

**CONSIDERED IN COMMITTEE—THIRD READINGS.**

Bill (No. 82) respecting the Monarch Fire Insurance Company.—Mr. Beattie.

Bill (No. 95) to incorporate the Royal Guardians.—Mr. Lachance.

Bill (No. 114) to incorporate the British Colonial Fire Insurance Company.—Mr. Beland.

Bill (No. 115) for the relief of Victor E. Blackhall.—Mr. Sutherland.

Bill (No. 116) for the relief of Annie L. Coltman.—Mr. Turriff.

Bill (No. 118) respecting the Anglo-Canadian and Continental Bank.—Mr. Gervais.

**SECOND READINGS.**

Bill (No. 140) respecting the Grand Trunk Pacific Branch Lines company.—Mr. Miller.

Bill (No. 141) respecting the Manitoba Radial Railway Company.—Mr. Harris.

Bill (No. 142) to incorporate the Governing Council of the Salvation Army in Canada.—Mr. Miller.

Bill (No. 143) for the relief of Mildred Gwendolyn Platt Patterson.—Mr. Harris.

Bill (No. 144) for the relief of Charles Bowerbank Lowndes.—Mr. Wallace.

Bill (No. 145) for the relief of Isaac Moore.—Mr. Wallace.

Sir WILFRID LAURIER moved the adjournment of the House.

Mr. SPROULE. I suppose that we will have the budget speech to-morrow.

Sir WILFRID LAURIER. Yes.

Motion agreed to, and House adjourned at 11.10 p.m.

**HOUSE OF COMMONS.**

TUESDAY, April 20, 1909.

The SPEAKER took the Chair at Three o'clock.

**WAYS AND MEANS.—THE BUDGET.**

Hon. W. S. FIELDING (Minister of Finance) moved that the House go into committee to consider the ways and means for raising the Supply to be granted to His Majesty. He said: In the presentation of the budget it is usual to devote some attention to each of three fiscal years. First we have to consider the completed year, the accounts of which have been laid before parliament in due course; next we have to consider the current year, or as in the present instance the year which actually ended a few days ago, but the accounts of which have not yet been closed; and lastly we have to consider what is the outlook for the year that lies ahead of us. It is now some time since the accounts for the fiscal year 1907-8, were submitted to parliament and probably most hon. members who are interested have given them consideration; nevertheless for the convenience of reference it is always well to note in the budget speech the principal features of these accounts and therefore I desire to call attention to the chief points in them. The results of the operations of the fiscal year 1907-08 (that is, the year which was closed on the 31st of March, 1908) did not differ very materially from the anticipations expressed in the last budget speech. My expectation was that we should receive a revenue of \$96,500,000; the actual revenue was \$96,054,505.81, or \$445,494.19 less than my expectations. I had counted, however, on an expenditure chargeable to revenue fund of \$77,500,000, but the actual expenditure proved to be \$76,641,451.59, or \$858,548.41 less than the estimate. The falling off in the expenditure was more than sufficient to balance the shortage of the revenue, and the net result was that whereas I had anticipated a surplus of \$19,000,000 the actual result was a surplus of \$19,413,054.22.

CONSOLIDATED FUND—1907-8.

|                  | Actual.       | Estimated Budget Speech 17th March, 1908. | Greater than Estimate. | Less than Estimate. |
|------------------|---------------|---|------------------------|---------------------|
|                  | \$ cts.       | \$ cts.                                   | \$ cts.                | \$ cts.             |
| Revenue.....     | 96,054,505 81 | 96,500,000 00                             | .....                  | 445,494 19          |
| Expenditure..... | 76,641,451 59 | 77,500,000 00                             | .....                  | 858,548 41          |
| Surplus.....     | 19,413,054 22 | 19,000,000 00                             | 413,054 22             |                     |

The previous fiscal period was one of nine months and therefore it would not be convenient to make any comparison between that period and the last fiscal year. It may however not be without interest that I should call attention to what are the sources of revenue as shown in the accounts of that year:

Sources of Revenue, 1907-8.

|                        |                 |
|------------------------|-----------------|
| Customs.. . . .        | \$57,543,811 25 |
| Excise.. . . .         | 15,782,151 68   |
| Post Office.. . . .    | 7,107,886 86    |
| Dominion Lands.. . . . | 1,883,619 88    |
| Railways.. . . .       | 9,534,596 20    |
| Miscellaneous.. . . .  | 4,202,439 94    |

\$96,054,505 81

It is to be noticed that the customs revenue was the largest in the history of the Dominion. It is also gratifying to be able to state that that very large revenue was realized with a lower rate of customs taxation than had existed in former times, as will appear from the following comparison:

Average Rates of Customs Duty.

|              | Average Rate<br>on Dutiable<br>Imports. | Average Rate<br>on Dutiable<br>and Free. |
|--------------|---|--|
| 1896.. . . . | 29-974                                  | 19-129                                   |
| 1897.. . . . | 29-967                                  | 18-613                                   |
| 1908.. . . . | 26-582                                  | 16-480                                   |

Particularly gratifying was the continued increase in the revenue of the Post Office Department. The affairs of that department for 1907-8 show a surplus of \$1,101,957.12. I am sure the House will agree with me that this is a most gratifying return, especially when we bear in mind that there has been a wide extension of the service, that we have cheaper rates of postage, and that this department a few years ago was a constant burden on the treasury, showing year after year a very large deficit.

I have dealt so far with the consolidated fund expenditure. There is, however, a large expenditure in addition, known as capital and special expenditure. For convenience of reference I put in a statement showing what this expenditure for the year amounted to:

Capital and Special Expenditure, 1907-8.

Capital Expenditure.

|   |                 |
|---|-----------------|
| National Transcon-<br>tinental Ry.. . . . | \$18,910,253 58 |
| Railways.. . . .                          | 4,761,299 54    |
| Canals.. . . .                            | 1,723,156,07    |
| Public works.. . . .                      | 2,969,049 08    |
| Dominion lands.. . . .                    | 768,243 94      |
| Militia.. . . .                           | 1,297,904 65    |
|   | \$30,429,906 86 |

Special Expenditure.

|                                    |                 |
|------------------------------------|-----------------|
| Railway subsidies.. . . .          | \$2,037,629 30  |
| Bounties.. . . .                   | 2,787,354 21    |
| Charges of manage-<br>ment.. . . . | 682,337 91      |
|                                    | \$ 5,507,321 42 |

Total.. . . . \$35,937,228 28

Mr. FIELDING.

A large proportion of this capital and special expenditure was provided out of the revenue by means of our surplus of 19½ millions of dollars. Deducting from the total capital and special expenditure of \$35,937,228, the surplus of \$19,413,054, sinking fund expenditure of \$2,234,263, and a small refund of \$910, in all \$21,648,228, it will be found that the increase of the net debt on the 31st of March, 1908, was \$14,288,999.88, notwithstanding the fact that in that year we expended \$18,910,253 on the eastern division of the National Transcontinental Railway alone. But for that outlay, there would have been a reduction in the debt of \$4,621,253.

Coming now to the affairs of the fiscal year 1908-9, which ended a few days ago; I have to point out that our practice with regard to the closing of the accounts of the fiscal year in Canada differs from that of the mother country. There the fiscal year closes on the 31st day of March, and the accounts are closed up immediately. That is quite possible in a country with conditions such as those of England with comparatively short distances and complete means of communication. But in a country like Canada, with a vast territory and public business going on all over the wide Dominion, it has not been possible to close up the accounts so early. The law permits three months for closing the accounts, though we always endeavour to close them in less time. Consequently, although the fiscal year has actually closed, we are not by any means in a position to determine precisely what has been the revenue and what the expenditure for the year. The best we can do is to take the figures as we have them up to date, and make reasonable allowance for probabilities, and thus reach an estimate of what is likely to be the outcome for the year. The revenue of the year, I need hardly remind the House, was affected by a world-wide stringency which started in the fall of 1907. The revenue of 1908-9, as received and accounted for up to the 10th of April, 1909, was \$84,352,581.30. My estimate is that when the returns are completed and the account is closed, the revenue will be found to have amounted to 84½ millions of dollars. This is 11½ millions of dollars less than the revenue of the previous year, or a shrinkage of 12 per cent. In the face of such a falling of revenue, in view of the trade depression so well known, in view of the difficulties which Ministers of Finance the world over are experiencing in the preparation of their budgets, it would not be surprising if it became my duty to report a very considerable deficit on the operations of the last year. I confess that at one time I viewed the situation with anxiety, and would not have been surprised if on the closing of the accounts there had turned out to be a balance on the wrong side. I am happy to say, however, that my apprehensions in that di-

rection are not to be realized. I am glad to be able to say, as far as the accounts at present indicate, that we shall close the affairs of the last fiscal year with a surplus of \$1,500,000. The expenditure, as shown by the returns up to the 10th of April, 1909, amounted to \$72,939,642.22. Taking the expenditure for the balance of the year at about the same as it was in the previous year, we estimate the total expenditure of the year chargeable to income at about \$83,000,000; and, as I estimate a revenue of \$84,500,000, this will leave us with a safe margin of surplus to the extent of \$1,500,000, and I am not without a hope that on the final closing of the accounts the surplus may be even somewhat larger. I am sure it will be felt that this statement, if it be realized, will be a most satisfactory one for Canada, for we are dealing with a period when throughout the world there have been financial conditions which have much disturbed business, and when in the natural order of things a very unfavourable balance might have been expected. That statement, of course, deals only with the consolidated fund revenue and expenditure, what for convenience I may call the ordinary expenditure of government.

There is of course to be considered capital and special expenditure. We estimate that it will take twenty-five and one-half million dollars to pay the outlay of this year last past for the Transcontinental Railway. The taking over of the Quebec bridge adds to our debt the sum of \$6,424,000, and other capital and special charges amount to \$17,300,000. These sums aggregate \$49,224,000. From this we will have to deduct the surplus, estimated at one and a half million dollars, and sinking fund amounting to \$1,675,000. These two aggregate \$3,175,000 which, deducted from \$49,224,000, would leave a balance of \$46,029,000, in round numbers \$46,000,000, which will be added to the net debt of Canada for the year closing on the 31st of March of this year. This is a very large increase but it is to be noted at once that \$32,000,000 of that amount is accounted for by the National Transcontinental Railway and the Quebec bridge, which is to be deemed hereafter a part of the National Transcontinental Railway. So it will be seen that if we have a very considerable increase in our debt, it is due to the very special expenditure that we are incurring in connection with the great work of the construction of the National Transcontinental Railway.

Mr. FOSTER. Can my hon. friend give the items of revenue, customs and excise?

Mr. FIELDING. No, I have not these figures at hand in detail. I gave my hon. friend a day or two ago the latest informa-

tion we had on the subject, and a simple computation for the few remaining days of the year will enable him to work it out for himself.

Mr. FOSTER. Can the minister give me the amount paid out for bounties in the Consolidated Revenue Fund Expenditure for the year just closed?

Mr. FIELDING. I have not the figures at hand, but from memory about \$2,238,000. If that is not substantially correct I shall give my hon. friend the exact figures later.

I freely say that we might have avoided this addition to the public debt. In the first place, we might have avoided it by refraining from the construction, in the whole or in part, of the eastern division of the National Transcontinental Railway. I have occasionally heard suggestions of something of that kind from the members of this House. Particularly have I heard criticisms of the construction of that section of the line which lies between Quebec and Moncton. Now, whatever may be said by people living in more remote districts, who are not familiar with the needs of that line, there was no portion of the Transcontinental Railway which was so unanimously demanded by the people particularly connected with it as the line between Quebec and Moncton, no portion, I say that without reserve. Time and again representations were made to the government of Canada as to the need for the construction of that road. Not to have built the eastern division, particularly that section, would have been a narrow, almost a provincial policy. The people of the maritime provinces, without regard to party, without regard to any differences they might have on other questions, were practically unanimous in demanding that if Canada was to engage in the enterprise of another transcontinental railway they should have connection with that road by some line which was better suited for a transcontinental service than the old Intercolonial Railway. The legislatures of the provinces, boards of trade, the various representative bodies of that portion of the country, again and again called upon the government of Canada to build that section of the road. Therefore, when hon. gentlemen criticise the construction of that road, I would have them bear in mind what I stated a moment ago, that there was no portion of the whole transcontinental line which was more universally demanded by the people immediately concerned, than that between Quebec and Moncton.

