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## Francis Hincks and Canadian Public Finance

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## FRANCIS HINCKS AND CANADIAN PUBLIC FINANCE

By R. S. LONGLEY

When Lord Sydenham chose the first Executive Council of United Canada in 1841, he intended to appoint an Inspector-General of Accounts who would justify the fiscal policy of the government before the Assembly. He requested the Inspector-General of Upper Canada, John Macaulay, to continue in office, but that official refused to risk the contingencies of a provincial election.<sup>1</sup> The Governor professed himself unable to find a man among his supporters in the first Union Parliament to whom he could entrust his financial measures, and contented himself with introducing them through the Civil Secretary, S. B. Harrison.<sup>2</sup> During the session, he asked the members to come to him for lectures on banking and finance, and in the course of these interviews, he discovered his Inspector-General, Francis Hincks, Reform member for the County of Oxford.<sup>3</sup> Hincks entered the House as an avowed opponent of the Governor, but Sydenham's progressive legislation won his attention and after the debate on the Upper Canada Municipal Bill he voted consistently with the government. Sydenham's unexpected death prevented him from calling Hincks to office, but he bequeathed him as a valuable legacy to his successor, Sir Charles Bagot.<sup>4</sup>

Francis Hincks was born in Ireland in 1807. As a youth he served as an apprentice in a large mercantile firm at Belfast, after which he emigrated to Upper Canada and established a commission business at York. Later he became cashier and manager of the Bank of the People, the Directors of which were among the leading Reformers of the province. From 1834 to the Rebellion of 1837, he took a prominent part in civic politics and through his friendship with members of the Reform party, he won more than passing notice when he examined the books of the Welland Canal Company for a Committee of the provincial Assembly. His friendship with Dr. John Rolph almost drew him into the Mackenzie rebellion. From 1838 to 1842 he edited the Toronto *Examiner*, a newspaper which he founded to advocate the adoption of the Durham *Report* and responsible government. In these years he made his paper the most feared and respected journal in Upper Canada. He left his editorial duties in 1842 at the request of Sir Charles Bagot to devote his undoubted talents to the restoration of Canadian finance.

In order to understand adequately the contribution which Hincks made to the economic and financial welfare of his adopted country, it is

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<sup>1</sup>*Macaulay Papers*, Archives of Ontario. Macaulay hoped that he could keep his office and he had the support of Sir George Arthur. As late as April, 1842, Arthur thought that Sir Charles Bagot would not remove Macaulay unless he gave him an appointment equally desirable in point of emolument. However, Secretary Murdock informed him of Hincks's appointment on June 11.

<sup>2</sup>Harrison was something of a diplomat, able to sympathize with both Reformers and Tories. Chester Martin in his *Empire and Commonwealth* (Oxford, 1929), pp. 261 and 270, calls Harrison cautious, enigmatical, wary, and discreet. Sydenham wrote Russell, July 12, 1841, that his chief difficulty was "There not being a man in either House who knows the a.b.c. of these questions" (Paul Knaplund, ed., *Letters from Sydenham to Russell*, London, 1931, p. 150).

<sup>3</sup>Francis Hincks, *Reminiscences* (Montreal, 1884). Also Knaplund, *op. cit.*, p. 150.

<sup>4</sup>Correspondence between Bagot and William Draper. *Bagot Papers*, vol. II, Public Archives of Canada.

