000
Ottawa Canals.....	2,000,000
St. Lawrence Improvements.....	1,500,000
Pacific Railway.....	10,000,000
Advances to Provinces.....	1,000,000
Maturing Debts.....	35,000,000
	<hr/>
	\$81,300,000
St. Lawrence Canals, say.....	9,000,000
	<hr/>
	\$90,300,000

For the Prince Edward Island Railway, I estimated \$1,000,000, which has been slightly, though not much exceeded, and their land grant would, I knew, require \$800,000, if they chose to apply for it. I estimated the expenditure for a great variety of minor public works then in hand, including the completion of the Ottawa Buildings, at something like \$4,000,000—and I fear that this expenditure has rather over-run than under-run my estimate. I estimated that the cost of completing the Welland Canal, as from that date, would involve the expenditure of about \$10,000,000, and the Lachine Canal, of \$6,000,000 or \$7,000,000. For the Ottawa Canals, even without prosecuting them to their full extent, as was at one time contemplated, I knew, fully \$2,000,000 would be required, and for the St. Lawrence improvements and similar objects, I set down the sum of \$1,500,000. For the Pacific Railway I was obliged to make merely approximate estimates, and these I placed at something like \$10,000,000. The advances to the Provinces on old engagements represented about \$1,000,000. I knew that we had a mass of debts maturing to the amount of no less than \$35,000,000, and I expected that the St. Lawrence Canals would consume a further amount of from \$6,000,000 to \$9,000,000. In other words, I knew that between 1874 and 1880 the country would be called upon to contract loans either for the purpose of redeeming outstanding debt, or for carrying on the public works then actually commenced, which would amount absolutely to \$81,800,000; or if you include the last named items, to no less a sum than \$90,000,000. I knew also that the expenditure which might be incurred in the North-West Territory, for the purpose of properly organizing and managing that great country—although then unknown—would certainly be very large; and that the mere expenditure for some years to come in running the Intercolonial and other railways would likewise consume a very considerable portion of the public revenue. Now, comparing the estimate as made in 1874 with the estimate I have before me of the probable expenditure from the year 1878 to 1880, I am able to congratulate the House and country on the enormous reduction which is being made in this great mass of liabilities. I have every reason to believe that the total capital expenditure on the Intercolonial Railway proper will be entirely closed by that date, (1878), though possibly a small balance may remain to be provided in the case of the Nova Scotia and New Brunswick Railways. The Prince Edward Island Railway, as well as the Prince Edward Island grant, has, as the House

knows, been finally closed. Expenditure on minor public works, including the Ottawa buildings, will, I hope, be also closed before that time; and, as to the Welland Canal, the estimates which have been brought down, together with a small supplementary estimate, will come so near defraying the cost of the final completion of that great work, that I am informed the sum of \$2,250,000, at the outside, will be all that will remain to be expended for that purpose, while the sum of \$2,500,000 will, it is expected, suffice for everything really required in the case of the Lachine Canal. The outlay on Ottawa Canals, and the St. Lawrence Improvement Fund, will likewise by that date be closed, and although I am unable to fix any absolute limit to the expenditure on the Pacific Railway, yet, bearing in mind the facts stated as to the large sum already expended, I think it a fair estimate to say, that \$4,000,000 will represent the probable outlay from 1878 to 1880. Now, even allowing \$2,000,000 or \$3,000,000 for general miscellaneous purposes, I think that this result will follow:—That, as against absolute engagements in 1874, of \$46,800,000, we can say that, after 1878, we have provided for all save about \$11,000,000, against which I hold intact and unbroken, £2,100,000 sterling of Imperial guarantee; and, as against the mass of debt of \$85,900,000, we only have thirteen millions of dollars remaining to refund, after deducting the sums for which I have made provision. With respect to the St. Lawrence Canals, I am of opinion, as is also my hon. friend beside me, after full consideration, that the expenditure on those works can fairly and reasonably be delayed for a short time without the least prejudice to the public interests.

The general result of all this is, therefore, that whereas when this Government came into office, it was confronted with total liabilities amounting to fully \$90,000,000 (according to the programme laid down by the hon. gentlemen opposite), without taking into account the enormous obligations incurred if the Pacific Railway contract was to be carried out in its entirety, we have now a total amount of liabilities to be provided for rather under than over \$24,000,000, an amount which, if we only succeed in floating another small loan on anything like as advantageous terms as the last, is not likely to give us any considerable trouble, I might properly add,—because this is a very material point in estimating our present position—that we have every reason to believe that the estimate for the cost of governing the North-West has now attained its maximum, and that we will not be obliged to come down to the House, and demand

any large addition for this service, unless some entirely unforeseen accident shall occur. So, in the case of the Intercolonial Railway, it will be manifest, I think, to every hon. gentleman that there is reasonable ground for believing that that expenditure has attained its maximum, and that the receipts may be expected to increase from time to time, which amounts substantially, of course, to the same thing, so far as reducing the deficit for that service is concerned.