There was another way in which we might have avoided this addition to the public debt. We might have followed the example of our predecessors as to the man-

mer of aiding the construction of a trans-continental railway. I do not say this in order to criticise the action of our predecessors. We know very well that aid was granted to the Canadian Pacific Railway in three forms. There was a gift of finished road, costing an enormous amount of public money, a gift of \$25,000,000 in cash and of 25,000,000 acres of land. Leaving out of consideration the cash bonus and gift of finished road to the Canadian Pacific Railway, and considering only the land grant, I venture to say that if we had been willing to give the Grand Trunk Pacific 25,000,000 acres of land in the west, we could have devised a scheme which would not have added one dollar to the public debt of Canada. But would it have been a wise policy? I am sure upon that question there will not be a very wide difference of opinion. Whatever may be said of the wisdom of the government of that day in granting such a large land subsidy to the Canadian Pacific Railway, and I have no desire now to criticise that policy, whatever may be said as to the merits of that policy judged in the light of the time when it was devised, it is but the simple truth to say that as the years rolled on that policy caused widespread dissatisfaction in the western country, and if it had been proposed to again adopt the policy of subsidizing a great transcontinental railway by giving a large block of land in the Northwest territory, I am satisfied that such a policy would not have commended itself to the judgment of this House or of the country. The land for the settler, not for the railway corporations, is the demand of the western people.

Some hon. MEMBERS. Oh, oh.

Mr. FIELDING. So I say that if we had regard only for appearances, if we were afraid of adding to the public debt, we might have avoided it, we need not have responded to the wish of the maritime provinces as to the construction of the eastern division, we need not have paid the large sums that we are paying out now from time to time. We might have given land and I am sure the Grand Trunk Pacific would have received a policy of that kind with great favour. But we were of opinion that a policy of that kind was not a wise policy and that our true course was to build the eastern division of that road as a government work, to pay for it out of the public treasury, to face the responsibility it would bring on us for a short time until that responsibility becomes, as it will at an early period in its history, an interest-bearing asset. While the cost of construction will remain as a debt, there will come a time in the early history of that road when the Grand Trunk

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Pacific Company must pay 3 per cent on its cost. Practically therefore, that portion of the debt of the country will be wiped out because it will be represented as an interest-bearing asset. So we say that while a few short-sighted people, well-intentioned no doubt, might say that we should not have incurred this debt, I am sure that the sounder judgment of the country will say—not necessarily condemning the policy of former times because conditions may have differed then—that it would have been a mistake to-day to adopt that policy of land subsidy, and that we did well to face the financial responsibility which is involved by these additions to the public debt.

Our trade statistics for the past year will necessarily be unfavourable, but they will not be more unfavourable than the statistics of other countries. The year 1907 was only a partial year, a period of nine months in our financial accounts, and therefore it is difficult for us to make comparisons. The total trade for the fiscal year 1908 reached a very high figure, being just \$100,000,000 more than that of the fiscal year 1906, the last full period of 12 months.

In 1906 our exports amounted to \$256,586,630. In 1908 they increased to \$280,006,606. Our imports in 1906 were \$294,286,015, and in 1908, \$370,786,625. Our total trade in 1906 amounted to \$550,872,000, and in 1908 to \$650,793,131. I do not attempt any comparison with the previous year because our fiscal period then covered nine months only. For the fiscal year 1909, we have no official returns that are complete; but from the best information we can obtain in the uncompleted returns, our exports in 1909 amounted to \$261,379,904, and our imports to \$292,358,021. Our total trade thus amounted to \$553,737,325. Our exports have fallen slightly, but there is a marked decline in our imports. In this respect we are able to make very satisfactory comparison with the United States. As regards imports, Canada and the United States stand on even terms, the decline being about the same in both cases. But taking the figures of the calendar year, it would appear that the exports from Canada have decreased but a small degree, whereas those of the United States have decreased very largely.

Coming now to the year 1909-10, with the adequate resources and widely recognized energies of the Canadian people, it is only fair to assume that we shall speedily be able to overtake the falling off of the past year. It is only reasonable to suppose that the conditions of the past year are quite abnormal and due to special circumstances, which I think will disappear to a sufficient extent the coming year to enable us to receive a very considerable increase of revenue over that of the year just past.

Of course I do not think we would be justified in expecting to reach the very high revenue of 1907-8, but we do think that the revenue of 1909-10 will considerably exceed that of the year which has closed. The year just closed we are estimating to give a revenue of 84½ million dollars. For the coming year we estimate that we shall realize a reasonable percentage over that, but we do not expect to approach at all the revenue of the previous year which was \$96,000,000. It will take us undoubtedly another year to overtake that and possibly a little more. We think there is every reasonable probability that the turn of the tide has come, and that from this out our revenue will steadily increase. But for the present the revenue of 1907-8 must stand as the high water mark of our income.

With this condition of revenue and with the very many demands being made upon us, it would almost seem unavoidable that we should meet the difficulties by an increase in taxation. In some other countries that seems to be the remedy for the financial conditions that have there arisen. In our judgment, however, there is no need here of increased taxation. We think the truer and sounder method is to meet the situation by a substantial reduction in our expenditure, and that is the method we

have adopted. Unquestionably if we were to continue the same rate of expenditure as that which has prevailed in recent years, we should be obliged to add to the burdens of taxation; but we have come to the conclusion that the part of wisdom is to ask all concerned to be patient with us for the time while we put the brakes severely on expenditure. I have prepared a statement showing the reductions in the estimates for 1909-10 as compared with 1908-9. It is but fair to say that the estimates for 1908-9 which I quote are the complete estimates for that year. That is to say, they are the estimates submitted in the previous session and the supplementary estimates of the current session. The estimates for 1908-9 on consolidated fund amounted to \$89,412,868. For the new year now beginning, the estimates for the same account have been reduced to \$80,078,624. So that in that account there is a reduction of \$9,324,243. If we turn to the expenditure on capital account, we find that in 1908-9 our estimates amounted to \$43,658,365, and for the coming year the figures are \$30,411,150. So that, taking the decrease of \$9,334,243 on consolidated fund account and \$13,247,215 on capital account, we have a total decrease in estimates on the whole expenditure of \$22,581,458. Here are the details:

REDUCTIONS IN ESTIMATES FOR 1909-10.

| —   | 1908-9.*   |      | 1909-10.   |      | Increase. |      | Decrease.  |      |
|---|------------|------|------------|------|-----------|------|------------|------|
|   | \$         | cts. | \$         | cts. | \$        | cts. | \$         | cts. |
| <b>Consolidated Fund—</b>                         |            |      |            |      |           |      |            |      |
| Public Works.....                                 | 17,422,354 | 78   | 8,184,408  | 06   |           |      | 9,237,946  | 72   |
| Agriculture.....                                  | 1,719,627  | 06   | 1,112,500  | 00   |           |      | 607,127    | 06   |
| Militia.....                                      | 5,749,275  | 22   | 4,813,150  | 00   |           |      | 936,125    | 22   |
| Marine and Fisheries.....                         | 5,923,900  | 00   | 4,879,980  | 00   |           |      | 1,043,920  | 00   |
| Railways and Canals.....                          | 12,435,373 | 08   | 11,880,857 | 33   |           |      | 554,515    | 75   |
| Other Departments.....                            | 46,162,338 | 17   | 49,207,729 | 51   | 3,045,391 | 34   |            |      |
|   | 89,412,868 | 31   | 80,078,624 | 90   | 3,045,391 | 34   | 12,379,634 | 75   |
| Net decrease Consolidated Fund.....               |            |      |            |      |           |      | 9,334,243  | 41   |
| <b>Capital—</b>                                   |            |      |            |      |           |      |            |      |
| Public Works.....                                 | 3,635,542  | 29   | 4,512,000  | 00   | 876,457   | 71   |            |      |
| Railways and Canals.....                          | 37,819,566 | 75   | 23,828,150 | 00   |           |      | 13,991,416 | 75   |
| Dominion Lands.....                               | 903,256    | 06   | 771,000    | 00   |           |      | 132,256    | 06   |
| Militia and Defence.....                          | 1,300,000  | 00   | 1,300,000  | 00   |           |      |            |      |
|   | 43,658,365 | 10   | 30,411,150 | 00   | 876,457   | 71   | 14,123,672 | 81   |
|   |            |      |            |      |           |      | 876,457    | 71   |
| Net Decrease Capital.....                         |            |      |            |      |           |      | 13,247,215 | 10   |
| Total Decrease Consolidated Fund and Capital..... |            |      |            |      |           |      | 22,581,458 | 51   |

\*Including all Estimates of the Year.

The reductions, therefore, that we are making in the estimates are very considerable. We have yet to bring down some supplementaries for the current year, but

they will not materially alter the figures. They will be very moderate. The supplementaries which have to be brought down towards the close of the year are one of the

unseen things we cannot determine in advance, except to say that it is the determination of the government to keep the expenditure of the year within very moderate figures. We ask hon. members to appreciate the difficulty we have in making reductions. There are demands from hon. gentlemen of both sides and from all over the country for many public works, and undoubtedly, in many instances, these works are urgent and important, and with better conditions it would be our duty to respond to those demands. But we wish to point out to those interested that they must submit to the sacrifice, if a sacrifice it be, for a short time, and consent to a severe cut in our expenditure in order that our burdens may not be too heavy and our credit be well maintained. We know that in many parts of the country great works are projected—railways, canals, and other enterprises which may in themselves be worthy enough, some of which will have to be undertaken at a later date and will figure largely in the development of Canada; but it is much more important that we should, in the present condition of affairs, await an improved financial condition. Therefore we say to the promoters of all the enterprises, no matter how worthy they may be, that they must be content to let them stand aside for the present.

Mr. FOSTER. What amount of capital expenditure is proposed for the eastern section of the Grand Trunk Pacific?

Mr. FIELDING. \$20,000,000. We think that our aim ought to be—and we shall endeavour to accomplish it as far as possible—to provide out of our revenue, during the year now opening, for all the ordinary expenditure and for a considerable part of our capital expenditures—if possible even for all of them. There is one work as to the wisdom of borrowing for which there can be no question, and that is the Transcontinental Railway. If we can succeed in keeping down our borrowings for new works during the coming year to the sum which we wish to expend on the Transcontinental Railway, I am sure we shall have a very good statement to present. I do not know that we can accomplish this, but it is to be our aim, and I am sure that if for the works of the year we have to borrow any sum in excess of that required for the Transcontinental Railway, it will not be very large.

Now it has been our good fortune to be able to present an uninterrupted series of surpluses for a long period of years. For the first year of this government, 1897, a year in which we had only what I may call a partial control of public affairs, there was a deficit of \$519,981.44. Since that, we have had, if I include the estimated sur-

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plus for the year just closed, twelve surpluses amounting to \$115,059,087.83. If we deduct the \$519,981.44 of our first deficit—if it be chargeable to us—we find that for the twelve and three-quarter years we have had a total surplus of \$114,539,106.39. This represents a net average annual surplus for these twelve and three-quarter years of \$8,983,459.32.

Now, I am not unmindful of the fact that, as regards one item, the method by which these surpluses have been estimated has been occasionally questioned in the House. I refer to the item of bounties, which is charged to a special account. I have explained this point on several occasions, but, as there are many new members this session, it may possibly not be wrong if I again state the view the government entertained when the change was first made. Under the former government, the bounties, which did not amount to a very large sum, were treated as a drawback. It seemed to be assumed that there was money paid in some way into the treasury, and that it was received back by way of drawback; at all events the common understanding of a drawback is the repayment of money which has been received.

Mr. R. L. BORDEN. They were charged to revenue; were they not?