necessary to review briefly the financial history of Upper Canada in the two decades before the rebellion. Between 1816 and 1820 the United States definitely adopted a policy of protection.<sup>5</sup> Since the American tariff closed the markets south of the lakes to Canadian produce, the merchants and farmers of Upper Canada naturally turned to the markets of Great Britain. The St. Lawrence and the Great Lakes formed a natural highway from the farm-lands of the West to the Atlantic, but only if canals could be constructed around the Long Sault Rapids on the St. Lawrence and the falls at Niagara. The strained relations between Great Britain and the United States after the War of 1812 and the desire to provide a military road from Montreal to Kingston, led the British government to develop the Ottawa-Rideau route instead of the St. Lawrence. Lower Canada seemed afraid to assist in the development of canals above Montreal for fear that port would lose its importance as a place of trans-shipment. Hence, with but small assistance from the lower province and Great Britain, Upper Canada was left to develop her canals as best she could. Her resources were limited and they were not always wisely expended. The result was inevitable. By 1833, the provincial debt was nearing £500,000 and when Lord Sydenham came to Canada six years later it had grown to over £1,000,000.<sup>6</sup>

In 1835, the Receiver-General, John Dunn, went to England to negotiate a bond issue of £400,000. Two leading investment firms, Baring Brothers and Thomas Wilson and Son, offered to take the entire issue at one-half per cent. premium, so Dunn divided the account between them.<sup>7</sup> Had the province thereafter met all her obligations promptly, her subsequent history might have been brighter. The loan, however, was soon expended and more money was required to complete the works under construction.<sup>8</sup> By 1837, Dunn was once more in London seeking further funds. This time he offended Baring Brothers by refusing to permit them to handle the entire Canadian account. The Governor, Sir Francis Bond Head, still further injured the financial reputation of the province by instructing the acting Receiver-General to sell at the local banks securities amounting to £138,650, the interest and principal of which were payable at Baring Brothers.<sup>9</sup> The firm at once wrote Dunn a strong letter of protest. "We do not wish our name connected with loans of which neither the amounts nor the periods of negotiation have been communicated to us", they declared.<sup>10</sup> They explained to Dunn that such a policy simply resulted in

<sup>5</sup>In 1812 the United States tariff was twelve per cent. It was doubled during the War of 1812-4 and was maintained at that level with some modifications by the tariff of 1816. From this time until the "tariff of abominations" in 1828, there was a constant conflict between the high and low tariff advocates, with the former usually in the ascendancy.

<sup>6</sup>John M'Greggor, *History of British America* (London, 1833), vol. II, p. 369. Sydenham estimated the consolidated debt of Upper and Lower Canada at £1,226,000 (G. P. Scrope, *Memoir of the Life of Sydenham*, London, 1844, appendix iii). Most of this amount belonged to the upper province.

<sup>7</sup>*Journals of the Assembly of Upper Canada*, 1836, appendix i, no. 7, pp. 1-4.

<sup>8</sup>Both Durham in his *Report* and Sydenham in his correspondence with Lord John Russell state that the funds for the public works, which were under a Committee of the Assembly, were often unwisely and improvidently used (Sir C. P. Lucas, ed., *Lord Durham's Report*, vol. II, pp. 90-3; Knaplund, *op. cit.*, p. 113).

<sup>9</sup>*Journals of the Assembly of Upper Canada*, 1839, pp. 548-9. The bonds were sold as follows: Bank of Upper Canada, £44,100; Commercial Bank, £44,050; Gore Bank, £49,500; and Agricultural Bank, £1,000.

<sup>10</sup>*Ibid.*

depressing the price of Canadian bonds already on sale in London, and made investors afraid they were purchasing the securities of a bankrupt country. Dunn promised that in the future bonds would be sent direct to London, but the damage had been done. Even before Mackenzie's rebellion, sales were not brisk, and the rebellion completely destroyed the market. When the next interest on the Upper Canadian debt fell due, Baring Brothers were obliged to meet it with their own funds and reimburse themselves by selling more Canadian securities at a considerable discount.<sup>11</sup> For this reason, the firm would not again handle Canadian bonds for over a decade.

