

Besides, Colony cannot decide expediency of proposed local works.

of borrowing for Local as well as Colonial purposes, would be to increase the cost of the money required for the purposes of the Colony. Then the Colony is not in a position to decide on the expediency of borrowing for Local wants, unless it assumes the functions of a Province. Let us suppose a particular bridge to be asked for. If it is asked for in a Provincial Council, it is discussed by men more or less conversant with the circumstances. The papers referring to this and kindred wants are before them. It is their duty to study the subject. But it is not the duty of the Members of the Assembly to study whether or not a bridge is required over a particular river. Only a few Members can know anything of the matter. We cannot get seventy Members to study local questions, interesting enough to six other Members, but with which it is not the business of any of the seventy to interfere. If such work is to be done, you must have a ten instead of a three months' Session. What you may, it is to be feared, get Members to do is this—that one six will say to another six, "No doubt you are right about your bridge; we believe every word you say, because we have a bridge in a similar position. Bridge us, we'll bridge you." Thus, you have twelve members with two bridges, and they find twelve other members who want a road; and these twenty-four find twenty-four others wanting a bridge or two, and a road, and perhaps a lunatic asylum to complete the balance; and so you have forty-eight members voting for Local works, no seven of whom know anything about any one work of the many they all unitedly support.

Objections to Provinces borrowing.

Why should not the Provinces themselves borrow? I shall at once be told, "Because the Provinces cannot borrow without the Colony becoming liable. This was why Provincial borrowing was stopped before, and the Colony accepted the liability for all Provincial borrowing to date." I admit the great difficulty of deciding on a plan which, while it would give sufficient security to the capitalist to induce him to lend, would yet give him no claim on the Colony.

Some causes of former Colonial recognition of Provincial Loans, can be guarded against.

I shall not examine all the technical causes which led to the necessity of a former recognition of Provincial loans, because some of them may obviously be provided against. For example, it can be explicitly stated in an Act, that the Colony is not liable for a loan. Again, the liability argued from the power of the Central Legislature to otherwise dispose of the securities purported to be given by Provincial Legislatures in Ordinances approved by the Governor, can be satisfactorily met by refusing to allow any but specific securities to be given. The great difficulty in limiting the liability of the Colony is the difficulty of limiting its duty to compel, by its government and its laws, satisfaction of the claims which the borrower has against the lender. Long since, in treating of this matter, I termed it an undisclosed guarantee, and I argued that it existed on the part of the Imperial Government in respect of Colonial Loans. If the Imperial Parliament enacted that it was not responsible for the payment of Colonial Loans, although it would thus escape a direct liability, it would not escape the legitimate demand of its subjects that the law should be enforced. If the law said, as in most cases it does say, that certain loan payments are to have priority over other payments, and that no payments whatever are to be made without the Governor's warrant, it would follow that if the Governor obeyed the law, no payment could be made for any public service over which the loan payments had priority. In other words, in these Colonies, where the loans have been made prior charges by the Acts which authorize them, the Imperial Government would only be enforcing the law—and by any other course their servant, the Governor, would be breaking the law—by insisting that the current loan liabilities for interest or principal should be satisfied before any payments were made for the ordinary public service. For the maintenance of law and order, the ordinary public service is necessary; therefore, it would become a requirement, in the interests of civilization, that the loan liabilities should be discharged. I do not say that any investor in Colonial bonds has argued out the subject in this way; but I feel sure that the conviction that the Imperial Government is bound to see that none of the Colonies commit default, underlies in great measure the causes which have contributed to make persons willing to pay higher prices for Colonial Loans than for the securities of any other country except those of Great Britain, and, I believe, Belgium. The unguaranteed securities of India and the Colonies com-

Limitation of Colonial liability.

If legal priority given to loans, prior payment to lenders can be enforced.

Belief that Imperial Government is bound to prevent Colonial defaulting, is a great cause of high value of Colonial securities.