Mr. FIELDING. That was the result, although it did not take that form. They appeared to be treated as a reduction of the customs duty—the customs duties were understated, in reality, because they were subject to this drawback of moneys which had never been paid in. It reduced the revenue and so was equivalent to a charge on revenue account. We thought that was not the best way of dealing with the matter, that the account should be treated differently. And, as, at that time, the whole bounty question was being re-considered, we came to the conclusion that bounties being a temporary aid to industries,—they have been somewhat longer in existence, it is true, than was expected at the time—they might properly be treated in a special account in the same way as a railway subsidy was treated. When you pay a sum of money as a railway subsidy, you receive nothing for it; you do not get any property, you have no assets to represent it, but you give these sums as temporary aids to a great enterprise, which, no doubt, will bear fruit in future years in the development of the country. And we thought that the bounties, which were to be regarded as temporary assistance to great industries, might properly be treated in the same way. Therefore, they were treated in what is called a 'special account,' the same as railway subsidies. I am aware, as I have said, that the propriety of that has been questioned, but I think that the reasons which

led us to take this view are sound reasons. But, without arguing that, I have thought it better to present the calculation of what would have been the surplus if the bounties had been charged to income.

Mr. R. L. BORDEN. Will the hon. minister state how much these bounties have amounted up to the present time—in other words, what is the amount of this special account?

Mr. FIELDING. Speaking from memory, something over twelve million dollars or \$1,000,000 a year. If we charge the bounties in this special account all to ordinary revenue account we shall find that the result will be to show a total surplus for the twelve and three-quarter years of \$99,832,075.55, and an average annual surplus for the twelve and three-quarter years of \$7,869,182.39. It will be seen, therefore, that while the change in the method suggested by some hon. gentlemen would make a difference in the surpluses of that period, it is by no means a very large difference—the surpluses have been so large for the whole period that a change in the method of keeping the account would not materially affect the result.

Mr. MIDDLEBRO. What deficit would there be this year if the bounties were charged to revenues instead of to capital?

Mr. FIELDING. Both sides of the account would come pretty close together; there might be a small deficit; and this is the only year in twelve and three-quarter years when this change in the method of keeping the accounts could possibly have affected the question whether there was a surplus or a deficit. The heaviest item of these bounties, the bounty on iron and steel, will expire in 1910. The bounty on lead will expire in 1913. There is a bounty on electric smelting which runs for two years longer than the other iron and steel bounties, but I do not think that much will be claimed under that item. So, whatever may be said with regard to these bounties, the heaviest items will expire shortly, and I suppose there will hardly be much room for contention as to their proper place in the accounts. I merely wished to emphasize the fact that if a different method of keeping the accounts had been employed, while the surplus would have been reduced on the whole, yet the bounties have played no very large part in that result.

There is another point I wish to deal with relating to surpluses and deficits. I have regretted to observe a disposition on the part of some of the public press to create a new standard in these discussions of surpluses and deficits. One Conservative newspaper sets forth in flaming headlines the statement that in the public accounts for the year there is a deficit of

\$30,000,000, with more to come. I have seen similar statements also in the other newspapers. Now, I submit in all fairness that that is not a candid way of dealing with the public accounts. The word 'surplus' and the word 'deficit' have a meaning, a well established meaning, in the finances of Canada. It is not a meaning which I have created, it is not a new meaning, it is a meaning which has existed throughout the public accounts of Canada from the beginning of confederation to the present moment. If we go back to 1867 and look through the public accounts from that year down to the present, we shall discover that if this modern method of computing the surpluses be accepted, we shall be forced to the conclusion—a conclusion which I refuse to accept—that the Finance Ministers from Sir John Rose down to the hon. member for North Toronto (Mr. Foster), juggled with the accounts, falsified the accounts of the each year's operations. I say I do not make that charge; I say that it is not the case. But I say that this tendency on the part of our critics to take the balance at the end of the year, the balance which is added to the public debt, as a deficit is altogether unfair and at variance with the established practice of the Dominion of Canada.

Mr. AMES. What is the established practice of Great Britain?

Mr. FIELDING. I was dealing with the established practice of Canada.

Mr. R. L. BORDEN. Might I ask the Finance Minister whether this system, which we have undoubtedly in Canada since 1867, of dividing the expenditure into capital and revenue, prevails in any other country, and if so, in what country? I would like also to ask whether if our practice is different from that of all other civilized countries it would not be a good time to conform our practice to that of other countries when we have been having an enormous superabundance of revenue during the past eight or ten years?

Mr. FIELDING. I do not agree with that. I think we are more concerned with what has been the established practice of Canada than with what has been the established practice in other countries, the conditions of which may be utterly unlike those of Canada. I say that when we find the public press treating deficits in this way, when they say: Your total expenditure for the year in any class was so much and your revenue so much, and the balance is a deficit, I say that is a misleading statement, it is an unfair statement, and it ought not to be made by any respectable journal in this country.

Mr. R. L. BORDEN. What is the practice of the United States?

Mr. FIELDING. Really I would not like to answer definitely. I think in England the practice is different. But there are reasons why this practice in Canada would not be a sound practice. I think a country which has to engage in large operations, a country which needs to borrow money in order to develop its resources, must establish a different condition from that in an old settled country which has hundreds of years of experience.

Mr. R. L. BORDEN. What is the practice in Australia and New Zealand?

Mr. FIELDING. I am bound to say that I am not aware. But I do not think it is important.

Mr. R. L. BORDEN. They are like us, are they not?

Mr. FIELDING. I do not admit they are entirely like us. I think my hon. friend should recognize that I am not at present discussing the practice of Australia; I am not concerned in discussing the practice of England and the United States; I am chiefly concerned in showing the unfairness of my Conservative friends in applying to the finances of the present time a test which they never applied to the finances when their own friends were in power. That is the point I wish to make, that is the point I may expect to make with any fair-minded man in the Dominion of Canada.

Now, let us see how this would work out. Let us go back to the early days of our confederation in 1869 when Sir John Rose was Minister of Finance. The accounts of Sir John Rose for that year showed that he had a surplus of \$341,090.52. Now, according to the present contention of my critics, these accounts were deceptive, Sir John Rose had no surplus that year, but he had a small deficit of \$102,184. His accounts were misleading. But he was considered to be a pretty good Minister of Finance, and the fact that he adopted that method is a reason why I, his junior for so many years, should pay profound respect to the method; I believe he adopted it for good reasons, and I think reasons which were good then are good to-day. Then we had another eminent Finance Minister in the person of Sir Francis Hincks. In the year 1872 Sir Francis Hincks published a return showing that he had a surplus of \$3,125,344.86. But if the present method which is advocated by my Conservative friends in the press is correct, a method which is occasionally heard of in this House, instead of having that surplus of \$3,125,000, Sir Francis Hincks had a deficit of \$4,480,554.39. So you see the effect of applying to the Ministers of Finance of earlier days the very criticism that is now offered respecting our methods with

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this subject. Sir Leonard Tilley was Minister of Finance in 1873, when his accounts showed a surplus of \$1,638,821.53; but, according to the present contention, instead of having a surplus for that amount, if the same criticism had been applied to Sir Leonard Tilley that is applied to the surplus of the present Finance Minister, it would have shown that instead of his having a surplus that year of \$1,638,000, he had a deficit of \$17,661,389.60. Then we come again to Sir Leonard Tilley in 1881, when he showed a surplus of \$4,132,743.12, but, according to the present contention, he should have shown a deficit of \$2,944,191.79. Again, in 1883 Sir Leonard Tilley showed a surplus of \$7,064,492.35, the largest surplus ever reported by a Conservative Minister of Finance, but, according to the present contention he had no surplus at all, but he had a deficit of \$4,805,063.68. Now, let us come nearer home. My hon. friend from North Toronto (Mr. Foster), and my immediate predecessor in the post of Finance Minister, in 1889 showed a surplus of \$1,865,035.47. But, according to the contention of my critics and their friends to-day, his accounts were wrong; he juggled with the accounts; he misled the people, for he should have shown a deficit of \$2,998,683.49. In 1890 my hon. friend showed a surplus of \$3,885,893.94, the largest surplus he ever had. He was not very lucky in the matter of surpluses; but in that case, if he had shown the accounts in the way that his friends now demand I should show the accounts, his surplus of \$3,885,000 would have been wiped out, and he would have been obliged to show a deficit in the accounts for the year.

Now I do not mean to say for a moment that Sir John Rose, Sir Francis Hincks, Sir Leonard Tilley and my hon. friend from North Toronto falsified their accounts, but the Conservative critics of to-day would say that, because they demand a standard of declaring a surplus which, if applied to the years I have spoken of, would show that these accounts were incorrect. On the contrary, I claim that my hon. friend, my predecessor, treated the accounts in a proper way. In a country like Canada, with large needs, a country which must borrow a great deal of money for development, a country which cannot possibly, as a rule, manage its public affairs with the ordinary revenues, I say it is a proper distinction to make between charges to income and charges to capital. There may be room for dispute as to a particular item, whether it should be charged to one account or the other, but that does not touch the principle. There always will be room for difference of opinion in that matter. But I am dealing with the principle, and I say the principle which was adopted by Sir John Rose, by Sir Francis Hincks and by Sir Leonard

Tilley and by the hon. member for North Toronto, is the principle on which accounts are made up to-day, and therefore the very criticism that is offered by some of my Conservative friends as to my method of making up the accounts is entirely unjustified.

A very interesting feature of our expenditures in recent years has been the very large amounts of money that have been applied to expenditures upon these capital or special services with a very moderate addition to the public debt. Now the very purpose of making a distinction between charges against income and charges against capital, is to indicate that you may probably need to borrow money to meet your capital account. That is, the assumption that you cannot provide out of your ordinary revenue for these special and large needs. Well, what do we find? We find that the total capital and special outlay for the period I have spoken of, for twelve and three-quarter years, has amounted to \$212,449,526.42. I say that represents a class of expenditure as to which, if it had not been charged to capital account, and if the financial condition of Canada to-day obliged us to charge it to capital account, no just criticism could have been offered against such a course.

But what is the fact? While we have spent the enormous sum in the twelve and three-quarter years of \$212,449,000 on these capital and special charges, we have only added to the public debt during that time \$65,500,000. We have paid no less than \$147,000,000, less a fraction of that large expenditure upon capital and special accounts out of the ordinary revenues of the country; we have provided 69 per cent of that class of expenditure out of the ordinary revenues. I venture to say that in no previous period in the history of this Dominion has there been such a large expenditure on capital and special accounts with so small an addition to the public debt.

We have had during recent years very large loan operations. For a number of years Canada went but seldom to the English money market, but during the last year or two we have been obliged to go there more frequently. There are several causes for this. First we have had considerable sums of old loans maturing and these have had to be provided for; second, we had heavy obligations arising on account of the construction of the National Transcontinental Railway; third, considerable sums were required for the taking over of the Quebec bridge; fourth, there were considerable withdrawals from the government saving banks; fifth, we required a considerable sum to be loaned to the Montreal Harbour Commission; sixth, we had to provide considerable sums of money in connection with the seed grain distribution, and then we had a very heavy falling off in our revenue during the past year.

Parentetically I would say that a much

respected member the other day in discussing another subject to which I am not permitted to refer, said that one of the first things before you begin to lend money to any one is to have it to lend. I am afraid if we had adopted that principle in respect to the Montreal Harbour Commission my hon. friend would not be able to see the great improvements which now greet his eye when he visits his beautiful city.

The consequence of all these demands was that we have needed to go to the money market more frequently than usual. We have borrowed the following sums since the last budget speech:

June, 1908, £5,000,000, 3½ per cent, due 1st May, 1912.

October, 1908, £5,000,000, 3½ per cent, due 1st July, 1950, with option of redemption after 1st July, 1930, after six months' notice.

January, 1909, £6,000,000, 3½ per cent, due 1st July, 1919, with option to redeem after 1st July, 1914, on three months' notice.

This last mentioned loan of £6,000,000 which was offered at 99½, was the largest colonial loan ever placed on the London market. It was at first only partially taken by the public. That is not an unusual thing in the London money market, but very soon after it was issued it was readily taken.

Mr. FOSTER. What proportion was taken by the public?