By 1838 the province was practically bankrupt. The Cornwall Canal at the Long Sault on which over £300,000 had been expended, required another £100,000 to complete it. In spite of the warning of the engineers that it would suffer materially from seasonal changes unless completed, and the prayers of the contractors that they be permitted to continue their work, the Committee in charge of Public Works informed them that there was no more money.<sup>12</sup> Lord Durham found the canal unfinished and the works falling into decay, and Lord Sydenham informed Lord John Russell that the £400,000 expended on the Welland Canal was in danger of complete loss unless funds could be obtained to complete it.<sup>13</sup> Lord Durham had in mind the financial condition of Upper Canada as well as the political situation in the two provinces when he recommended union. The public works of Upper Canada, even when completed, he declared in his *Report*, would not be of great value unless the lower St. Lawrence could be improved. He saw no reason why the debt of the two provinces should not be consolidated, as the money that had been expended would in the end prove of benefit to both.

While the Durham *Report* was being prepared, Sir George Arthur, the new Governor of Upper Canada, dreaded to meet his Legislature with the financial problem unsolved. The situation had become more complicated by a financial panic in the United States caused by overspeculation in railroads, cotton, and land. Many of the western "wild cat" banks failed and those that remained solvent suspended specie payments. The Canadian banks were affected at once and one by one suspended payment of specie. In May, 1838, Robert Baldwin Sullivan suggested that the province might escape from its heavy burden without loss of credit, if the British government would consent to a loan of £1,000,000 sterling. Arthur carried this suggestion to Lord Glenelg in a despatch on November 20, but received an unfavourable reply: "Her Majesty's Government can discover no ground on which they could propose to Parliament to throw on this country the debt of Upper Canada; at all events they would feel it impossible to hold out any prospect of the nature at the present moment."<sup>14</sup> When Lord Normandy succeeded Glenelg at the Colonial Office early in 1839, the Durham *Report* was being discussed and the Melbourne government felt compelled to give colonial affairs more attention. On June 8, Arthur once more proposed an Imperial loan "for the honor of the Empire, the peace and prosperity of the Province and the observance of faith to the public creditor."<sup>15</sup> In August,

<sup>11</sup>*Ibid.*, pp. 50-1. Also Baring Brothers to Hincks, Dec. 1, 1848. *Baring Papers*.

<sup>12</sup>*Journal of Assembly of Upper Canada*, 1839, p. 51.

<sup>13</sup>Sydenham to Russell, Jan. 29, 1841 (Knaplund, *op. cit.*, p. 113).

<sup>14</sup>Correspondence between Arthur and Glenelg, 1838-9 (*Journals of the Assembly of Upper Canada*, 1839, appendix, pp. 544-6).

<sup>15</sup>*Ibid.*

Lord John Russell became Colonial Secretary, and the same month the British Cabinet resolved to propose to Parliament a plan "to guarantee a Loan to Upper Canada or the United Provinces for the purpose of diminishing the interest on the Public Debt and of continuing the Public Works, of a sum not exceeding £1,500,000".<sup>16</sup> The decision of the Cabinet was communicated to the Governor-elect, Poulett Thomson, on September 2. Thomson was to use his best judgment as to the portion of his instructions he was to show to the Canadian Parliament, but it was understood that he was to use the loan "to obtain the consent of Upper Canada to what may be deemed by him to be a final and satisfactory settlement".<sup>17</sup>

When Poulett Thomson had studied conditions in Canada, he proposed to Russell that the Imperial loan be used to purchase the outstanding Canadian securities, which were then selling at a discount, and to continue work on the roads and canals with the balance of this loan and with an additional loan of £1,400,000 to be raised on the security of the consolidated revenue of the province.<sup>18</sup> Since such a project would add £70,000 to the interest charges against the province, Thomson, now Lord Sydenham, proposed to balance the budget by reducing the interest rate through the Imperial loan, increasing the duties on manufactured goods entering the province, and from the profits of a bank of issue. The opposition of the private banks forced him to abandon his bank of issue, but he secured a tax of one per cent. on the issue of all chartered banks, and he completely revised the tariff rates, raising them from two and a half to five per cent. In the midst of his preparations, he was suddenly stricken down, with the result that he left the provincial finances in considerable confusion.