Nor, Mr. Speaker, is this all. It will be observed, as I have said, that we have demanded a total vote of about \$23,170,000, for 1877-78, although, as I have explained, at least \$100,000 is merely a cross entry. The House may very fairly say, suppose that you do expend, as on your own showing you expect to expend, this additional \$11,000,000, will you not be compelled to incur fresh outlay in providing for the interest thereon? Sir, for that, also, I think I shall be able to satisfy the House, sufficient provision has been made. If, as I said, I succeed in effecting another loan on the same terms as the last—of which there is a reasonable probability,—the reduction in the rate of interest on thirteen millions, coupled with the charge on certain sums now about to be discharged, will give a total reduction on that item amounting to no less than \$250,000. Then, as I have said, there is every reason to believe, that the losses incurred in running the Intercolonial Railway, (which, I may observe, now includes the whole system of the Nova Scotia and New Brunswick Railroads), will be diminished in one way or another by a sum of at least \$250,000. The House will bear in mind that in making this statement I am not depending on increased receipts. I am merely calling attention to the fact that the sum of about \$250,000 is now charged as extraordinary expenditure, for changing the gauge and replacing the iron by steel rails,—an expenditure which, in the nature of the case, must very soon cease altogether, nor will it require to be renewed for a great many years to come.

Hon. Mr. TUPPER—What do you estimate the cost of working the railways above receipts?

Hon. Mr. CARTWRIGHT—The present dead loss to us is, as nearly as I can recollect, about \$550,000, including the cost of running the Prince Edward Island Railway which will amount to above \$100,000.

Hon. Mr. TUPPER—You expect to reduce that by \$250,000.

Hon. Mr. CARTWRIGHT—By about that, owing to the fact that a large portion of the extra charge is caused by replacing iron by steel rails. My hon. friend beside me (Mr. Mackenzie) maintains that the estimated life of the steel rail very greatly exceeds that of the iron,—the former of which he places at from fifteen to twenty years as against six or eight in the case of the latter. That, of course, is a matter on which I am not in a position to give much information to the House. But the point to which I wish to call attention, is this that we have, in these two items alone, reasonably well ascertained means of meeting the increased interest for the increased expenditure on capital account, to which I have alluded, without further charge to the people, while, if the expectations entertained (no less by hon. gentlemen opposite than by myself,) as to the increased commerce which may fairly be expected to flow through the Welland Canal when opened on an enlarged scale, are even approximately correct, I am warranted in expecting that some addition may come to the public exchequer from that source. The lowest estimate at which that is placed is \$250,000; and looking at the fact that the canal pays a considerable net revenue even now, when it is able to admit only vessels not exceeding 400 or 500 tons, there is really fair ground for believing that a considerable augmentation of the public revenue may be looked for from that source. But that being an uncertainty and a matter yet remaining to be proved, I have not felt it wise on the present occasion to do more than call the attention of the House to it as a probable source of increased revenue; for which reason, likewise, I do not calculate on the additional revenue we may expect to derive from the increased receipts of the Intercolonial Railway. The House will therefore see that there are certain very important points which may be regarded as reasonably fixed in considering our present position. They will see that our total expenditure has at last attained a position which it is not likely to exceed for some time to come, always excepting such casual cross-entries as are caused by accumulating interest on Sinking Fund, which amounts to \$130,000, if not more, since 1874. With such exceptions, we are in a position to assure the House that an expenditure of about twenty-three millions and a few hundred thousands, more or less, either way, ought to meet the working expenses of Government. We have also so greatly reduced our absolute engagements, and so greatly reduced the amount of debt we are positively obliged to pay off, that I do not anticipate anything like the same difficulty in dealing with that question, which I dreaded in the past.