Mr. FIELDING. Forty-one per cent was taken by the public, the balance for the moment remained on the hands of the underwriters. That loan now stands at a premium of nearly 3½ per cent, so that if the loan was not immediately taken by the public it was no reflection on the credit of the Dominion. There were special reasons for placing this loan at the time and in the way we placed it. A 3½ per cent loan may now be regarded as our standard security. Many years ago we issued one at 2½ per cent and then one at 3 per cent, but in the present conditions, and they are likely to continue for the early future, I suppose we will have to regard the 3½ per cent loan as our standard security. With improving conditions we may get back to the 3 per cent rate, but in the meantime we must be content with 3½ per cent, and so it was important that we should keep our 3½ securities on a good basis in London.

Mr. FOSTER. Can the minister give the brokerage and commission on the 1909 loan?

Mr. FIELDING. The answer to that question was ready yesterday but as I was not in the House it was not given. My hon. friend's question was:

What amounts have been paid for commission, brokerage and other expenses, respectively, on loans made since December 31, 1908?

The answer is:

|                           | £      | s. | d. |
|---------------------------|--------|----|----|
| (a) Commissions.. .. .    | 90,000 | 0  | 0  |
| (b) Brokerage.. .. .      | 13,790 | 4  | 6  |
| (c) Other expenses.. .. . | 13,900 | 18 | 11 |

As I said, a previous issue of 3½ per cent which had been taken by the underwriters on terms quite satisfactory to the government, had not been fully absorbed by the investing public. Under the conditions it would have been difficult to place another 3½ per cent loan on the market and after full consultation with our agents, we concluded that the best way to meet the situation was to issue a different class of loan of special character which would meet the then existing conditions of the market and which would prove attractive to investors. We thought that in that way we would not materially depress the value of our 3½ per cents. We decided therefore to issue this loan at the rate of 3½ per cent and to make it a short loan for a period of ten years with the right to redeem it after five years if we so desired. Another reason why we fixed that period of ten years was that the loan will thus fall due at a very convenient time, when we will not be embarrassed by other maturities.

Hon. gentlemen who have devoted attention to the condition of the public debt of France will know that a large part of the French national debt is held by the French people who buy the bonds in very small sums. It was suggested that an effort should be made to reach the same class in England, and after careful consideration we came to the conclusion that we might appeal to the small investors in England. It was not that we expected thereby to get any large sum of money, as it takes a great many small contributions to cover a loan, and I have no doubt that if we had considered our own convenience only we might have done as well without appealing to the small investor. My idea was that this plan had a value apart altogether from the mere getting of the money. There are thousands of men of small means in England who seldom or never invest in Canadian securities, and I thought it desirable that we should reach these people, not merely to get money from them, but to interest them in the affairs of Canada. I thought that such a thing was most desirable and therefore, after very careful consideration, because it was somewhat of a departure from the established practice in the English money market, we decided to issue this new loan in bonds as low as £10 each. That experiment was watched with a great deal of interest by the financial public and by the public generally. The British Chancellor of the Exchequer, Mr. David Lloyd George, did us the great honour and great compliment of approving of the project, and in order to show his ap-

Mr. FIELDING.

proval he publicly subscribed for one of these modest £10 bonds in order to set a good example to the moderate class in England, and I wish here to thank Mr. Lloyd George for that evidence of his good will to Canada. He has been adversely criticised; he has been told that he had better look after the finances of England and leave other people to look after the finances of Canada. I hope he may have success in looking after the finances of England; I know that in the step he took he meant to pay a compliment to the Dominion of Canada and I avail myself of this opportunity to express my appreciation of it. Well, the financial journals of England gave this their hearty approval and the greatest of them all, the London 'Economist,' gave us the most cordial commendation and expressed the hope that the British government would follow our example. I may say also that others than the financial publications in England commended our course in this respect. We hope and believe that the experiment will be of value to us, not because of the amount of money it produced, but because of the interest which it has aroused amongst the smaller investors. We had no less than 603 applications from persons who subscribed for £90 or less, so that we had quite a large number of applicants although the total value of their subscriptions was not very great. We could have got the money just as easily by going to one big broker and inducing him to subscribe to the loan, but in view of the experience of France in such matters and in view of the interest which was being manifested by thoughtful men in England in this question, we deemed it well to make the experiment of trying to interest the men of small means throughout the United Kingdom in the securities of Canada, and I believe we have succeeded.

Mr. FOSTER. What is the comparison in cost between the two methods?

Mr. FIELDING. It really makes very little difference; it is a mere question of the clerical labour and the printing. It is no doubt somewhat troublesome to the gentlemen who are employed in the office of our financial agents in London, but besides the greater volume of clerical work and the printing there is no increased cost. I am hopeful that when we have occasion to go again on the money market, we will have these same people and others interested in our loans, and not only interested in our loans but interested in anything that concerns the welfare of Canada.

Since the issue of that large loan we have borrowed some other sums which I should state to the House. We have made two loans, one of £1,000,000, and one of £500,000, or a total of £1,500,000; one of these loans

for 12 months and the other for 15 months. They have been negotiated quite recently in view of the improving conditions of the money market and the rate of interest we paid for them was  $2\frac{1}{2}$  per cent; that is the net rate to the government, it covers all bank charges of whatever nature. Therefore, our latest financial transaction in the way of short loans is to borrow £1,500,000 at the very low rate of  $2\frac{1}{2}$  per cent.

Mr. SPROULE. If that be so, how do you reach your conclusion that our average is  $3\frac{1}{2}$  per cent?

Mr. FIELDING. Because, these were short loans, for one year in one case and for fifteen months in the other case, and it is quite impossible to compare them with a long term loan. Excluding temporary loans which are soon repaid, we have issued from 1896 up to date loans to the amount of £27,470,242, an enormous sum of money. But it is important to note that a large part thereof was not for present operations but for the repayment of old loans maturing. I have here a statement of the loans which have matured and which we have paid off since 1896; they are as follows:

#### LOANS MATURED AND PAID OFF SINCE 1896.

The following Loans have been paid off since 1896:—

|  | Amount.              | Date.             |
|--|----------------------|-------------------|
| 4 p.c. Intercolonial Railway Guaranteed Loan ..... | £ 1,500,000          | October 1, 1903.  |
| 4 p.c. " " " " .....                               | 1,500,000            | April 1, 1908.    |
| 4 p.c. Ruperts Land Guaranteed Loan.....           | 300,000              | April 1, 1904.    |
| 5 p.c. Intercolonial Railway Unguaranteed. ....    | 500,000              | October 1, 1903.  |
| 4 p.c. Loan of 1875 .....                          | 1,000,000            | November 1, 1905. |
| 4 p.c. " 1876.....                                 | 2,500,000            | November 1, 1906. |
|  | £ 7,300,000          |                   |
| 4 p.c. " 1874 (part) .....                         | 1,595,256 14s. 6d.   | May 1, 1904.      |
|  |                      | May 1, 1907.      |
| 4 p.c. " 1878-79 .....                             | 4,500,000            | November 1, 1908. |
|  | £13,395,256 14s. 6d. |                   |

We have had some sinking funds against these and the balance we have had to provide. These loans which we have paid off account to a very considerable extent for the large borrowings we have had to make. Up to 1885, with the exception of one loan, we had provided small sinking funds ranging from one-quarter per cent to one per cent in connection with our various loans. In later years, from 1885 onward, the sinking fund policy was abandoned as it did not seem to be necessary. My own observation of the London money market leads me to the conclusion that it would be a wise policy for us to return in some degree to the sinking fund policy, and it is my intention in any further loans I may have to issue to attach a moderate sinking fund to them.

As to the precise rate we may attach it is a matter of detail, and it is not necessary at present to make a statement, but I think it well to return to our former policy of having some sinking fund attached to each of our loans.

In connection with the earlier budget speeches of some years ago a return was published giving the cost of all loans for many years. This year a supplementary return was brought down, and I think as a matter of convenience it would be well to have it included in the budget speech, and if there is no objection I will hand it to 'Hansard.' It will then be in the possession of the House and it will be more easily referred to in the budget speech than if it is only to be found in the form of a return:

## MEMORANDUM OF CANADIAN LOANS PLACED

|   | Price in Prospectus. | Price Realized. |        | Duration of Loan, Years. | Rate per cent. | Total Issue.  |       | Discount or Premium. |       |
|---|----------------------|-----------------|--------|--------------------------|----------------|---------------|-------|----------------------|-------|
|   |                      | £               | s. d.  |                          |                | £             | s. d. | £                    | s. d. |
| Intercolonial Railway, 1869, guaranteed.    | .....                | 105             | 12 11½ | 35                       | 4              | 1,500,000 0 0 |       | P. 112,946           | 0 0   |
| Intercolonial Railway, 1869, unguaranteed.  |                      |                 |        |                          |                | 500,000 0 0   |       |                      |       |
| Intercolonial Railway, 1873, guaranteed.    | .....                | 104             | 7 8    | 30                       | 4              | 1,500,000 0 0 |       | P. 78,971            | 6 8   |
| Rupert's Land, guaranteed.....              |                      |                 |        |                          |                | 300,000 0 0   |       |                      |       |
| Loan of 1874. ....                          | 90                   | 90              | 3 3    | 30                       | 4              | 4,000,000 0 0 |       | D. 393,476           | 17 6  |
| Loan of 1875, guaranteed. ....              | .....                | 99              | 1 8    | 35                       | 4              | 1,500,000 0 0 |       | D. 22,930            | 9 1   |
| Loan of 1875, unguaranteed. ....            |                      |                 |        |                          |                | 1,000,000 0 0 |       |                      |       |
| Loan of 1876. ....                          | 91                   | 91              | 0 0    | 30                       | 4              | 2,500,000 0 0 |       | D. 225,000           | 0 0   |
| Loan of 1878, guaranteed. ....              | 96½                  | 96              | 11 9   | 35                       | 4              | 1,700,000 0 0 |       | D. 102,347           | 12 6  |
| Loan of 1878, unguaranteed. ....            |                      |                 |        |                          |                | 1,500,000 0 0 |       |                      |       |
| Loan of 1879. ....                          | 95                   | 95              | 1 10½  | 29                       | 4              | 3,000,000 0 0 |       | D. 147,206           | 6 4   |
| Loan of 1884. ....                          | 91                   | 91              | 2 2    | *25                      | 3½             | 5,000,000 0 0 |       | D. 445,870           | 0 0   |
| Loan of 1885. ....                          | 99                   | 101             | 1 8    | *25                      | 4              | 4,000,000 0 0 |       | P. 43,416            | 0 0   |
| Canada Reduced. ....                        | 92½                  | 95              | 1 0    | 50                       | 3              | 6,443,136 2 9 |       | D. 54,576            | 2 9   |
| Loan of 1888. ....                          |                      |                 |        |                          |                | 4,000,000 0 0 |       |                      |       |
| Loan of 1892. ....                          | 91                   | 92              | 0 10½  | 46                       | 3              | 2,250,000 0 0 |       | D. 197,904           | 0 0   |
| Loan of 1894. ....                          | 95                   | 97              | 9 2    | 43                       | 3              | 2,250,000 0 0 |       | D. 57,145            | 6 9   |
| Loan of 1897. ....                          | 91                   | 91              | 10 5   | 50                       | 2½             | 2,000,000 0 0 |       | D. 169,625           | 5 0   |
| 4 p.c. Loan of 1908-12. ....                | 100                  | 100             | 0 0    | 5                        | 4              | 1,500,000 0 0 |       | .....                | ..... |
| 3½ p.c. Loan of 1930-50 (February issue).   | 100                  | 100             | 0 0    | 22¼ or 42¼               | 3½             | 3,000,000 0 0 |       | .....                | ..... |
| 3¾ p.c. Loan of 1908. ....                  | 100                  | 100             | 0 0    | 4                        | 3¾             | 5,000,000 0 0 |       | .....                | ..... |
| 3½ p.c. Loan of 1930-50 (October issue).    | 100                  | 100             | 0 0    | 22 or 42                 | 3½             | 5,000,000 0 0 |       | .....                | ..... |
| <i>Loans extended.</i>                      |                      |                 |        |                          |                |               |       |                      |       |
| 4 p.c. Loan of 1874 (due May 1, 1904) ..... | .....                | .....           | .....  | 3                        | 4              | 2,500,000 0 0 |       | .....                | ..... |
| 4 p.c. Loan of 1874 (due May 1, 1907) ..... | .....                | .....           | .....  | 4                        | 4              | 1,831,398 1 5 |       | .....                | ..... |

\* Or 50 years calculated for 25 years only.

a Does not include the bonus of stock for conversion into 3 p.c., 1938.

b This amount includes £11,943 2 6, being balance of Commutation of Stamp Duty (at rate of 12s. 6d.

c This amount includes £2,473 2 6, being balance of cost of Stamp Duty yet payable (at rate of 2s. 6d.

d This amount includes £9,374 7 6, being balance of Commutation of Stamp Duty (at rate of 12s. 6d.