His successor, Sir Charles Bagot, found an empty Treasury and the Imperial loan not yet arranged. He would not trust Receiver-General Dunn to negotiate the loan, but placed it in the hands of the British Treasury. In anticipation of this loan, the Governor was persuaded to secure funds by drawing upon the Treasury in England without the knowledge of the Treasurer. The Treasurer, C. E. Trevelyan, at once issued a strong protest. Bagot accepted the deserved rebuke, and thenceforth resolved to place financial affairs in more competent hands.<sup>19</sup> His ministers reminded him that Sydenham had chosen Hincks for this work, and Bagot acted promptly upon the hint thus given.

Hincks assumed office in June, 1842. He faced the extremely difficult task of completing the Imperial loan, of financing the construction of the public works, and of securing a balanced budget. His first task, however, was to introduce business methods into the offices of the Receiver- and Inspector-General. An investigation into the government departments in 1839 had revealed the need for reform. The accounts had been badly kept and many of the government employees had proved defaulters.<sup>20</sup> There was no regular account of customs receipts in the Inspector-General's office and a number of collectors handed in only a

<sup>16</sup>Knaplund, *op. cit.*, n. 6. Thomson to Russell, Aug. 20, 1839 (Knaplund, *op. cit.*, p. 25).

<sup>17</sup>*Ibid.*, p. 31: Thomson to Russell, Sept. 2, 1839.

<sup>18</sup>For Thomson's programme of public works, see Scrope, *op. cit.*, appendix iii.

<sup>19</sup>J. L. Morison, "Sir Charles Bagot" (*Queen's Quarterly*, July, Aug., Sept., 1912, pp. 1-22).

<sup>20</sup>*Report of the Public Departments, 1839*. Also Sydenham to Russell, Nov. 25, 1839 (Knaplund, *op. cit.*, p. 36).

portion of the funds they collected.<sup>21</sup> Hamilton Merritt informed Sir George Arthur that only articles where the risk of smuggling was greater than the duty, entered the province in the regular way. When Lord Sydenham toured Upper Canada, he did not see a leaf of anything but smuggled tea.<sup>22</sup> The annual loss to the province through the laxity of her customs officers was estimated at £45,000.<sup>23</sup> Sydenham had secured a revision of the tariff, but the task of enforcing the new regulations fell to the Inspector-General.

Hincks asked the Governor's permission to institute reforms, and was informed that he might bring the provincial accounts into the most efficient state possible, "having due regard for economy".<sup>24</sup> Acting under Bagot's orders, Hincks employed a competent bookkeeper, introduced the double-entry method of keeping accounts, required the cash book to be balanced daily, and published regular and accurate statements of receipts and expenditures. He then turned to the customs service and secured a committee under the chairmanship of Malcolm Cameron to study actual conditions at each port of entry. The investigators made many "droll discoveries" upon which the Inspector-General took action. Undoubtedly some of his new appointments were dictated by political expediency, but, on the whole, there was a decided improvement in the service. He required all collections to be forwarded promptly to his office where they were recorded accurately. Also, instructions were sent to the collectors regarding rates charged on all commodities and the exchange value of each foreign coin in terms of the British sterling.

These reforms were not made without opposition, particularly from Dunn and the older administrative officers. Dunn had been in office for many years and, as a relative of Lord Glenelg, he even aspired to a knighthood. As far as can be determined, he was not intentionally dishonest but his business methods were far from satisfactory to the methodical Hincks. The investigation of 1839 revealed that he made no clear distinction between his own personal accounts and those of the government. When Hincks asked him to change his methods, Dunn offered petty objections. After Baldwin assumed office late in 1842, the Receiver-General felt secure. True, he had not followed his leader into retirement the previous year, but he claimed to be a Reformer, and he now tried to sow dissension among the members of the Cabinet by reminding them that Hincks had deserted them on the Upper Canada Municipal Bill. Hincks, however, did not permit personalities to deter him from his official duties and appealed directly to Baldwin.

