Thursday, June 5, 1919.

The House met at Three o'clock.

QUESTIONS.

(Questions answered orally are indicated by asterisks).

CAPTAIN ALBAN LAFERRIERE.

Mr. D'ANJOU:

1. Has Captain Alban Laferrière been a member of the Canadian Overseas Expeditionary Force? If so, (a) when did he enlist, and in what battalion did he serve; (b) how long was he in service in Canada, England, and in France; (c) when and for what reason was he returned to Canada?
2. Is the said Captain Laferrière at present a member of the Canadian Militia? If so, (a) to what Unit is he attached and what is his military rank; (b) On whose recommendation did he obtain his present military position?
3. Who is the Officer Commanding the 70th Battalion?
4. When did Colonel Allard cease to be the Officer Commanding said Battalion, and for what reasons was he retired?
5. Did Captain Alban Laferrière resign his commission in the Canadian Overseas Expeditionary Force? If so, when, and for what reason?
6. Was the said Captain Laferrière arraigned before a court martial during his service overseas? If so, when, and what was the judgment of the court?
7. Is the Government aware that the said Captain Laferrière is in charge of a canteen established for the accommodation of returned soldiers in the city of Hull? If so, is the said canteen authorized by the Department of Militia, and will the Government order it to be closed?

Major-General MEWBURN:

1. Yes. (a) 8th January, 1916—57th Battalion. Served in 57th Battalion, 69th Battalion and 10th Reserve Battalion. (b) In Canada, 8 months; in England, 11 months; in France, 2 weeks (tour of instruction). (c) 12th May, 1917—unfit for General Service.
2. Yes. (a) 70th Regiment—Lieutenant. (b) Lieut.-Colonel W. L. Allard.
3. Lieut.-Colonel W. L. Allard.
4. Answered by No. 3.
5. No.
6. No.
7. No, but inquiry is being made.

QUESTION PASSED AS ORDER FOR RETURN.

Hon. Mr. MURPHY:

1. Referring to page 381 of the Report of the Ministry Overseas Military Forces of Canada 1918, and to the chapter entitled, "Canadian Army Medical Corps." was Lieutenant-Colonel Jenkins named by Sir Edward Kemp and the Sub. Militia Council, or by either of them, under Order No. 31, to investigate and report upon the financial or other dealings of the Canadian Army Medical Service in Europe?
2. Did the said Lieutenant-Colonel Jenkins make progress reports from time to time? If so, were such progress reports sent to Sir Edward Kemp's London Office?
3. Did the said Jenkins, (a) Make a full and final report to Sir Edward Kemp, and (b) was the said and final report received by the minister in or about the month of November, 1918?
4. If so, after receiving the said final report, did Sir Edward Kemp have an interview with the said Colonel Jenkins at which a copy of the said report was produced, and after discussion retained by Sir Edward Kemp?
5. Did the said report disclose incompetence, neglect, and the wasting of large sums of money in the Canadian Army Medical Service Overseas?
6. Will the said Order No. 31 and the final report of Colonel Jenkins be laid on the table of the House? If so, when?
7. Is there any objection to the said Order or Report being produced? If so, what is the objection?

THE BUDGET.

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE.

On the Order being called:

House again in Committee of Ways and Means.—The Minister of Finance.

Mr. SPEAKER: Under the provisions of Rule 17C, when this Order is called on Thursday the Chair is vacated without question put, but by arrangement, and for the convenience of hon. members, it has been found best to submit the motion on Thursday. I make reference to the fact in order that this circumstance may not be construed as a precedent.

Hon. Sir THOMAS WHITE (Minister of Finance) moved:

That the Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: This motion affords me the opportunity of presenting the Budget for the consideration of the House. It is usual in such presentation to deal with the important topics of the financial position of the Dominion, the condition of our trade, domestic and foreign, the state of our revenues and expenditures for the past and, so far as can be estimated, for the coming year, and to submit the fiscal measures which the Government deems essential having regard to the situation disclosed.

This is the general course along which my remarks of to-day will proceed, but in view of the special circumstances in which Canada in common with the rest of the world finds herself, I hope I may be pardoned if I dwell upon the various subjects which I have mentioned at somewhat greater length, and in more detail, than has been my custom in previous Budgets which I have had the honour to present to Parliament.

