

20,397

28 Feb / 1867

H. M. M. M.

Private

Feb 28. 67

My dear Macdonald

I should be very  
glad if you would bring  
before your colleagues  
the strong opinion which  
I entertain on the sub-  
ject of the unrestricted  
power of borrowing money  
which is conferred on  
the Local Governments  
by the Union Bill as  
it stands, at present

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PUBLIC ARCHIVES PUBLIQU  
CANADA

I don't think this resolution will have any effect on the passage of the Union Bill.

The injurious effect which I apprehend from it is with reference to the Bill for guaranteeing the cost of the Intercolonial Railway.

It is true that power is only given to each local legislature to divide the resources, by loan, of its own Province, but as

the only security for the debt of the United Provinces is the aggregate of the local resources it is obvious that any thing which tends to diminish the solvency of the local provinces, necessarily will depreciate the value of the securities of the general government.

Every thing which reduces the solvency of the principal debtor renders it more likely that his guarantor may be called on, and

This is the point of view  
 in which the unlimited  
 power of the local govern-  
 ments to borrow will  
 probably be placed in  
 the debate on the pro-  
 vided Bill -

I think with the object  
 of meeting this objection  
 some restriction might  
 be put on this power -

The mode of doing it  
 would be to compel the  
 local gov<sup>ts</sup> to borrow  
 through the central gov<sup>t</sup>.  
 to this there are various  
 objections from the various  
 provinces & such a system

should enable members  
from particular pro-  
vinces to bring upon  
the central Executive-

I think, however, the  
object might be attain-  
ed by introducing a  
provision analogous to  
that which I believe  
exists in the Municipal  
Law of U. Canada &  
which compels the  
municipality when  
the loan exceeds a  
certain amount to  
appropriate specific  
taxes for the payment

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of the interest. I think  
 some provision of this  
 kind might prevent  
 the evil I have pointed  
 out, and I think it  
 is of great importance  
 that an argument for  
 the circumstances of  
 the present case should  
 - if it can be avoided -  
 be allowed to steer clear  
 the abstract divi-  
 sions & guarantees  
 which undoubtedly  
 exists in the House

Yours  
 Believ me to be  
 yours most truly

Howell

Yours

J. B. Macdonald