The public money should not remain in the hands of the Receiver General [he declared]. Most unquestionably the books should not only show the amount of the balance, but *where* it is. At present Mr. Dunn has about £80,000 in his possession. Where is it? I certainly have no knowledge, but I do not hesitate to state that a large amount of it is in the hands of Forsythe-Richardson & Company. Suppose the House to fail by any chance; but suppose the House to be quite safe, is it right, I ask you, that

<sup>21</sup>For example, Malcolm Cameron in the course of his investigation discovered that agents were urging ships engaged in lake trade to call at their ports where they would receive special rates. One collector sent in his accounts without recording the entry of an engine on which the duty would have amounted to more than his entire collections.

<sup>22</sup>Sydenham to Russell, Sept. 27, 1840 (Knaplund, *op. cit.*, p. 95).

<sup>23</sup>Before the investigation conducted by Cameron, the total receipts at lake ports did not average more than £15,000. After this date they rose to over £50,000. Not all of this increase was due to Sydenham's tariff.

<sup>24</sup>Murdoch to Hincks, June, 1842. *Correspondence of the Governor-General's Secretary*, Public Archives of Canada.

any individual should enjoy the advantages of trading in the public funds? . . . My opinion is in favor of a Bank as a depository for the public funds.<sup>25</sup>

This appeal brought the desired results and some months before he left office in 1843, Hincks had the pleasure of seeing the provincial funds deposited in a chartered bank.

Hincks spent much time in arranging the terms of the Imperial loan. He discovered that Peel's Colonial Secretary, Lord Stanley, did not agree with Sydenham's elaborate financial plans. Stanley agreed that the Imperial government was pledged to the £1,500,000, but no more. He, therefore, advised the Canadian government to use the loan to complete the public works and to allow the old debt to continue. He also suggested that the money should be placed in the hands of competent officials so that it should not reach the members of the Assembly "to be scrambled for".<sup>26</sup> To this Hincks gave enthusiastic support. He supervised the preparation of the debentures and advised that they be made payable in twenty years.<sup>27</sup> He advocated the creation of an adequate sinking fund and arranged with the Receiver-General a method whereby the relations between the government and the contractors should be direct and economical. All contractors were asked to make out their accounts in duplicate. A copy of the account was first sent to the Board of Works where it received the approval of the chairman or his clerk. It was then sent to the Receiver-General who prepared a warrant and sent it to the bank where the provincial funds were deposited. The contractor could secure his money by presenting the duplicate certificate at the branch of the bank nearest his work.<sup>28</sup>

In his efforts to balance the Canadian budget, Hincks was fortunate enough to be in office when Sir Robert Peel revised the British tariff. Peel could not be called a free trader in 1842, but he believed that if the colonies were to remain an integral part of the Empire, they must be given trade concessions in the markets of the Mother Country. Lord Stanley agreed with his chief and considered preferential tariffs necessary to the development of a greater Imperialism. There was, however, a serious objection to admitting wheat and flour from the colonies free of duty. The importation of flour from the Canadian provinces had risen during the past three years from a few thousand hundredweights to 682,000, and it was evident that much of the wheat which was here represented had been grown in the United States. If only a nominal duty were charged on Canadian grain and flour, the farmers and millers of the United States would profit also. Peel did not wish Stanley to suggest the obvious remedy directly to the Canadian government, but he was willing to grant Canada the preference, if she placed a tax upon grain from the United States entering her ports. Stanley soon made the situation clear in a letter to Bagot: "If there were a duty on American wheat, Canadians would be entitled to a greater relief; but there is none and Cana-

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<sup>25</sup>Hincks to Robert Baldwin, Jan., 1843. *Baldwin Papers*, Toronto Public Reference Library.