I think we have gauged with tolerable accuracy the extent of the depression up to the present time; although I must admit it is, unfortunately, yet a matter of some uncertainty as to whether the future depression may not even exceed the point which has now been attained. It is a question of some considerable interest whether the taxes which were imposed in 1874, did or did not diminish the importations to such an extent as materially to reduce the benefit accruing therefrom. I may say that after giving the subject much consideration, I am inclined to think they did not; and I base that opinion on several grounds. In the first place, as the House knows, the imposition of the additional two and a half per cent. *ad valorem* was neutralized, or nearly so, by the very great fall in the average value of the articles on which it was imposed; or, to put the matter in another shape, had the duty been specific, instead of *ad valorem*, the country without any nominal increase, would have obtained a very much larger revenue than it now does. The fact was, that the diminution in values has cost us much more revenue in proportion than we got from the increase of two and a half per cent. duty. Moreover, I have caused special inquiry on this matter to be made by gentlemen of known authority, and, although they differ on minor points, all agree in believing that no serious diminution in importations has taken place from the imposition of that additional tax. I might add that we had pretty strong evidence on that point in the demand for the imposition for further duties for purposes of protection, which has been advanced by my hon. friend from Montreal West and others, on the very ground that no diminution of imports had taken place, and to a certain extent in the testimony which was given by the hon. member for Cumberland on the occasion of the debate in 1875, in which the hon. gentleman admitted that such were the resources of the country, that no hardship whatever had resulted from the imposition of the additional duty. Moreover, on examining the free list and the articles on which no alteration in duties was made, it will be seen that a corresponding reduction took place in importations—and that even to a greater extent in many cases. For these reasons I am strongly inclined to believe that no diminution in the total volume of our imports resulted from the steps taken by the Government in 1874, for the purpose of providing additional revenue.

It being six o'clock, the Speaker left the chair.

AFTER RECESS,

Hon. Mr. CARTWRIGHT resumed. He said: Mr. Speaker, before the recess, I had taken the opportunity of explaining to the House my views on the general position of the country at the present moment. I had stated to them certain reasons, which appeared to me valid, for supposing that we had probably seen the extreme point of depression, or, at least very nearly the extreme point that is likely to be reached, and that we had a fair ground for hoping that we would not have any serious reduction on the revenue received last year, (1875-76.) I had also stated that, but for the unfortunate deficiency in the harvest which occurred last year, I had no doubt whatever that the expectations of the Government would have been fully realized, and that it would have been easy for us to have paid our way without having recourse to the disagreeable necessity of imposing any further burdens upon the people. Unhappily, as the House knows, the last year's harvest, so far from being a fair average, was decidedly deficient; and that calamity, coming on the top of an unprecedented depression in trade, did undoubtedly upset all reasonable calculations, and will, in all likelihood, inflict upon us a deficit, although a small one, in the operations of the current year. I think, on the whole, that it is expedient, taking all things into consideration, that we should take steps to supply that deficiency. The House knows that no matter how it may be explained, no matter under what circumstances it may have arisen, a repetition of these deficits in the revenue would seriously affect our credit; and for many reasons, it is obviously desirable that the credit of Canada should be maintained at as high a point as possible. Now, there are two things which it especially becomes us to consider at a time like this. I have always held that the Government of this country were not justified in imposing any duties whatever that the necessities of the revenue did not fairly demand. That principle I had occasion to expound at great length last year, and I shall do no more than briefly allude to it on the present occasion. It is obvious also that at a time of depression it is desirable not in any way to increase the already serious burdens of the people of this country; and, in the proposals I am about to submit to the House, we have endeavoured as far as possible to keep in view the necessity of meeting a deficiency in the revenue, and also of so readjusting the tariff that the net result shall either not inflict any loss at all, or at all events as small a loss as possible on the pockets of the general public. Now, Mr. Speaker, in con-

formity with my pledge to the House last year, it becomes my duty to consider in the first instance, the proposal of the hon. member for Stanstead, affecting the present duties on petroleum or coal oil. As to this, I may say, in the first instance, that it was a duty which I never liked, and would never have imposed myself, and which always appeared to me decidedly objectionable, though I did not consider that the general circumstances last year warranted me in opening up the tariff, and, perhaps, provoking a series of long and awkward discussions for the sake of a single article. Moreover I felt then as I feel now, that there was something to be said on the side of the refiners also. I felt that their complaints were not wholly unreasonable, and in especial that their complaints as to the vexatious restrictions which necessarily attend the collection of any excise duty, deserved the attention of Government. Sir, it is very well-known to this House, that it is impossible to collect an excise duty without so interfering with the manufacture, as, in many cases, to prevent valuable improvements and experiments from being carried out; and in fact it is laid down almost as a fundamental rule that every excise duty is proportionately more oppressive to the manufacturer than a corresponding customs' duty of equal amount. As respects the amount of duty involved, I find, as nearly as I can calculate, that the total consumption of coal oil throughout Canada may be estimated at about 8,000,000 of wine gallons, that being the measure on which the duty is imposed. Of this total of 8,000,000, about 5,500,000 are manufactured in Canada, about 800,000 are imported, paying duty, and according to the calculations of my hon. friend from Stanstead, (which do not differ very widely from those of the officers of the Customs Department,) probably double that quantity has been imported into Canada without paying duty—

An hon. member—Smuggled.