FINANCE DEPARTMENT,  
April 19, 1909.

## ON THE LONDON MARKET SINCE 1867.

| Amount Realized. | Charges, including<br>Discount for<br>immediate pay-<br>ment and<br>Interest on part<br>payments. | Net Amount<br>of Cash realized. | Conversion of<br>Stock and Bonds<br>of maturing<br>Loans. | Total Amount<br>realized. | Annual<br>effective<br>Rate of<br>Interest per<br>Unit. |
|------------------|---|---------------------------------|---|---------------------------|---|
| £ s. d.          | £ s. d.   | £ s. d.                         | £ s. d.   | £ s. d.                   |   |
| 2,112,946 0 0    | 29,896 18 5   | 2,083,049 1 7                   |   |                           | ·04125  |
| 1,878,971 6 8    | 33,449 18 11  | 1,845,521 7 11                  |   |                           | ·03916  |
| 3,606,523 2 6    | 60,289 9 9  | 3,546,233 12 9                  |   |                           | ·04875  |
| 2,477,069 10 11  | 42,847 16 1   | 2,434,221 14 10                 |   |                           | ·0416   |
| 2,275,000 0 0    | 57,122 9 7  | 2,217,877 10 5                  |   |                           | ·0475   |
| 2,897,652 7 6    | 36,852 15 7   | 2,860,799 11 11                 |   |                           | ·043  |
| 2,852,793 13 8   | 47,988 8 3  | 2,804,805 5 5                   |   |                           | ·045  |
| 4,554,130 0 0    | 94,693 3 4  | 4,459,436 16 8                  |   |                           | ·04042  |
| 4,043,416 0 0    | 82,098 2 1  | 3,961,317 17 11                 |   |                           | ·045  |
| 6,388,560 0 0    | 32,977 1 0  | 6,355,583 19 6                  |   |                           | ·04083  |
| 3,802,096 0 0    | 67,598 4 3  | 3,734,498 7 6                   |   |                           | ·0321   |
| 2,070,990 4 0    | 31,365 6 7  | 2,039,624 17 5                  |   |                           | ·0341   |
| 2,192,854 13 3   | 24,867 0 4  | 2,168,047 13 0                  |   |                           | ·0311   |
| 1,830,374 15 0   | 22,347 17 2   | 1,808,026 17 10                 |   |                           | ·0288   |
| 1,500,000 0 0    | <i>a</i> 29,473 11 2  | 1,470,526 8 10                  |   |                           | ·04796  |
| 3,000,000 0 0    | <i>b</i> 74,665 15 1  | 1,801,534 4 11                  | 1,123,800 0 0   | 2,923,334 4 11            | ·03704  |
| 5,000,000 0 0    | <i>a</i> and <i>c</i> 82,923 9 2  | 3,489,734 6 3                   | 1,427,342 4 7   | 4,917,076 10 10           | ·04298  |
| 5,000,000 0 0    | <i>d</i> 120,236 17 10  | 4,389,313 5 8                   | 490,449 16 6  | 4,879,763 2 2             | ·03783  |
| 2,500,000 0 0    | <i>a</i> 33,193 15 2  | 2,466,806 4 10                  |   |                           | ·04556  |
| 1,831,398 1 5    | <i>a</i> 26,819 19 4  | 1,804,578 2 1                   |   |                           | ·04452  |

p.c.), yet payable on inscription of stock certificates.  
p.c.), on £5,000,000  $3\frac{3}{4}$  p.c. debentures.  
p.c.), yet payable on inscription of stock certificates.

I have noticed some criticism as to the cost of our loans, but I am glad to be able to say that there is no ground for the charge that the expenses in connection with our loans are very high. Of course we have had very large transactions, and we have had to pay on very large sums. We have handled enormous sums of money in our financial transactions during the last few years and you cannot carry on these enormous operations without large expense. I am glad to be able to say that in every instance, so far as I am able to ascertain, the expenses are fair and reasonable. We are now paying the same charges generally as we paid in former years. Our financial agents in London (The Bank of Montreal) charge precisely the same rates now that they have been charging for a long time, and we have no reason to doubt that they are fair and reasonable. There is only one item that is new, only one item which did not appear in the charges of former times, and that is the charge for underwriting. We have sometimes paid three-quarters per cent for that, and sometimes when the money conditions were not so favourable we have had to pay one per cent, and one per cent is about the best rate that first-class loans will be underwritten for in London. This underwriting is simply an assurance that the money will be provided. The underwriters are the very best judges of the character of a loan; they are better judges in a certain way than the public themselves, and experience has shown that it sometimes happens that the public are not ready to take up a loan. Then, the underwriter who is an experienced financial man and who weighs every element in the money market is able to come to an understanding of what is the fair value of a loan, and if the Minister of Finance is satisfied with the price at which the underwriter is willing to do the business then the transaction is closed and the Minister of Finance knows at all events that he is going to get the money; he need not care very much whether the public come in and subscribe or not. In some respects it is always better to have the public subscribe, but if the public should subscribe too readily, if the public should come in and rush after the loan and subscribe to it many times over, the Minister of Finance would be open to the charge that he had made a mistake, that he had fixed the price of his loan at too low a figure, or in other words that he was selling his goods too cheaply. In the case of our loan recently issued only 41 per cent was taken by the public, which was the best guarantee that the underwriters gave us the full value of the money. If we had not agreed to the underwriting of the loan, we would have been obliged to have named a lower price for it. So I am satisfied that the modern system of underwriting, while we may regret that we

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have to resort to it, has the advantage of securing to the government the best possible price for our loans. No colonial government now borrows money in London without underwriting. I think I am correct in saying that no foreign government now borrows money in London without underwriting. It has become the established practice of the money market. The imperial government, in dealing with the last India government loan, which is practically an imperial government loan, and which was placed on the market very shortly after our £6,000,000 loan, had to adopt the policy of underwriting, and, I understand, paid for that loan precisely the same price that the government of Canada paid for its loan. Hon. gentlemen will see, therefore, that in this underwriting, which is the only new item, we are simply following the established practice of the money market, which all other governments, including the imperial government in the case of the last India loan, have had to adopt, and I think it may be assumed that we do well to conform to this practice, in view of the fact that the rate paid for our loan was precisely the same as that paid for the recent India government loan. The effect of underwriting is this, that the public know that they have a second chance to buy. If it is thought the loan is not much in demand, an individual investor, even though he wants a large sum, will say to himself: 'I will not send in a subscription, and the loan will be left on the hands of the underwriters; then it will fall to a discount, and I can come in and buy more cheaply.' Sometimes that happens, but it did not happen with us. The public did not take all of our loan at once, but immediately after it was announced that 41 per cent of the loan had been taken up by the public, investors began to run after the balance in the hands of the underwriters, with the result that according to the latest quotations it stands at a premium of 3½ per cent in the money market.

I should call the attention of the House to some early maturing loans, that is, the loans we shall have to deal with during the three calendar years 1909, 1910 and 1911. The £5,000,000 3½ per cent loan of 1884 gives the option to the government of redeeming it between the 1st of June, 1909, and the 1st of June, 1934, on giving six months' notice. We could, therefore, take up that loan, if we so desired, during this year, but under present conditions it is of advantage to Canada to carry this on at the present rate, for we have no reason to suppose that we could do better than 3½ per cent, and no notice of redemption has been given. On the 1st of January next the Canada Reduced 4 per cent loan of £6,443,136 matures. Of this loan there is

held in the sinking fund £2,205,573, leaving £4,237,563 to be paid off in cash. The 4 per cent loan of 1885, for £4,000,000, is redeemable at any time between January, 1910, and 1935 on six months' notice by the government. We are not called upon to touch that matter for the present; we will consider it later on. On the 1st of October, 1910, the 4 per cent guaranteed loan of 1875 for £1,500,000 matures, and for that we have a sinking fund of about one-half the amount. On the 1st of May, 1911, we have a 4 per cent loan of 1874, amounting to £1,831,398, maturing. These are the loans which we have to provide for within the next three years, besides which we have, of course, to provide for what may be required for the possible needs of our work, notably the Transcontinental Railway.

I regret to notice that some very erroneous statements have been made from time to time, both in this House and outside, made no doubt with the best intentions, with regard to the credit of the Dominion. Although I am a strong party man myself, I do not believe that there is any man in this House on either side who desires to depreciate Canada's credit. I am sure that any erroneous statements which have been made have been the result of erroneous information, and not of any intention to state other than the facts. We have heard it stated, for instance, that because we borrowed money for 2½ per cent or thereabouts in 1897, on long term loans, and because we recently paid 4 per cent, therefore the credit of the Dominion is going down. There is no warrant for any such statement. In the first place, in making any comparison of this kind, it is necessary to observe the distinction between the different classes of loans. A long-term loan on the money market should elicit the best terms. For a short-term treasury note, you may sometimes get money cheaply, just as in New York money is occasionally borrowed at a very low rate on call. But for the purposes of the ordinary investor, in a favourable condition of the market, a long-time security, such as a fifty-year loan, is the security most favoured. Our recent loan was for ten years, with the option of five years, while the loan of 1897 was for fifty years, and was issued in a most favourable condition of the money market. Another consideration which we have always to keep in mind is that money is a commodity which rises and falls in value like any other commodity, and the man who wants to buy it goes into the market and pays the market price. To say that because we borrowed money in 1897 at 2½ per cent and that we now have to pay 4 per cent, therefore our credit is suffering, is an entire mistake. In 1897 monetary conditions were exceedingly favourable, and we were able to place a 2½ per cent loan at a remarkably good

price. We seemed to have struck the psychological moment, and obtained the most favourable terms ever obtained for a colonial loan. We have never been able to do it again. Of late years there has been a change in the appetite of the English investor. There was a time when he wanted a gilt-edged security, such as British consols or a Canadian government security, and to get this he was willing to pay a high price and was content with a low rate of interest.

The British investor is becoming somewhat more wide-awake. He is beginning to be willing to take a little risk by putting his money into foreign loans; and at the very moment when we were trying to borrow at 3½ per cent, a Russian loan was offered at 4½ per cent, and sold at a price under 90. A great many British investors, who at one time would not touch these foreign loans at all, are now disposed to invest in them. The result is a lesser demand for gilt-edged securities, and it becomes a little more difficult to float securities of that character at the best prices. Take, for instance, the drop in British consols, the very highest standard of securities in the world. In 1897 these bore interest at 2½ per cent and were quoted at 113½. The rate has since been reduced from 2½ per cent to 2½ per cent, which would account for some of the reduction in the quotations but not for all of it. I have the latest quotation, and find it is 85 1-16, and not long ago British consols sold as low as 80. It would not be reasonable to infer that because the price of consols has dropped and the British government have practically to pay a higher rate for money, the credit of that government has suffered. The drop in price does not mean that. It simply means that money is a commodity which rises and falls, and the British, the Canadian, and every other government must be content to pay the market price. Let me give you another comparison. One of the best classes of investment in England is what is known as the Metropolitan Stocks—the stocks issued by the London County Council, a very high class security, probably next to that of the British government itself. In 1896 the Metropolitan 3½ per cents were quoted at 128½, being their highest point, and Canadian 3½s were quoted at 111½. The two classes bear the same rate of interest, yet there was a difference against Canada in 1896 of 16½. Coming to 1908, Metropolitan 3½s were quoted at 104½ and Canadian 3½s at 101½, being a difference against Canadian of 2½. The best way to gauge the credit of Canada is to take some other standard stock, and compare the rates at which that standard stock was quoted in former years with that at which Canadians sold in the same time,

and then take the difference in quotations between the same two stocks at present. Taking the Metropolitan stocks as a good example, we find that in 1896 they stood 16½ above Canadian and in 1908 only 2½ points. My hon. friends will therefore see that the mere fact that we had been paying a somewhat higher rate for our money does not indicate any diminution of Canadian credit.