<sup>26</sup>Stanley to Bagot, April 2, 1842. *British Documents*, vol. 32, 1843.

<sup>27</sup>Hincks introduced his bill on the Imperial loan on October 9, 1842. A sinking fund of not over five per cent. of the loan was to be placed in the annual budget. The British Treasury offered the Canadian debentures for tender and sold them in lots of from £5,000 up at a premium of approximately nine per cent.

<sup>28</sup>*Baldwin Papers*.

dians do not appear to want one".<sup>29</sup> But in this he was mistaken, for Hincks saw at once that the concession which Great Britain was making would be of value to Canada and that there was a strong public opinion in favour of a duty on American grain. During the years 1840-1, the Canadian grain crop had been large. The American tariff prevented any extensive export to that country, but native grain met with competition from American grain which entered Canada duty free. The Assembly had proposed a tax on American agricultural produce during the session of 1841, but the plan did not meet with the approval of the Governor, who disliked tariffs and desired to see free trade between Canada and the Mother Country. Hincks believed that Canadians still desired the duty and he estimated that a tax of three shillings per quarter on American grain would yield the Treasury £200,000 annually, a sum far in excess of the additional revenue sought by Lord Sydenham.<sup>30</sup> In addition to the revenue, he believed that the measure would aid Canadian shipping, develop the milling industry, and increase the canal tolls. Since Stanley informed the House of Commons that all grain coming from Canada would be taxed only one shilling per quarter, and since the combined Canadian and Imperial tax by way of Canada was less than that charged on grain coming directly from ports in the United States, it was expected that American grain would flow freely through Canadian ports. Consequently, on September 30, 1842, Hincks secured the passage of a bill through the Assembly by a vote of 49 to 13 that "it is expedient in order to encourage the agricultural interests of this province, and facilitate the free admission of Canadian wheat into the ports of the United Kingdom, to impose a duty (3 shillings per quarter) on foreign wheat imported into this province".<sup>31</sup>

From 1842 to 1846 Canada enjoyed exceptional prosperity. The British railway mania, which reached its height in 1845, led to an ever-increasing demand for Canadian timber. The Imperial preference gave a certain and profitable market for Canadian grain and flour, and encouraged the expansion of the milling industry. Above all, the Imperial loan, which had been secured in annual instalments, had enabled the province to provide steady employment for numbers of native workmen and also for the immigrants who came to the country in increasing numbers.<sup>32</sup> In the midst of this new spirit of optimism, overspeculation was rife and little attention was given to political theories. The quarrel between Metcalfe and LaFontaine over patronage was, therefore, easily cited as dangerous to that necessary and advantageous British connection. But in 1846, the failure of "King" Hudson and other railway magnates in England caused a financial panic and an economic depression which affected Canada. As early as June, 1846, Lord Cathcart wrote Gladstone that the prices of wheat, flour, and lumber had declined and were continuing to do so. He feared that heavy losses would be sustained by the

<sup>29</sup>W. P. Morrell, *British Colonial Policy in the Age of Peel and Russell* (Oxford, 1930), p. 176. Stanley believed that a colonial preference or an inter-Empire tariff would encourage native and colonial industry, and "more than all that . . . that beneficial tie of nationality, that tie of mutual connexion between the different parts of this great Empire, which constituted its protection from war and its strength and glory in peace", would be secured (*ibid.*, p. 174; from *Hansard*, series 3, vol. 63, pp. 542-3).

<sup>30</sup>London *Spectator*, 1842, volume XV, p. 1063.

<sup>31</sup>*Parliamentary Papers*, 1843; quoted in Morrell, *op. cit.*, p. 177.