The war is over and all nations are engaged in counting the cost, estimating the condition in which their finance and trade have been left after the fiery tempest which has passed over the world, and devising ways and means to repair the ruin which has been wrought.

It seems to me that what the House and the people of Canada will first desire to learn from the Budget speech will be what has been the cost of the war to Canada, what is our present financial position, what it will be when demobilization has taken place and our war expenditure is completely at an end, and what are the additional annual charges which must be met as the result of the war.

To these topics I shall first address myself. The fiscal year of the Dominion closes on March 31. According to our system some time is required for the completion of the services and bringing into account of all items attributable to the year closed on that date, but a fairly accurate forecast may be given of what the completed accounts will reveal.

With regard to the cost of the war to the Dominion, the books of the Finance Department show as of March 31 last a total principal war expenditure of $1,327,273,848. The portions incurred in respect of the several years during the continuance of the war are as follows:

$ 60,750,476	for	1914-15
$166,197,755	for	1915-16
$306,488,814	for	1916-17
$343,836,801	for	1917-18
$450,000,000	for	1918-19

Over the same fiscal period, namely from April 1, 1914, to March 31, 1919, the total expenditure upon ordinary account, that is to say, the current outlays of the Dominion in respect of its various services aggregated $832,757,589. The expenditure upon capital and other accounts for which by the practice of all our Governments provision might properly be made by borrowing, and for which assets of equivalent value were created for the permanent benefit of the people of Canada, amounted during the five years in question to $180,277,873.

Leaving capital expenditure aside and applying the surplus available from our revenues over and above the amount required to meet current outlays it will appear that we have met the principal cost of the war from taxation to a total aggregate amount of $275,943,977. If we take into account the amount contributed during the five year period for interest upon war debt and for pension charges the total paid from revenue on account of the war to March 31, 1919, is $438,293,248.

Now let us approach the subject from another angle. Aside from the cost of the war and how that cost was met, the vital question before us to-day is what is the amount of the total net national debt of Canada and how does it compare with the net debt at the end of the fiscal year immediately preceding the war.

On March 31, 1914, the net national debt was $335,996,850. On March 31, 1919, the net national debt was $1,584,000,000.

There remains to be considered what further increase in the national debt will be made during the present fiscal year which will end on March 31, 1920.

The war, so far as actual fighting is concerned, was terminated by the armistice of November 11 last; but the expenditures connected with the maintenance of the Canadian Corps in Continental Europe, their gradual return, first to England, and then to Canada, their demobilization here, and the provision made by the Government by way of war gratuity to enable members of the Canadian Expeditionary Force to bridge over the period of their re-absorption into civil life have still continued, and will continue over the greater part of the year.

In reality the present year is, so far as expenditure is concerned, a war year. It is impossible to estimate accurately what our demobilization expenditure for 1919-20 will be, but we may be sure that it will not be materially less than $300,000,000.

There is a further important item of our war expenditure which must be taken into account but which at present it is not possible to estimate with accuracy. I mean the additional cost to Canada of our share of the increased expenditure for ammunition at the front from September 1, 1917, to the close of the war.

Assuming that we shall not be able, in view of the magnitude of our reconstruction programme, to pay any substantial part of our demobilization expenditure from revenue, we may calculate that when demobilization is complete and no further outlays are necessary on what I may call the principal of our war expenditure the total net debt of Canada will stand at not less than $1,950,000,000, or in round figures $2,000,000,000. This contrasts with $335,996,850, the net debt of Canada at the end of the fiscal year 1914. The increase during the five year war period is thus shown in round figures at $1,614,000,000.

This then is the financial position so far as relates to the national debt. While the amount is large and averages over $220 per head of the population of Canada it will be remembered that Canada was in the war from the first day and that by comparison with the present net national debts of European governments including Great Britain, who were similarly participants in the conflict during its entire length, our position having regard to relation of debt, to number of population, and to national resources must be regarded as distinctly more favourable.