Hon. Mr. CARTWRIGHT—As my hon. friend remarks,—speaking briefly—have been smuggled. I agree to a great extent with the hon. member for Stanstead, that the loss to the country by this duty is decidedly greater than the amount of the duty itself. It is known that in the case of duties bearing so high a proportion to the value of the article as the present duty on coal oil, you must add a considerable percentage for the additional loss inflicted on the consumer before it ultimately reaches its destination; and, therefore, assuming a consumption of 8,000,000 gals., I am very much inclined to say that the position taken by the hon. member

for Stanstead that a loss varying from \$1,100,000 to \$1,200,000 was inflicted on the public, is not very much out of the way. My own opinion is, that it is not quite so great, but that, nevertheless, a very serious loss, is inflicted on the public. The Government, therefore, have carefully considered this whole question with a desire to reduce the burdens of the people as much as they could, and yet not utterly to wipe out of existence a Canadian industry which had grown up under the protection of the law as enacted by hon. gentlemen opposite. The conclusion we have come to is this:—We propose to abolish the excise duty altogether, and to reduce the duty on imported petroleum from 15 cents per gallon, as it is at present, to 6 cents; and by this operation, I believe the people of Canada will be the gainers by the full 9 cents and more on every gallon of the 8,000,000 at present consumed. If we adopt my hon. friend's calculations, the saving to the people would amount to \$1,200,000. In my opinion, the people of Canada would be the gainers by at least \$750,000, and as far as I can see, the loss to the revenue—because I believe the entire amount now smuggled would be brought in paying duty—would be only a little in excess of \$200,000.

It is necessary for us, under existing circumstances, to take back an equivalent for that amount; and we desire to do that with the minimum of disturbance to existing interests, and in such a way that, if better times come, it may be removed as easily as possible. So, therefore, as we are giving the country the benefit of a reduction of duty, varying from \$750,000 to \$1,200,000, according to one or other of the calculations which I have submitted, we think we may fairly ask the country to recoup us by paying an additional duty of one penny sterling, or two cents per lb on tea imported into the country. That would make us tolerably square, and restore the desired equilibrium as far as it goes. But there is a certain deficit which it is highly desirable we should make good; so we have to propound, for the acceptance of this House, certain other changes, which, I venture to say, will disturb the current of trade as little as any alterations which would bring the required amount of revenue. The main change is one affecting the article of malt and beer brewed therefrom. I impose that tax with some reluctance, and can quite understand the objection of all English speaking men to pay a further tax on beer; but, on the whole, we believe that our proposal will be in the interest of the country. We propose to put a tax of one cent per pound on malt, and of three cen

(or a trifle more,) per gallon on beer, if brewed from other articles than malt. That constitutes the main change to which we shall ask the House to consent; but there are certain other alterations, suggested by my hon. friend, the Minister of Customs, which it is desirable to make; and these are mainly in the direction of a readjustment of the revenue, and, with one exception, cannot, I think, be said to involve any serious additional charge on the consumer. It has been found, in collecting the revenue, that, under the tariff as at present worded, very considerable discrepancies exist in the duties collected on various articles. One man is found paying one duty at one port, while another pays a different duty at another port, and so, great hardship is suffered by the honest importer; and in various ways there is a considerable loss to the revenue. Some of these anomalies we propose to remove, and in the following way:—We find, for example, in the article of cotton and linen thread, that the language employed in the Customs Act renders it, in practice, nearly impossible for Collectors to discriminate between those particular kinds subject to 10 per cent. and those subject to 17½ per cent. (and it is very doubtful whether it will be possible to arrange the Act so as to avoid these discrepancies), from which cause the revenue is suffering considerable loss. For the purpose of avoiding this injustice and this loss to the revenue, we propose to place all these in the same list of unenumerated articles—that is, to remove them from the 10 to the 17½ list; and I cannot understand very clearly why the distinction was originally made. Then there is a question which may touch some of my hon. friends more nearly. The Customs authorities have been subjected to considerable difficulty in dealing with the duty on cigarettes, and they think that, as the law stands, they should pay duty as cigars; but we intend to remove all doubt by expressly including them under the head of cigars. We propose—as many objections were raised at the time the tariff of 1874 was introduced, against the apparent injustice of taxing a low grade of cigars at the same rate as a high grade,—to subject all cigars to a specific duty of 50 cents per pound, and an *ad valorem* duty of twenty per cent., which will allow the low grades to be imported at precisely the same duty as at present, and, at the same time, allow us to secure a little more revenue. On the article of perfume, which is now paying several rates of duty, we propose to place a uniform rate of 25 per cent. *ad valorem*; and as this is very clearly an article of luxury, I do not suppose hon. gentlemen will raise any very serious objection to