<sup>32</sup>Frances Morehouse, "Canadian Migration in the Forties" (*Canadian Historical Review*, vol. IX, Dec., 1928, pp. 309-29).



merchants and that a general stagnation in business was inevitable.<sup>33</sup> Since the Peel government had repealed the Corn Laws, Cathcart guessed shrewdly that the tariff changes would be blamed for the depression. It mattered little whether the real causes were within Canada or outside, for in times of stress men instinctively blame the government. Faced with world competition in the British markets, Canadian farmers and millers believed that economic ruin was at hand. The result was serious alarm and gloomy forebodings which showed themselves in open complaint and culminated in the Rebellion Losses riots, and the Annexation Manifesto.

During this period of adversity, Canada was without a strong Finance Minister, for Hincks had resigned with his leaders in November, 1843. For a time Sir Charles Metcalfe attempted to carry on the government with D. B. Viger and Dominick Daly. Later he secured W. B. Robinson, brother of the Chief Justice, as Inspector-General, but that gentleman soon disagreed with the government's religious policy and resigned. Metcalfe then chose the inexperienced William Cayley to handle the provincial finances.

Since 1842, the government had continued with its construction of public works without interruption. When the depression began, all but £140,000 of the Imperial loan had been expended, but the works were still incomplete. The government was in need of further funds and Lord Cathcart, who had succeeded Metcalfe as Governor, asked the British Treasury to secure the remainder of the loan and also, if possible, a further loan of £200,000. If these funds could not be secured, he told Lord Grey, work on the public improvements must cease, a contingency he could consider only with the most painful apprehension.<sup>34</sup> In order to expedite the raising of this loan, Cayley went to England in the summer of 1846, but he soon found that Baring Brothers had not forgotten their experience with Upper Canada in 1838, and without their co-operation, no loan could be secured. Cayley worked unceasingly for some weeks, but was finally compelled to accept temporary accommodation from the Bank of England.<sup>35</sup>

During 1847 the economic situation in Canada became more depressed, due to the Irish famine which sent thousands of emigrants to America. Many of those landing at Quebec were in a wretched physical condition and had no fixed destination. The British government left the care of the sick and indigent people to the Canadian authorities, and the weak ministers, which Metcalfe had assembled after the resignation of LaFontaine and Baldwin, offered only formal protests. In the meantime, property declined in price and became almost unsalable.<sup>36</sup> Business firms struggled along with small sales and heavy expenses. The provincial Treasury was empty and accounts remained unpaid. Even the Governor-General was compelled to accept his salary in small debentures which were exchangeable only at a discount.

Such was the condition of affairs when Lord Elgin recalled LaFontaine and Baldwin to office in March, 1848. Hincks thereupon resumed his duties as Finance Minister. Elgin informed Grey that his Inspector-

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<sup>33</sup>June 27, 1846. *G Series*, vol. 461, Public Archives of Canada.

<sup>34</sup>Cathcart to Grey, Aug. 27, 1846. *G Series*, vol. 461.

<sup>35</sup>Cathcart to Grey, Nov. 10, 1846. *G Series*.

<sup>36</sup>Elgin to Grey, Dec. 27, 1847. *Elgin-Grey Correspondence*, Public Archives of Canada.

General possessed more energy than any of the Canadian ministers. According to Pope, he possessed an aptitude for finance which amounted almost to genius.<sup>37</sup> Such a man was needed in 1849 and Hincks proved equal to the trust which Elgin reposed in him. The period was not unlike that of 1837-8. Bad economic conditions in each case fostered a dangerous antagonism to organized government. During the early period, the province suffered from the Mackenzie rebellion, while in 1848-9, discontent expressed itself in the Rebellion Losses riot and the Annexation Manifesto. It is significant, also, that at the time of both disturbances, the Treasury was empty and the province was seeking aid from Britain.

A loan from British bankers in 1848-9, was made difficult by the large number of Cobdenites in the House of Commons who desired that Britain separate herself from the colonies. Even Lord John Russell and Gladstone looked forward to the time when the colonies would drop from the Empire like ripe fruit from a tree.