Mr. AMES. Has the hon. gentleman the figures with reference to our 3 per cents?

Mr. FIELDING. I have not, but I have no doubt that, comparing our 3 per cents with the Metropolitan 3 per cents the result will be the same. I had these quotations made in all good faith. If the others show something different, I shall be happy at a later date to call attention to them, but I am advised that they will show substantially the same results.

Our net debt on the 31st March, 1908, was \$277,960,859.84. I have stated that the increase in 1909 would be \$46,000,000. Our net debt, on the 31st March, 1909, taking our estimates as near as we can make them, will be in the neighbourhood of \$323,960,859.84. Our net increase since 30th June, 1896, amounts to \$65,463,427.07, and the average increase per year in 12½ years amounts to \$5,134,386.43. Of this net increase the National Transcontinental Railway is responsible for \$52,574,131.71. Excluding that amount, the net increase of debt during the 12½ years would be \$12,889,295.36, or an average per year of \$1,010,925.12. So that it will be seen, apart from the National Transcontinental, which is a special item, our additions to the public debt during the whole period have not being excessive.

As to the burden of debt, to which an occasional reference is made, in a country like Canada it is to be expected that from time to time there will be some additions to the public debt. It cannot be expected that the development of a new country like ours can be carried on without any additions to our public debt. On a number of occasions, when I had the pleasure of submitting statements showing reductions of the public debt, I was always careful to point out that the circumstances were exceptional, and that we must expect from year to year some additions to the public debt. But if we are to consider the public debt as a burden, we must take into account the number of burden bearers. We do not take a census every year, but our census office makes estimates from year to year, which I believe are in the main substantially correct. Take the returns of the last official census, making allowance for what experience has shown

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to be the natural increase of population, taking careful account of the immigrants coming into the country, we obtain fairly correct annual statements of our population. I have had such a statement prepared, and am glad to be able to say that, for the first time in our history, we are able to claim a population of more than 7,000,000 souls. I submit here a statement showing the debt of Canada for every year since 1891 and also its population, the net debt each year, and the net debt per capita. I think it will be admitted that if you are to measure the burden of the debt, you must consider the number of burden bearers. What do we find? We find that in 1896, 13 years ago, the net debt of Canada was \$50.82 per head of our population, and on the 31st March just passed, according to the returns of the Census Department—which we have every reason to believe are substantially correct—on a population of 7,085,219 the net debt of Canada amounts to \$45.72 per capita against \$50.82, 13 years ago. So that we have the very gratifying fact, having regard to the number of burden bearers, that the net debt of Canada to-day is not an increasing burden but is less of a burden than it was when this government came into power 13 years ago.

I submit the figures for each year:

| Year.  | Net debt per capita. |               | Net debt per capita. |
|--------|----------------------|---------------|----------------------|
|        | Population.          | Net debt.     |                      |
| 1891.. | 4,844,366            | \$237,809,030 | 51 49.09             |
| 1892.. | 4,889,266            | 241,131,434   | 44 49.15             |
| 1893.. | 4,935,748            | 241,681,039   | 61 48.96             |
| 1894.. | 4,983,903            | 246,183,029   | 48 49.40             |
| 1895.. | 5,003,839            | 253,074,927   | 09 50.57             |
| 1896.. | 5,086,061            | 258,497,432   | 77 50.82             |
| 1897.. | 5,141,508            | 261,538,596   | 46 50.87             |
| 1898.. | 5,199,267            | 263,956,398   | 91 50.77             |
| 1899.. | 5,259,491            | 266,273,446   | 60 50.62             |
| 1900.. | 5,322,348            | 265,493,806   | 89 49.88             |
| 1901.. | 5,413,370            | 268,480,003   | 69 49.59             |
| 1902.. | 5,537,500            | 271,829,089   | 62 49.08             |
| 1903.. | 5,712,190            | 261,606,988   | 87 45.79             |
| 1904.. | 5,890,066            | 260,867,718   | 60 44.29             |
| 1905.. | 6,091,136            | 266,224,166   | 60 43.70             |
| 1906.. | 6,323,557            | 267,042,977   | 75 42.23             |
| 1907.. | 6,655,904            | 263,671,859   | 96 39.61             |
| 1908.. | 6,863,500            | 277,960,859   | 84 40.49             |
| 1909.. | 7,085,219            | *323,960,859  | 84 45.72             |

\* Estimated.

There is another view of the matter. My hon. friend from North Toronto (Mr. Foster), in one of his speeches on the budget, said that one of the ways of judging the burden of the debt was to take the amount of interest which had to be paid. That is a fair statement, with this proviso, that you must consider the number of burden bearers. In 1896, the total amount of interest on the public debt was \$10,502,429.90,

and the amount received as interest on investments was \$1,370,000.56, leaving a net amount of \$9,132,439.34, or \$1.79 per capita. The net interest we had to pay in 1896 on the debt of Canada, therefore, was \$1.79 per head. Taking the same computation for the year ending 31st March last, we find that the interest on the public debt will be close to \$11,636,550.87. The interest received on investments was \$2,168,601.04, making the net interest paid for the year, when the accounts are finally closed, approximately \$9,467,949.83, or \$1.33 per head for the year, as compared with \$1.79 per head for the year 1896.

I think, Sir, that these figures, in which we take into account not only the increasing amount of debt but the increase in the number of burden-bearers—and I am sure that every hon. member will admit that that is a fair method of calculation—show that, while, in the development of our country, we have been obliged to add considerably to the public debt, these additions have not kept pace with the growth of our population, but that our interest charges are materially less of a burden to-day than they were thirteen years ago.

There has been some discussion here and elsewhere with regard to our statement of assets. There are some assets appearing in our accounts that are not of much value—some practically of no value at all. No such asset has been added to the list in recent years; such assets of that kind as appear have been there a long time; it has been thought well not to make changes, but, as a matter of convenience, to allow them to remain. Once in a long period of years the statement is revised by the Committee on Public Accounts. I am glad to know that that is being done this year, and that a number of these items will be thrown out. But I am satisfied that the amount of the items thus thrown out—items placed there many years ago, before I had anything to do with the finances—will not be large, in fact that it will be very small indeed when compared with the total amount of our assets. I am very glad to agree in the view that that statement should be revised and that we should have a statement down to date.

I desire to confirm a statement that I made earlier in the session with regard to the savings bank accounts. I was asked whether we intended to increase the rate of interest paid on these accounts. My answer was that such was not our intention, that this was practically money on call, and it was not to be expected that the same rate would be paid upon it as upon an ordinary investment. But I stated also that I would be glad to provide for the transfer of any of these deposits into stock of a more permanent character. I repeat that now. If it be agreeable to any of the savings bank depositors, we shall be glad to issue new

stock for amounts of \$50 or upwards to bear 3½ per cent and redeemable in 1925. Therefore, if it be found that any of the depositors in the savings banks wish to take up a more permanent investment, they can have their deposits transferred into savings bank stock at the rate I have named.

Mr. J. D. REID. At par?

Mr. FIELDING. Yes. Frankly, I do not expect that there will be a large demand for this stock; I think the savings bank depositors attach more importance to the convenience and security of the savings banks than to the rate of interest.

Mr. NESBITT. Would the minister say how that interest is to be paid—yearly or half-yearly?

Mr. FIELDING. Half-yearly. We do not propose any extensive changes in the tariff; the one or two changes to which I wish to call attention are rather in the way of regulation than in the way of changes which would affect the finances of the country. For some years, considerable attention has been given to the cultivation of the beet in Canada with a view to the production from it of refined sugar. I think there is no longer any question that we can produce in Canada beet-root of the quality suitable for that industry—I think it has been established that the beets grown in Canada are well suited for the manufacture of sugar. The question has come, whether with the encouragement usually given to other industries in Canada, we can make that industry permanently successful from an economical point of view. The advocates of the industry say that this can be done, but they have asked that special aid be given them in the initial stages of their enterprise. So, for several years, we granted them concessions in the way of free admission of machinery. Several years ago we granted another concession in the way of importation of foreign sugar on the same terms as preferential sugar from the West Indies. In other countries, the beet industry is so carried on that they produce not only refined sugar, as is done in Canada, but also an intermediate grade known as raw sugar, which can be kept in store, handled and shipped, as it is being shipped, to all parts of the world. We have not yet reached that stage in Canada; we carry the manufacture from the beet-root itself quickly into the refined article. And I suppose it is admitted that at Wallaceburg they are turning out a fine grade of sugar as a result of that operation. But this enables them to run their factory only for a short time. In order that they may run their factory for a longer term, and so run it more economically, they ask to be permitted to import foreign sugar at the preferential rate. It is not convenient for them to use the West India sugar, and they thought it a

hardship, when they imported a foreign sugar, to be obliged to pay the higher rate. So, two years ago, we agreed to allow them for three years the privilege of bringing in foreign sugar at the same rate as if it were British grown sugar. The limitation was that they should be allowed to import two tons of foreign sugar for every ton of refined sugar they produced from Canadian beet. That concession remains in our tariff, but it expires at the end of the current year. The promoters of the industry, not only the refiners, but a large connection including farmers, dealers and others, who are interested in the beet industry, have asked us to make a further concession in the same direction. We have decided to allow a continuance of the present system for three years longer and then for two further years on a reduced scale. That is, for three years they will be allowed to import as at present, two tons of foreign sugar for every ton of refined sugar they produce in their factories from Canadian beets, and for two years thereafter they will be allowed to import one ton of foreign sugar for every ton of refined sugar they produce from Canadian beets.

Mr. HUGHES. The minister means two tons of foreign raw sugar?

Mr. FIELDING. Surely.

Mr. HUGHES. Raw beet sugar?

Mr. FIELDING. They prefer the raw beet sugar, but we could not limit it to that. So much with regard to the beet industry, which, as I have said, enlists the interest and sympathy of a large number of people, and to which we have every desire to give a helping hand in these ways at the beginning. We trust that in a short time it will be able to be conducted without these special aids, and, that with the measure of protection given to other branches of industry in Canada, it will be permanently and profitably established.

Another phase of the sugar question has given us some perplexity. The duties on British-grown raw sugar are based on the assumption that the Canadian refiner—I speak now not of the beet sugar refiner, but of those who refine sugar in all forms, the eastern refiners and those on the Pacific coast—will import their raw sugar under the preferential tariff, paying only the preferential rates, and the duty on the British refined sugar is adjusted accordingly, so that our refineries may have what is deemed a moderate rate of protection. The refiners have represented to us that they cannot get a sufficient quantity of British sugar to enable them to import it under the preferential tariff, and to avail themselves of what seemed to be the intention of the tariff in that respect. They say there are two difficulties in the way. In the first place, they are not able at times to obtain a suf-

ficient quantity of West Indian sugar—and when we say British-grown sugar it properly means West India sugar, because that is the only near market—they say they are not able at times to obtain a sufficient quantity of that British-grown sugar of a proper grade and quality for their purposes.

Now they make a more serious complaint. They say that there is a combination amongst the West Indian planters, among the growers of sugar in the West Indies, through their agents and brokers in London, whereby the Canadian refiner is not permitted to buy that West Indian sugar upon the same terms as it is purchased by the British refiner. This question of who shall profit by the preference has been much debated. At one time the West India merchants complained that the refiners in Canada managed to take the whole preference to themselves. Now the accusation is the other way. Our Canadian refiners say that this combination so manages that it will only sell West India sugar at a price which makes the thing of really no more advantage to them than if they were to buy the foreign sugar and pay the higher duty. Of course, no matter what they pay for West Indian sugar, they would only pay a lower rate of duty. But it is claimed that though they do not pay any more duty they are obliged to pay a higher price. They say that the growers in the West Indies, through a broker and agent in London, ascertain just at what price sugar can find admission into the Canadian market, and they only sell at that price, with the net result that while the British refiner who competes with the Canadian refiner in the finished product, practically buys in a free market, the Canadian refiner is only allowed to buy on terms which oblige him to pay in addition to the price of the sugar, the amount of the preferential duty.