this alteration. We propose also to remove the article known as tubing from the free list. The presence of this item on that list has caused considerable inconvenience, and considerable loss to the revenue. It is, in practice, almost impossible to discriminate between the various classes of tubing, and, therefore, we propose to make the duty on the whole of these articles $17\frac{1}{2}$ per cent. I am also informed that some considerable difficulty, in respect to the duty to be levied on certain parts of locomotives and tubular boilers, has occurred from the same cause. I never could understand why this was placed on the free list, and I do not know any reason why it should not pay $17\frac{1}{2}$ per cent., as well as other unenumerated articles and other kinds of tubing. We have found, also, that very considerable fraud has existed in connection with the importations of wine, and that all sorts of charges, such as bottling, cartages, labelling, packing and things of that kind are placed in invoices, in such a way as to reduce the wine below the standard to which it properly belongs. We therefore propose to amend the tariff in that respect, so as to prevent these frauds, occurring in the future. We purpose to introduce an alteration in the law regarding packages, under which (not to delay the House by reading the clause which is somewhat long), in certain cases therein provided, packages, when they contain goods subject to specific duty, shall be required to pay $17\frac{1}{2}$ per cent., and when they contain goods subject to *ad valorem* duty, shall be included in the fair market value of such articles. These matters, however, may be more fairly and advantageously discussed in committee when these resolutions are in the hands of hon. gentlemen. I should say that on imported malt, $2\frac{1}{2}$ cents per lb is to be placed. The alteration in respect to packages has reference to the frauds that are at present committed in connection therewith. Perhaps I had better read the resolution.

Mr. WOOD—How are you going to manage in the case of free goods? Will free goods make the packages free?

Hon. Mr. CARTWRIGHT—I am inclined to think that my hon. friend is correct,—they do so. It has also been found expedient to alter the duty on ale, beer and porter imported from other countries. This, we propose to make specific, in place of the present mixed specific and *ad valorem* duty, and we will put the duty at 18 cents per imperial gallon in the case of ales and porters imported in bottle, and 12 cents per imperial gallon in the case of ale, beer and porter, imported in wood.

There was one article that I omitted in the free list, cotton thread in hanks, coloured and unfinished, No. 6 ply, which we propose to remove from the free list to the 10 per cent. list. The duty on ales and porters is in fact a redistribution, a slight increase having been made in consequence of the duty we propose to impose on malt and on beer when manufactured in the country itself.

Now, to put the matter briefly, the net result is this, that while the revenue will certainly gain a considerable sum—probably between \$400,000 and \$500,000, (a sum which I think will be sufficient to make good any deficiency that is likely to arise next year, even should our imports remain at their present low figure) we will, at the same time, put an end to the mischievous practice of smuggling, which is beginning to prevail; and although we do take \$400,000 or \$500,000 out of the pockets of the people in one way, under the operation of the increased tariff, which I propose to impose, they will nevertheless gain \$800,000 by the remission of duties on petroleum. So that the net result to the people of Canada will not be an addition, but a direct and considerable diminution of the burdens under which they are at present labouring.

As regards our expectation of future revenue from these various sources,—we estimate the Customs duty likely to be received during the year of 1877-78 at something like \$13,600,000; our Excise duties, which of course are diminished by the loss of the duty on petroleum, at about \$5,800,000; and our other receipts substantially as in the year before—that is to say: Stamps, about \$250,000; Post Office, \$1,100,000; Public Works, \$1,750,000; and Miscellaneous, from various sources, about \$1,400,000,—making a total estimated income of \$23,400,000 for the year 1877-78. It will be seen, therefore, Mr. Speaker, that the Government has adhered strictly and rigidly to the policy they have heretofore laid down; that they are not disposed to add to the burdens of the people in any way or shape, unless the necessities of the revenue really require it at their hands. And, when we consider the depression which prevails elsewhere,—which prevails almost all over the civilized world, and notably in the neighbouring States—I think I have reasonable ground for saying to the House that after all, severe as the depression has been, much as we have suffered, we certainly have not suffered more,—it is a question whether we have suffered as much as the neighbouring people.