Hincks stood for Empire connection and colonial prosperity and he considered that the two were inseparable. If the Canadian public works were to be completed, the province must secure aid from England. This aid, however, could not be secured as long as British investors considered that Canada was likely to become independent or to join the United States. Hincks was perfectly in accord with Elgin's statement to Grey that the Mother Country should try to keep and support her daughter, for, if the province joined the United States, Great Britain would have to pay the guaranteed loan.<sup>38</sup>

In order to sell Canadian securities the Inspector-General sought to convince Baring Brothers that Canada offered a safe field for investment. He informed them that Upper Canada in 1838 had only her taxation, which was small, to liquidate her debts. United Canada had control of her own tariff which was now adequate to her needs, but was capable of being raised twenty per cent. before it equalled that of her neighbour. He also complained that Canadian securities were not even listed in the stock exchange while those of every foreign country had a prominent place.<sup>39</sup> He assured the firm that in Canada, no matter how bitter political disputes became, all parties vied with each other in declaring that the public credit must be maintained.

Just as Hincks's labours seemed to have accomplished their purpose, disappointed politicians and bankrupt merchants stirred up a riot in Montreal over the passage of the Rebellion Losses Bill. Hincks saw at once that this disturbance would affect the sale of Canadian securities and wrote to warn Baring Brothers of the propensities of Canadian newspapers to make political capital out of every conceivable subject. He pictured the riot as the work of a few disappointed politicians and bankrupt merchants aided by men who desired republican institutions. But, while he called the affair a "tempest in a tea pot", political oppo-

<sup>37</sup>Sir J. Pope, *Memoirs of Sir John Macdonald* (Ottawa, 1895), vol. I, p. 139.

<sup>38</sup>Elgin to Grey, March 1, 1849. *Elgin-Grey Correspondence*.

<sup>39</sup>Hincks to Baring Brothers, Feb. 28, 1848. *Baring Papers*. The Inspector-General pointed out to Baring Brothers that formerly the trade relations had been expected to hold the Empire together. Since Peel had abolished the Corn Laws, this bond had been severed. However, he was certain that Canada did not want to join the United States and be compelled to enter the slavery quarrel as well as surrender her customs revenue to the federal government, and he was equally sure that Britain in time would grow to appreciate the Canadian markets. With Canada remaining in the Empire, her obligations would be met.

nents sent more ominous accounts from Montreal and these were published in the British newspapers. In order to counteract these influences, Hincks visited England in the summer of 1849, where he had interviews with Baring Brothers, Russell, and Grey. He also wrote several articles for the British journals in which he pictured conditions in Canada as they actually were and pointed out the value of the colony to the mother country. Upon his return to Canada, he insisted that LaFontaine and Baldwin should order the dismissal of all government officials who had signed the annexation manifesto. Later, he made a tour of Upper Canada and placed the issue of unity or bankruptcy clearly before the people. He compelled members of the British American Society to deny that they advocated annexation. He was gratified to find that in the provincial Parliament only six members favoured union with the United States. These facts Hincks sent to Baring Brothers and to Lord Grey. Early in 1850 he received his reward. The British investors had learned more about Canada and were anxious to purchase her securities. Thus Baring Brothers were able to sell the entire issue of £500,000 at a premium and Canadian credit was once more secure:

The Inspector General's clear and comprehensive statement of the prosperous conditions in Canada enabled him to secure funds to complete the public works, without which the previous expenditures would have remained unproductive.

Though he succeeded to an empty treasury and a very uncomfortable prospect as to ways and means, he, nevertheless, by the boldness as well as the simplicity of his tariff legislation, at once restored the public credit and avoided all resort to the peculiar system which had discredited the projects of his predecessor and rendered them unpopular.<sup>40</sup>

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<sup>40</sup>J. C. Dent, *The Canadian Portrait Gallery* (Toronto, 1880), vol. I, p. 242.