Mr. HAGGART. Have you confirmed that by any inquiry?

Mr. FIELDING. We have not had any official inquiry, and it is well to hear both sides of the story. I am bound to say that the refiners, who are generally of excellent standing, and who I am sure mean to act in good faith, have made a strong impression upon my mind in their presentation of the case. However, we have come to the conclusion to suggest a remedy which can do no great harm to West India men, and which will meet the difficulty, if a difficulty exists, will meet it at all events in a moderate degree. We propose to allow the refiners, other than those engaged in the beet industry—we have already dealt with them—we propose to allow the refiners the privilege of importing foreign sugar at the preferential rate, to the extent, however, of only one-fifth of the quantity of the refined sugar which they produce.

Mr. FIELDING.

An hon. MEMBER. Is that raw sugar?

Mr. FIELDING. All this has reference to raw sugar. The effect of that would be this: If there exists the combination which is alleged, then the refiner will have access to the foreign market at the same rate to the extent of a moderate quantity. I think the effect of it will be that probably, if that combine exists, it will not continue. When we adopted the West India preference we certainly felt that by lowering the duties on the products of any other country we were doing a friendly act and encouraging trade with that country. But all good trade must profit both the seller and the buyer. It certainly was not contemplated that either the one or the other should use this preference as an instrument of oppression. However, that is a matter which demands careful inquiry. If we were to allow the introduction of a very large amount of foreign sugar at the preferential rate, we should probably strike down the preference, and that we do not wish to do. But we think, to the extent of this moderate quantity, we will be assisting the refiner, and we will be giving at the same time a general intimation to the West India grower that he must be prepared to give and take, and not use the preference as a means of treating our Canadian refiner in a different manner than he would treat the refiner in any other country.

We have been asked to join a commission of inquiry to be appointed by the British government for the purpose of inquiring into the trade relations between Canada and the West Indies, and we have intimated our concurrence. The matter has been discussed for some time. It may be remembered that a year or two ago a conference was held in the Island of Barbados, a conference which was originally designed to be merely an intercolonial conference, but which later on opened its doors to Canada. We sent down two gentlemen, Mr. Parmelee, late Deputy Minister of Trade and Commerce, and Mr. A. E. Jones, of Halifax, an experienced West India merchant, who attended the conference, and some progress was made in the direction of better trade relations. The colony of Barbados, following that movement, adopted a preferential tariff whereby Canada would receive a preference on a number of articles provided that Canada in return would give, not only the existing preference, but some further preference. We felt that it was difficult to deal with one island alone, and therefore we did not respond to the proposals of the government of Barbados. But we have intimated to the Imperial authorities, who are responsible for the management of these Crown colonies, that if they desire to go into the question more fully, we are prepared to

join in a general inquiry into the trade relations between Canada and the West Indies. Now if that commission be appointed. Canada will be represented on it. At the present moment I am not quite sure—although some communication has taken place—as to who should represent Canada. At all events, Canada will be represented on the commission, and we should have a careful inquiry. This question of combine will be taken up, and if it be established that such a combine exists, we hope and believe that our friends in the West Indies will realize that that is not the proper response to the efforts we have made to encourage trade with that country. We certainly did seek to encourage trade with the West Indies, we certainly did feel that in giving a better market to West India sugar we were giving, in a modest way, some helping hand to the West Indies people; but we certainly did think at the same time that our own consumers would profit by the lower rates of duty that were to be established. So as a temporary means of dealing with this matter, and pending that further inquiry to which I have referred, we propose to permit eastern refiners, all the refiners except those engaged in the beet root industry, to import at the preferential rate foreign raw sugar to the extent of one-fifth in weight of the quantity of refined sugar which they produce in their factories. Our expectation is that they will to some extent meet the difficulty of the moment, pending that further inquiry which we hope will take place during the year.

Mr. AMES. Is it proposed to apply the remedy before the inquiry or after?

Mr. FIELDING. We think the evidence is sufficient to justify us in going this far; and if the inquiry thoroughly satisfies us, we will probably have to apply a more drastic remedy than this. I think the information we have is sufficient to justify us in granting this measure of relief to refiners here. But we do not propose to grant it to them for any fixed period; it is to be granted indefinitely, with a distinct understanding that parliament gives them no vested right in it, and that we may, after the inquiry, withdraw it at any moment.

Mr. AMES. By vote of parliament?

Mr. FIELDING. Only by vote of parliament. We think it should be made definite in the tariff itself, and not be dependent upon mere order in council.

I have said that we do not propose any other tariff changes. In saying this, it is not necessary to contend that our tariff is perfect. I do not suppose that we should ever have a tariff instrument in Canada that will not leave room for much debate,

and we shall never have a tariff with respect to which some person will not feel that it is not working well.

But we remember that it is only two years since our tariff was revised and we think that the idea of tariff stability is worth something to the business of the country. We thought the business men of the country, other than the particular ones who would like particular changes, will readily concur in the view that tariff changes should not be made very frequently, and that it is even better at times for us to bear some little disadvantage that might seem to arise than to be constantly making these changes. Therefore except for these items with respect to sugar, which do not in any way affect the rate of taxation, which do not touch the revenue at all, we have no tariff changes to propose.

For the long period of 13 years it has been my good fortune to present to the parliament of Canada that annual statement of our financial affairs which we commonly call the budget. In almost every one of these speeches I have been able to present to the House a story of expansion of trade, of growing revenues, of satisfactory business, of increased population and of all the things that make for the progress and prosperity of our country. During the past year the conditions have been somewhat less favourable. The monetary stringency, almost world-wide in its character, which began in the autumn of 1907, created much disturbance of the trade and commerce of all countries. Our neighbours to the south perhaps suffered more than any other country. A panic in that country created a paralysis of industry, a paralysis of business. It was not to be expected that under such conditions we in Canada could entirely escape. We know that we did suffer somewhat from the influences of that panic, and yet as we look back we have reason to feel proud of the manner in which Canada has passed through that crisis. It is something creditable, I am sure, whatever may have been the cause of it—and I will not stop to enter upon that—that in that time of trial, Canada, her business, her institutions, everything Canadian, stood well and though here and there the pinch of the money stringency was felt, if we look back over it, we feel proud that Canada came through that period of stress so successfully and so well.

I feel now Sir, that we are at the point when the tide is turning. Already we think we can see signs of the betterment which we believe is to come. With the conditions that we have in Canada, with an energetic people, with vast resources, with an incoming population, with constantly improving conditions in the west, our future is bright. It was stated in the public press the other day that 70,000 people will come this year from the United States alone,

bringing with them, according to the estimate of a careful observer, at least \$1,000 each in property in addition altogether to their interest in the country. When we think of these 70,000 people coming in, bringing with them, we are told, \$70,000,000 of addition to the wealth of the country, when we think of our great natural resources, when we think of the bright prospects of the west and see all around us such signs of energy, we feel, Sir, that we can look forward hopefully to a revival of business and a continuance of that progress and prosperity with which for so many years Canada has been blessed. We may not progress as rapidly as before, we may not have a revival of anything like boom times—nay we would not have it so if we could—but what we do feel is that the business of the country is in a natural and sound condition and that indications go to show that business will be better from this time forward. The money stringency has passed away, it is no longer a barrier to the progress of our country. The banks, which for a time had to curtail their accommodation, are now ready to aid every legitimate industry; the last bank statement shows that more money is being sent out into the various avenues of trade. This means a revival of business and with such a prospect surely we can say, with gratitude for the past, that we have every confidence in the continued progress and prosperity of Canada.

I beg to lay on the table the resolutions to be introduced in committee in accordance with the changes in the sugar duties. The resolutions are as follow:

That it is expedient to amend 'The Customs Tariff, 1907' as follows:—

|                                   |                         |                    |
|-----------------------------------|-------------------------|--------------------|
| British<br>Preferential<br>Tariff | Intermediate<br>tariff. | General<br>Tariff. |
|-----------------------------------|-------------------------|--------------------|

The following items shall be inserted in schedule 'A':

135b. Raw sugar as described in tariff item 135, when imported to be refined in Canada by Canadian sugar refiners to the extent of twice the quantity of sugar refined during the calendar years 1909, 1910 and 1911 by such refiners from sugar produced from Canadian beet root, and an equal quantity of sugar to that refined during the calendar years 1912 and 1913 by such refiners from sugar produced in Canada from Canadian beet root—the whole under regulations by the Minister of Customs.

Mr. FIELDING.

|  | British<br>Preferential<br>Tariff. | Intermediate<br>Tariff. | General<br>Tariff. |
|--|------------------------------------|-------------------------|--------------------|
| Per one hundred pounds testing not more than seventy-five degrees by the polariscope.. . . . .   | 31½ cts.                           | 31½ cts.                | 31½ cts.           |
| And per one hundred pounds for each additional degree over seventy-five degrees..  | 1 cent.                            | 1 cent.                 | 1 cent.            |
| Provided that sugar imported under this item shall not be subject to a special duty.   |                                    |                         |                    |
| This item to expire December 31, 1914.   |                                    |                         |                    |
| 135c. Raw sugar as described in tariff item 135, when imported to be refined in Canada by any sugar refining company not engaged in refining sugar from the product of Canadian beet root, to the extent of one-fifth of the weight of sugar refined from raw sugar by such refining company in Canada during the calendar year in which such raw sugar is imported, under regulations by the Minister of Customs. |                                    |                         |                    |
| Per one hundred pounds testing not more than seventy-five degrees by the polariscope.. . . . .   | 31½ cts.                           | 31½ cts.                | 31½ cts.           |
| And per one hundred pounds for each additional degree over seventy-five degrees..  | 1 cent.                            | 1 cent.                 | 1 cent.            |
| Provided that sugar imported under this item shall not be subject to a special duty.   |                                    |                         |                    |

Hon. G. E. FOSTER (North Toronto). Mr. Speaker, I must say that I miss a great deal in the tone and manner of my friend of ancient days, the Minister of Finance, using the words 'ancient days' comparatively, and having reference to former budget speeches which he has made in this House. In fact the whole speech had a remarkably soporific effect on me and I am not sure that I shall be immediately able to throw off the influence. The hon. gentleman evidently felt that there were some points to be avoided, and it was almost painful to see the great care with which he dragged in a number of considerations to which we would hardly have thought a Minister of Finance would have given much attention. Why he did it I do not know if it were not in the exercise of that ingenuity and finesse of which the Minister of Finance

(Mr. Fielding) is a master. We have not heard much to-day about the fine facility with which the Minister of Finance so directed the financial affairs of this country that he was able to guide it through a series of years of very large expenditures and great growth and development without adding to the public debt. To-day he has had to acknowledge that there is a considerable addition to the public debt. We have not heard so much to-day about the surpluses except in a particular way. The Finance Minister was able by his peculiar arithmetic to figure out that on the 12 months of the year there would be a surplus of \$1,500,000. That evoked a cheer, not a very hearty one, from my hon. friends opposite. But he still was able to evoke a cheer. One simple consideration will show the importance of maintaining a proper continuity in the system of bookkeeping employed by the government. If the Finance Minister had charged, as the Liberal-Conservatives did, the bounties to revenue and not to capital, as the amount so charged this year was \$2,250,000, the Minister of Finance would not only not have had a surplus of \$1,500,000, but he would have had to announce a deficit of \$750,000. That would not have evoked any cheer, that would have made a difference to the party press. They then could not have jubilantly declared that in this, a year of adversity and financial distress, our Finance Minister had so piloted us that we had a surplus of \$1,500,000. How did the Finance Minister get that surplus? He did it, not to use an offensive term, by juggling and falsifying the record—

Some hon. MEMBERS. Order.

Mr. FOSTER. Yes, we will let that sink into the mind—by juggling and falsifying the record in so far that he adopted a system of bookkeeping for which he could not give any substantial reason and under which it would not be possible to give a fair comparative statement of expenditures.