Sir, as the United States has been held up to us as a model and example of fiscal policy, I would desire to call the attention of the House to the practical results of the policy which has been in force in that country for a considerable number of years past. In the first place, as there has been an extraordinary and unprecedented diminution in the imports of this country during the last few years, it may be as well to see how the United States have fared during a similar period. In 1873 the gross imports into the United States, as given in the quarterly report of the Chief of the Bureau of Statistics, amounted to \$663,000,000, falling in the succeeding year to \$595,000,000, in 1875 to \$553,000,000, and in 1876 to \$476,000,000. In other words, the imports into the United States have fallen off in three years nearly one-third,—in all about \$200,000,000. And I regret to say that that diminution still continues, for I find that the gross importations into the United States during the three months ending September, 1876, only amounted to about \$102,000,000, as compared with \$127,000,000 in the corresponding three months of 1875. Now, Sir, it will be seen, from that brief statement, that, whatever misfortune may have overtaken this country, we, at any rate, are not one atom worse off than our neighbours on the other side of the line who have enjoyed the benefits of a fiscal policy, which, according to some hon. members, is a panacea for all the commercial evils that can possibly overtake any country. I may add, that if I were disposed to pursue that analysis further,—that, if we were to deduct from those imports to which I alluded, the importations of such articles as tea, sugar and coffee, and of bullion, and make a corresponding reduction from the imports into our own country, we would find that the reductions in American imports were even more marked in proportion than it is in the statement that I have submitted. And, it may be as well, before I finally pass from this subject, to call attention to the fact, that even the United States' exports in 1875-76—of which we have also heard a great deal—do not compare at all disadvantageously for us with the exports from Canada during the same period. I find that the total exports from the United States during 1876 amounted to \$644,000,000, reported in mixed values as their custom is, of which about \$525,000,000 in gold were reported as the produce of the United States. Now, out of this \$525,000,000, I find that no less than \$493,000,000 (representing a gold value of about \$440,000,000) were made up of the following raw materials: breadstuffs, \$132,030,000; cotton (raw), \$193,000,000; provisions of various

kinds, about \$90,000,000; oil and oil cake, \$38,000,000; tobacco, something like \$23,000,000, and about \$12,000,000 of products of the forest,—while miscellaneous articles such as leather, quicksilver, tallow, coal, live cattle, etc., make up a sum of \$40,000,000 more. The net result is that the total exportation of manufactures from the United States, reduced to gold value, is very little more than \$53,000,000 or \$54,000,000, which, in proportion to our population, is rather less than the exportation of manufactures from Canada, which amounted to about \$5,320,000 of the same kinds of articles. If there is any advantage at all it has been on the side of Canada, which is exporting quite as many manufactures in proportion to population and area as the people of the United States, notwithstanding the fostering protection they have so long enjoyed. And, Sir, if, deducting the article of coin and bullion, you compare our gross exports during that year with the exports of the United States you arrive at this result:—That our gross exports, making the requisite reductions, are about \$72,500,000, against theirs of about \$575,000,000, gold value,—in other words, the exports of Canada, *per capita* are fully one-third larger than the total exports of the United States. Indeed, I am not certain that the percentage may not be properly placed very considerably higher. It must be borne in mind that the reduction of the imports into the United States has taken place on a vastly smaller importation *per capita* than that into Canada, and that, at this moment, whereas the United States, with all their great advantages, are not exporting much more than \$11 or \$12 *per capita*, we in Canada are exporting at least \$18; and whereas they only import \$10 or \$11 *per capita*, we in Canada, even in a season of great depression, are importing about \$22 *per capita*. In other words, Mr. Speaker, our general trade is fully twice as great as that of the United States, and not only do we both buy more and sell more than they do in proportion to our population, but we sell and buy on better terms for ourselves, because the much talked of balance of trade in favour of the United States, although it may mean their slow recovery, may, and probably does mean, that they are paying a great deal more for the articles they are importing, than they are worth, and may also mean, and probably does mean,—as is freely alleged to be the case in regard to the exportation of certain manufactured articles,—that they are encouraging an artificial commerce at the expense of the American tax-payer. Now, comparing the result of our fiscal policy with the result of the American fiscal policy, I say boldly, that so far as these figures show,

and so far as the facts are known to us, they show we have no cause to dread a comparison. As for their home market, I have said before and I now repeat that the number of persons employed in manufactures in the United States is not greater relatively to population, if indeed as great, than the number so employed in Canada. And not only do they not employ more men, but they do not, at present, at any rate, pay them one whit more. Indeed, I doubt much whether the purchasing power of wages in the United States is at all as great as that of similar wages in Canada; while, as to the condition of the general labour market, it must be a matter of common notoriety to every hon. gentleman in this House, that if there is (as unfortunately there is) depression in Canada, there is still greater depression in the United States; and if there are, unfortunately, men now unemployed in our large cities, in New York alone, on the other hand, it is reported that something like one-fifth or one-sixth of the entire male adult population are unemployed, and clamouring for employment at the popular expense. Now, I have never doubted in my own mind, that a people, so intelligent, so enterprising and so industrious as the inhabitants of the United States, and possessing almost unexampled natural resources of every imaginable description, must naturally become a very important manufacturing people. But, I doubt whether, in some important respects, they are taking the right way to secure their speedily acquiring this position. I believe, myself, they would have made greater progress in their whole trade, export and import, whether, as regards manufactured articles or ordinary raw material, if they had adopted a system more closely analagous to the system we now possess. Taking into consideration the extraordinary severity of the strain to which Canada has been subjected, I am inclined to think we have not unreasonable ground for congratulation, when we remember that we have had to contend with a most extraordinary general depression, affecting our best customers as well as ourselves, and exasperated by an unusually indifferent harvest, at the very moment we have had to defray special expenditures on our public works and to provide for a great mass of debts maturing. I think the country may be congratulated that so dangerous a crisis in our affairs has passed without our sustaining any very serious loss. I hold that equilibrium is now being restored. Our credit has been sustained, and more than sustained, and despite our deficit and the difficulties with which we have been loaded, our securities have obtained a better price than ever before, and unless another such misfortune as the last overtake us in the present summer, we will be

