

against the risk of war being incurred by Colonial policy, while the principal expenses would fall to be discharged, not by the Colonial but by the Imperial Treasury."

In the reply to this letter, the Colonial Treasurer states, on the 28th May, 1864, while he expresses his own concurrence in the proposals: "I cannot, however, disguise from you the fact that I possess no powers from the General Assembly which will enable me definitely to conclude any arrangement with Her Majesty's Government, in reference to military expenditure, which will not require confirmation and ratification by the New Zealand Parliament."

In evidence that in proposing the increased contribution Her Majesty's Government proceeded on the assumption that the war in New Zealand would be closed before the 1st of January, 1865, the date of the proposed commencement of the increased payment, Ministers refer to the following quotations from *Hansard's Debates* of 1864. Mr. Cardwell, on the 26th April, stated as follows:—

"Reference has been made by my hon. friend to the vast expense incurred by this country in conducting the war. Hitherto, the arrangement between this country and New Zealand has been, that only nominal contribution has been made by the Colonists towards the support of the forces employed for their defence; but hereafter, when the policy of New Zealand chances to entail a war, and she applies for assistance to the mother country, substantial and not nominal contributions will be exacted from the Colonial resources."

On the same day, in reply to Lord Robert Cecil as to another part of his speech, Mr. Cardwell observes—

"I am speaking upon a certain hypothesis, which may not turn out true, namely, that the war is at an end before this time. The last accounts lead us to believe that the war, in all probability, is concluded by this time."

Again, on the 14th July, 1864, Mr. Cardwell states—

"One condition in the new proposal was that this arrangement (£5 contribution) should be put an end to at the close of the current year, and that an actual payment of a substantial amount, should be made. This payment would not only yield a considerable sum to the Imperial Treasury, but it would have a value far beyond its pecuniary amount, because it would place the Colony, as it were, under bail that it would for the future so regulate its policy that there should be no further occasion to send for British troops to protect the lives and property of the Colonists."

A perusal of these debates also fully shows that the required payment of the increased contribution was a *quid pro quo* in return for the Imperial guarantee—in fact part of the price which the Colony was to pay for that guarantee, should it desire to avail itself of it.

So much so was that the case that the payment in question was made one of the conditions of the acceptance of such guarantee, and inserted as such in the Imperial Guarantee Act, the Act itself being so framed as expressly to require the action of the New Zealand Legislature before it could take effect.

On the 10th of December, 1864, the House of Representatives declined to accept the Imperial guarantee, and passed a resolution to that effect.

The resolution was communicated through the Governor to the Home Government in a Memorandum, dated 3rd January, 1865, of the Colonial Ministers, who therein explicitly state that if the terms (as regards the contribution to the troops) imposed by the Imperial Government should be insisted on, the Colony would be wholly unable to bear the burthen, and that financial ruin will be the result.

On the 23rd March, 1865, Ministers transmitted, through the Governor, half a million of Colonial Debentures, bearing interest at four per cent., to the Lords of the Treasury, in order to repay the debt claimed from the Colony by the Imperial Government, and contemplated to be repaid out of moneys to be raised under the Imperial guarantee, which, as has been stated above, the Colony did not accept. These Debentures have been accepted by the Home Government, and interest on account of them is in course of payment by the Colony.

The order to the Crown Agents for the issue of these Debentures to the Lords of Her Majesty's Treasury was accompanied by a Memorandum by Ministers to the Governor, of which the following is an extract:—

"The arrangement contemplated by the late Colonial Treasurer (Mr. Reader Wood) was founded on a supposed guarantee to be given by the Imperial Government for a loan for one million sterling, at four per cent., out of which sum somewhat less than £500,000 was to be retained by the Imperial Government to liquidate the claims on the Colony."

The exact terms of the arrangement, as proposed by Sir F. Rogers to Mr. Reader Wood, were:—

"That the original guarantee be extended from half a million to one million, of which probably rather less than half will be paid into the Imperial Treasury, and the remainder will be applicable to the purposes of the Colony."

If, therefore, the Imperial Government had been pleased to comply with the request in the Memorandum above referred to,—“to cover the Debentures with a guarantee, and realize them in the English money market,” it would have done less than was offered by Sir F. Rogers, while, beyond all doubt, it would have realized more than the £500,000 in cash, as is shown by the letter of the Crown Agents to the Colonial Office, dated 26th June, 1865. It is submitted, therefore, that the debt claimed by the Imperial Government ought to be regarded as almost or quite extinguished up to August last.

On the 11th July, 1865, the Colonial Ministry, through His Excellency, again communicated with the Home Government on the subject of the increased rate of payment for the Imperial Troops in New Zealand. They remind the Imperial Government that on the 30th December, 1864, they had submitted to it “that it was absolutely impossible for the Colony to increase the heavy war expenditure that already menaced New Zealand with financial ruin,” and they fully state the reasons which render them “unable to recommend to the Colonial Parliament an appropriation for the payment per annum of forty pounds per head for Imperial Forces now in the Colony, as claimed by the Imperial Government.”

The expense of the active Military operations conducted by Her Majesty's Colonial Forces at the sole cost of the Colony, has imposed an enormous pressure, which has weighed for some time past and will long continue to weigh on Colonial resources. In the efforts recently and still being made on