So, that little episode of to-day where the surplus is so small that it is absolutely wiped out by an item in the accounts wrongly charged compared with the former system of book-keeping, shows what the Minister of Finance has been doing all the way through; and, up to date, sixteen million dollars and odd have been credited to his surplus in the books of this country which could only be credited there because he had changed the system of accounting from what it was before he came into power. Having declared that there was an increase of the debt amounting to \$46,200,000 in this one year, he began to find reasons why we should not be very much concerned about that. He told us it could have been avoided in the first place by the government not undertaking to build the Quebec and Moncton section

of the Grand Trunk Pacific, and he gave as a reason why the government must build that section that its construction was most earnestly demanded by the people of the locality. I could not help but think of the argument used by the Prime Minister the other day with reference to the Aylesworth ditch. The Prime Minister declared then that \$1,200,000 of the people's money must be dumped into that Aylesworth ditch because there was a very urgent demand from the reeves and the wardens and the councillors and a number of the inhabitants in the vicinity of Holland landing and Newmarket. To-day, the Finance Minister tells us that the Quebec-Moncton section of the Grand Trunk Pacific must be built because it was urgently demanded by the people of the locality. The cardinal defect in that argument is, that these gentlemen opposite seem to think that they are here for no other purpose than to give adhesion to the bequests of individuals in scattered localities, and that because somebody comes and urgently and repeatedly asks that money be spent it is a sufficient justification for the expenditure of large sums.

The other day the Minister of Railways declared that there was no hope for the Intercolonial Railway unless it either were linked up with a western road, or that it built and acquired branches, but his chief point was that if it were to be successful it must be linked up with some great western railway. And yet the Minister of Finance declares to-day that a parallel line with the Intercolonial must be built, the only result of which will be to make it a competitor for the present scant freight and passenger business of the government railway. I think sir, that a far better thing to have done would have been to have lessened the grades on the Intercolonial, straightened its curves, and shortened its distances, and as the promoters of the Grand Trunk Pacific scheme represented to the Prime Minister and his government when the undertaking was first mooted, link the Intercolonial system to the west through the Grand Trunk and other connections from the Lakes to Montreal. That was the very proposition that Mr. Hays made to the right hon. gentleman; that was a proposition which under an agreement between the government and the Grand Trunk would have secured a western outlet for the Intercolonial and have avoided that immense expenditure of money not only for the road between Quebec and Moncton but also for the road from Quebec to the head of the lakes. That would have sufficed for the present at least, and so we would not have had this burden, this veritable old-man-of-the-sea which is crushing down upon Canada to-day. We would not have had to

raise this immense amount of money in order to build a road long before its time and long before the necessity arose for our undertaking huge financial obligations in connection with it. The Minister of Finance said that we might have given 25,000,000 acres of land as in the case of the Canadian Pacific Railway, but the main objection in his mind to giving land was because he said it was a cardinal article in the creed of the Liberal party that the land must be reserved for the settler. Well, Mr. Speaker, that was particularly rich coming from this government which from 1896 until 1907-8, to come no further down, seemed to make it their chief object in administrative life to get rid of blocks of land as fast as they could, and in no case, if they could possibly avoid it, let them go to the settler at first hand. The Minister of Finance was optimistic in thinking that the eastern section of the Grand Trunk Pacific would be a good asset, that it would in a very short time cease to become a burden and pay us back the interest upon the whole investment. The hon. gentleman must be optimistic indeed if he believes that within any reasonably short period of years there will be any appreciable income from that railway which will ease the burden of capital expenditure which the people have to bear. Anyway, at present it looks that the money which we put into the eastern section will cost this country an even four per cent or very close to it, and even if the Grand Trunk Pacific Company takes it over and operates it it only has to pay three per cent, so that so far as the people are concerned it will not be a very striking financial or business arrangement for their benefit.

The Minister of Finance slipped carefully and quickly over the depreciation in trade; he noted that there was a decrease of \$78,000,000 in imports and of \$19,000,000 in exports, and he handed out to us the consoling reflection that we have not suffered as badly as the United States of America. Well, it was ever thus; when the imports were going up and the exports were advancing it was the policy and power of the Liberal government that caused prosperity. It was not of course because of world-wide conditions, and we perceived from the Liberal benches in those days no disposition at all to make comparisons with the general prosperity prevailing in the outside world. But when imports come down and exports are diminishing, then it is not the fault of the government or its policy, but the fault of world-wide conditions. The same spirit seems to have got hold of my hon. friend in this connection as in connection with the bounty business and the surplus. He changes according to the necessities of the case and the further neces-

sity of making good his own position as far as he can. He is hopeful with reference to 1910; he gave a wonderfully precise forecast for that year. Here we are already in the year 1909-10, and yet the only forecast the Finance Minister can give us is that he hopes there will be a reasonable percentage of increases in the revenue over that of last year, while with reference to the expenditure he did not even hazard a guess as to what it would be. Former finance ministers have been a little more daring than that. They have, at least when they were near to the year, made what they considered a fair forecast of both revenue and expenditure, and they put their forecast to the test. My hon. friend did not seem disposed to do that. He says that we must not put on greater taxation, but must rather find relief in a reduction of expenditures. That is a good theory, and I hope my hon. friend will carry it out. But I, and I think others on either side of the House, could not fail to ask ourselves why he as Finance Minister, in 1907, when every third-rate man in a bank, not to speak of the managers and directors of banks, knew that the stress of weather was coming on, felt the forebodings and set themselves by every possible means to strengthen themselves financially for the blast, took no precaution at all. He crowded on all sail, and in that, the worst year in our experience for fifteen years, authorized and carried out his largest, most lavish and most wasteful expenditures. It would have seemed befitting in a Finance Minister who was careful and prudent to have made his provision when the danger was coming, to have drawn in his sail when the storm was about to burst. My hon. friend did not do that—why? Because sound principles of finance were against such a course? By no means. All sound principles of finance and every consideration of good business were in favour of that course. Our hon. friends opposite were not in favour of it—why? Because they lacked the sound business sense, or because they were making preparations for a general election? If the former, it is sad; if the latter, I venture to think it is infinitely more sad; because, of all things, for a government and its Finance Minister to imperil the credit of a country by failing to take the proper precautions when they see a difficulty approaching, in order to help their party fortunes, that is about the limit, it seems to me, and ought to be the strongest possible condemnation of any government or any Finance Minister. And now he appeals to the members to be patient and to be self-sacrificing. Let me add to that appeal by asking the Finance Minister himself to be patient and self-sacrificing. Look at the records of Shelburne and Queens,

and compare the expenditures on all sorts of imaginable things in those two counties with the expenditures in the adjoining counties of larger coastal extent and greater importance. Run your eye over them and see the lavish and un-self-sacrificing way in which he provided for Queens and Shelburne, even in the teeth of the storm that burst upon him in 1907. When he appeals to the back benches to be self-sacrificing and to be merciful, maybe some of them will pluck up courage to say to the Finance Minister that it would be well for him to take a lesson out of the same book. For of what avail can a chancellor of the exchequer be as a watch on the treasury if he will not himself be self-sacrificing and self-denying? No chancellor of the exchequer in any country can successfully do what the country wishes him to do, and what the country feels that he ought to do, unless he denies himself even to the limit in order that he may stand well as the sleepless watchdog of the treasury, and prevent it from being raided by his supporters in parliament and by friends outside. But the Finance Minister was not satisfied with the appeal which he made to his followers in timid fashion, but he said that there was another reason—we must maintain our credit. But the credit of this country would have been far better maintained, and my hon. friend would have received a far better reception in Great Britain, and would have paid less of the money of this country to the underwriters, if he had taken the precaution two years ago—yes, and during the last five or six years, in times of heavy surpluses and abounding prosperity—to have strengthened the credit of the country by reducing the figures of the public debt and to have laid up in that way a reserve for the hard days. If he had done that, as he could have done it, he would have gone to the money markets of the old country in 1907 and 1908 with far better results to himself and with far better results to this country. For, let him spend as much time as he pleases in an endeavour to show to the contrary, it is a fact that under his management the credit of Canada has been strained. I shall deal with that more fully later.

My hon. friend, finding no men to engage in the combat on the floor of the House, must perforce spend a half hour of his time in dragging in from the outside a newspaper, setting it up as a contestant, and buffeting it as well as he could with his argument. He declared that some bold and shameless Conservative newspaper, in regard to the surplus and the difference between consolidated fund expenditure and capital expenditure, was accusing him of juggling with and falsifying the figures, and he undertook a wordy

warfare in due form with the newspaper. Well, it seemed to me to be unnecessary, and to be, if I may be allowed to say so, rather outside of the province of a Finance Minister to drag in an outside contestant in that way, and have a long discussion with him about something that did not amount to anything anyway. The Finance Minister will have enough to do if he takes up the contests that are waged with him in this House, on this and other matters.

My hon. friend went into a long laboured discussion and displayed figures to show that all the Finance Ministers in Canada, from 1867 to his time, had kept the accounts in these two ways. That is they had a consolidated fund account and also a capital account. Then he went on to demolish really the grounds for any difference between the two by saying that all governments—his own as well as others—had indiscriminately paid capital sums from revenue and revenue items from capital, so that therefore there is really no generic difference between the two in so far as application goes. The very fact that the hon. gentleman himself does not keep the lines between capital expenditure and consolidated funds expenditure on any basis of principle is sufficient proof that the system is one on which we might very well change, and substitute for it a system followed in all the great countries of the civilized world. My hon. friend was asked two or three straight questions as to whether this was the condition in Great Britain, the United States, Australia, or New Zealand, and he ventured the statement that there were differences in the conditions in different countries. But he was not sufficiently sure of himself to state whether the system followed in Canada is followed in Great Britain, the United States, Australia, or New Zealand. If it be not the one adopted in Great Britain and the United States, we have in these two countries two very good examples. If it be not the one adopted in New Zealand and Australia, we have there two examples, with conditions the same as ours—a sparse population, insufficient revenue and large expenditures which have to be made and which have to be met by raising loans. For myself I have no hesitation in saying that the system is a bad one.

Sir WILFRID LAURIER. Tardy repentance.

Mr. FOSTER. My right hon. friend would do very well sometimes if he would only repent, but the trouble with him is that when he sees he is wrong, he does not repent. I am surprised that he should interject a remark which would lead one to suppose that he took the ground that no one should

Mr. FOSTER.

learn anything and consequently should not change, but my hon. friend cannot surely mean that. His interruption was no doubt simply a pleasantry interpolated and without very much point, so far as any argument is concerned. My hon. friend then went on to discuss the debt of this country and the burden of that debt. He did this by taking the population and dividing the amount into the sum of our debt. So far as that goes, the argument is good, but the argument does not go a very long way. It may be true that, in proportion as our population increases, our per capita debt decreases. So it does, and if you will go to the United States with its 80 or 90 million of people, you will find that its debt per capita is very much less as a burden. Also if you keep the interest about stationary it becomes less per individual in proportion as the population increases. But there is another point about which my hon. friend was careful not to say anything, and it is a vital point. The vital point is what you take out of the individual citizen for all purposes. If my hon. friend had taken up that branch of the argument, he would have shown a different state of things. Whereas in 1896 we took from the people in taxes \$5.46 per capita, last year my hon. friend took \$11 per capita. That is the vital point. Our people paid last year in Customs taxes \$57,000,000, and in excise taxes \$15,000,000. These two added together are what you had better contrast with the amount paid in 1896, if you want to show the difference. Take the population in 1896 and what it is to-day, and you find that in 1896 we paid \$5.46 in taxation per head whereas to-day we pay \$11 per head.

As regards what my hon. friend has said about the small changes that have been made in the tariff, so far as I can see, the changes seem to be reasonable. But the proper place to discuss these will be on the tariff item.

At six o'clock House took recess.

### After Recess.

House resumed at eight o'clock.

### PRIVATE BILLS.

#### PATENT OF THE SUBMARINE COMPANY.

On the order:

Third reading of Bill (No. 77) respecting a patent of the Submarine Company.—Mr. Proulx.

Mr. FOSTER. I do not see the promoter of the Bill (Mr. Proulx) or the Minister of Agriculture (Mr. Fisher) here.

Mr. FIELDING. I am not advised as respects this Bill. I have no doubt it has received the attention of some other min-