able without very much difficulty to weather the storm. If we are disappointed, the Government knows its duty and is prepared to do it. Canada has yet ample resources untouched to enable it to meet its engagements; and, although I trust I will not be compelled to again add to the public burden, still, if the public service demand it, I am sure the people of Canada will not allow their credit to be impaired. And, Mr. Speaker, allow me to say this, that had it been possible for us, in 1874 to have foreseen the situation as now developed, could we have foreseen that within two years we would have had to contend simultaneously with a loss on importations amounting to about \$35,000,000 on a total of \$127,000,000, with a bad harvest, with four consecutive years of depression in the United States, and that, during such a crisis, I should have been obliged to appear in the London markets on three successive occasions to negotiate loans to the extent of \$45,000,000, I would have said that it was utterly impossible we could have escaped one quarter as easily as we have. Doubtless much caution is still needed,—that given, I do not fear the result. I count, as I think I have a right to count, with some confidence, on a steady though gradual improvement in a young country like ours. That is almost a condition of our national existence; and has never disappointed reasonable calculations. My position is that the inflation which culminated in 1872-73 and 1873-74, and the reaction which has succeeded it were both excessive; and that it would be as impolitic to believe that we will long remain in our present condition, as it was impolitic to assume that great inflation as a sound basis for entering into those enormous engagements which I, to-night, have endeavoured to depict. If the country is content, as I believe it is, to atone for past extravagance and folly by the simple recipe of thrift and hard work, there need be no ground for apprehension, and the Government will endeavour to set the example of a reasonable and prudent economy. I admit that all these calculations are based on the average probabilities on which calculations, as to ordinary human affairs, are constantly based. I don't pretend to say, Mr. Speaker, that I can guarantee this country against the consequences of another bad harvest or misfortunes of the like character. We may have a bad harvest,—the depression in the United States may be prolonged,—or hon. gentlemen opposite might return to power. Misfortunes never come singly, and one great misfortune might be followed by a still greater; but, otherwise, Sir, I believe that we are drawing moderately close to clear water, and if it is not possible,—as undoubtedly it is not possible,—for us to escape from the position in which

we found ourselves, without some loss or peril, the damage we have sustained is, all things being considered, very much less than might have been expected; and I hope, with some degree of confidence, that on the next occasion on which I may be called to address this House, I may be able to congratulate it on seeing the deficit which now exists entirely extinguished, and our Treasury once more restored to the state in which for some years back it was happily maintained. Sir, I have the honour to move that you do leave the chair, and that the House resolve itself into Committee of Ways and Means.

PRICES OF CANADIAN FOURS.—From the *Economist*.

Accrued Interest.		Date.	Prices.		Value Less Accrued Interest.			
£	s. d.				£	s. d.	£	s. d.
	13 4	July 1.....	91	92	90	6 8	91	6 8
		“ 8.....	91	92		6 8	91	6 8
		“ 15.....	91	92	90	8	91	6 8
8		“ 22.....	91½	92½	90	16 8	91	16 8
0	1 0 0	“ 29.....	91½	92½	90	10 0	91	10 0
0		Augt. 5....	91½	92½	90	11 9	91	11 9
		“ 12....	92	93	91	1 8	92	1 8
		“ 19....	92	93	91	1 8	92	1 8
	1 6	“ 26....	92	93	90	13 4	91	13 4
		Sept. 2....	92	93	90	15 3	91	15
		“ 9....	92	93	90	15 3	91	15 3
		“ 16....	92	93	90	15 3	91	15 3
		“ 23....	92	93	90	15 3	91	15 3
	1 13	“ 30....	92½	93½	90	16 8	91	16 8
		Octr. 7....	92½	93½	90	18 4	91	18 4
		“ 14....	93	94	91	8 4	92	8 4
		“ 21....	93	94	91	8 4	92	8 4
	2 0 0	“ 28....	94½	95½	92	10 0	93	10

B.

List of transactions in Canada Four per cents (old issue) taken from Official markings on the Stock Exchange, from the 6th November, to 31st December, 1876.

Date.	Business Done.	Accrued Interest	Date.	Business Done.	Accrued Interest.	Actual Value.
1876	Loan Issued.		1876		s. d.	£ s. d.
Nov'r 6	91 $\frac{3}{4}$ — $\frac{1}{2}$		Dec. 1	No business	6 8	.. . . .
" 7	92 $\frac{1}{4}$ —91 $\frac{3}{4}$		" 2	91 $\frac{1}{4}$		90 18 4
" 8	92 $\frac{3}{8}$ — $\frac{1}{2}$		" 4	No business		.. . . .
" 9	92 $\frac{1}{4}$ — $\frac{3}{8}$		" 5	91 $\frac{7}{8}$		91 10 10
" 10	92 $\frac{1}{8}$ —92 $\frac{1}{4}$		" 6	91 $\frac{3}{4}$		91 6 8
" 11	No business done		" 7	92	8 0	91 12 0
" 13	do		" 8	91 $\frac{1}{2}$		91 1 0
" 14	91 $\frac{1}{2}$		" 9	92 $\frac{1}{4}$		91 15 0
" 15	91 $\frac{1}{2}$		" 11	92		91 10 0
" 16	91 $\frac{7}{8}$ — $\frac{1}{2}$		" 12	92—1 $\frac{7}{8}$		91 10 0
" 17	91 $\frac{1}{2}$ — $\frac{7}{8}$ — $\frac{1}{2}$		" 13	91 $\frac{1}{2}$		91 0 0
" 18	91 $\frac{3}{4}$		" 14	91 $\frac{7}{8}$		91 7 6
" 20	92 $\frac{1}{8}$		" 15	92	10 0	91 10 0
" 21	92 $\frac{3}{8}$		" 16	92—1 $\frac{3}{8}$		91 10 0
" 22	92 $\frac{3}{8}$ —2		" 18	91 $\frac{5}{8}$		91 2 6
" 23	92—1 $\frac{5}{8}$		" 19	92		91 10 0
" 24	91 $\frac{7}{8}$ —2 $\frac{1}{8}$		" 20	91 $\frac{5}{8}$		91 0 0
" 25	92— $\frac{1}{8}$		" 21	92 $\frac{1}{8}$ —1 $\frac{7}{8}$		91 10 0
" 27	92— $\frac{1}{8}$		.....	$\frac{5}{8}$ — $\frac{1}{4}$	12 0	92 0 0
" 28	91 $\frac{5}{8}$ — $\frac{3}{8}$ —2		" 22	No business		.. . . .
" 29	No business done		" 23	91 $\frac{3}{4}$		91 2 0
" 30	91 $\frac{3}{4}$ —2		" 27	91 $\frac{7}{8}$ —2		91 5 0
			" 28	91 $\frac{7}{8}$		91 5 0
			" 29	No business	13 4	.. . . .
			" 30	do		.. . . .

C.

LATEST business done in Canadian 4₀/₀ (four per cents.) From the
Investors' Manual, from January, 1875, to date.

Months.	Latest Business Done.	Accrued Interest.	£	s.	d.
1875.					
January	89 $\frac{3}{4}$	1	88	15	0
February	90 $\frac{1}{2}$	1 $\frac{1}{3}$	89	3	4
March	90 $\frac{3}{8}$	1 $\frac{2}{3}$	88	14	0
April	90 $\frac{7}{8}$	2	88	17	6
May	88 $\frac{3}{4}$ ex. d.	.....	.....	.....	.....
June	88 $\frac{1}{4}$	$\frac{2}{3}$	87	9	0
July	90 $\frac{3}{8}$	1	89	7	6
August	91 $\frac{1}{2}$	1 $\frac{1}{3}$	90	3	4
September	91 $\frac{7}{8}$	1 $\frac{2}{3}$	90	4	0
October	92 $\frac{1}{8}$	2	90	2	6
November	90 $\frac{1}{4}$ ex. d.	.....	.....	.....	.....
December	90 $\frac{1}{8}$	$\frac{2}{3}$	89	9	0
1876.					
January	91 $\frac{1}{4}$	1	90	5	0
February	91	1 $\frac{1}{3}$	89	13	4
March	90 $\frac{1}{2}$	1 $\frac{2}{3}$	88	16	8
April	92 $\frac{1}{2}$	2	90	10	0
May	90 $\frac{7}{8}$ ex. d.	.....	.....	.....	.....
June	91 $\frac{1}{8}$	$\frac{2}{3}$	90	10	0
July	92 $\frac{1}{4}$	1	91	5	0
August	92 $\frac{3}{4}$	1 $\frac{1}{3}$	91	7	6
September	92 $\frac{1}{2}$	1 $\frac{2}{3}$	90	16	8
October	94	2	92	0	0
November	92 ex. d.
December	92	$\frac{2}{3}$	91	6	8

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