Mr. Speaker, I do not in the least desire to minimize the gravity of so great a debt as now confronts us on the threshold of the new era upon which we are entering. It will constitute a burden upon the people of Canada for generations to come. Fighting for the principles for which we stood we could not and did not count the money cost which is really the least part of our sacrifices in the war. The realization that at the greatest crisis in all history when the fate of world freedom was trembling in the scale of destiny, this gallant country of eight million people put its all to the hazard in the mightiest of conflicts for the cause of truth and justice, will be the lofty inspiration to greater effort which will enable Canada to carry and ultimately extinguish the heavy obligations entailed by the war.

What portion of this indebtedness and of the obligations we have incurred with respect to pensions and other services arising out of the war we shall be able, under the peace settlement, to obtain by way of indemnity from Germany and her Allies I am unable to say, but it would be imprudent to treat expectation in this regard as an asset upon which we may with certainty depend. It is better to face our debt and other war liabilities as they stand and assume that we must be prepared to bear their full burden by our own strength and from our own resources.

In considering the subject of our national debt an important aspect from the viewpoint of its bearing upon our financial standing and credit is whether it is owed to our own people or abroad. While national debt, no matter where owed, is debt, it makes a great difference to national strength whether it is held within the country itself, that is to say, whether the people regarded in the aggregate owe it to individual members of the community holding their own Government's securities, or whether it is owed to citizens of other nations. From the national standpoint a public debt owed to a nation's own people is not nearly so serious an obligation as if owed abroad. The interest paid upon it is disbursed at home and remains part of the national resources. When the principal is paid there is a transfer of wealth from the Government to its own citizens which still remains an asset of the community viewed as a national unit. But if the debt is held abroad, every interest and principal payment diminishes the resources of the debtor nation and increases those of the creditor nation. In this respect and bearing especially in mind the fact that before the war Canada's borrowing for federal, provincial, municipal and business purposes was principally in Britain and the United States and not in Canada, the situation as to our national debt may be regarded with satisfaction.

In round figures the total outstanding securities of the Dominion Government are held as follows: in Great Britain, $326,700,000; in the United States, $150,873,000; in Canada, $1,510,000,000.

Some hon. MEMBERS: Hear, hear.

Sir THOMAS WHITE: There is another gratifying feature of our finance to which I feel I should refer, and that is the dates of maturity of our outstanding obligations. Disregarding any debt in Britain, which is funded over long periods and will present no difficulty as to renewals, the position of our principal maturities in Canada is as follows:

War Savings Certificates maturing 1920-21		$ 11,604,338
5% Debenture Stock maturing 1st Oct. 1919		896,500
5½% Debenture Stock maturing June 1st, 1919	$2,133,300	
maturing June 1st, 1920	391,700	
maturing June 1st, 1921	376,700	
		2,901,700
1st War Loan maturing 1925		43,933,900
2nd War Loan maturing 1931		54,689,900
3rd War Loan maturing 1937		92,652,800
4th War Loan maturing 1922	$206,256,250	
" " " 1927	65,724,550	
" " " 1937	246,413,000	
		518,393,800

5th War Loan maturing 1923..	$218,346,000	
" " " 1933..	477,400,000	
		695,746,000
3½% bond loan maturing 1925-28..	$12,404,678	
4½% bond loan maturing 1925-45..	95,207,351	
		107,612,029

From this statement the House will see how necessary, it was to issue long date securities even at war rates of interest. If we had to face the maturity of so vast a principal amount as is represented by our war borrowings in Canada within a period of five or ten years after the war, I may frankly say that the solution of such a problem would tax to the utmost the resource of any Minister of Finance. But with the various maturities spread over so long a period of years, ample time is afforded to adopt whatever measures may be needed to meet the redemption of each loan as it matures.

In the United States our maturities are as follows:

August 1st, 1919..	$75,000,000
April 1st, 1921..	25,000,000
April 1st, 1926..	25,000,000
April 1st, 1931..	25,000,000
August 1st, 1935..	873,000

As of March 31 last other short date Treasury Bills payable in Canada were outstanding with maturities as follows:

October 1, 1919..	24,605,000
October 15, 1919..	49,215;000

On the same date our financial resources were as follows:

In Canadian banks..	$135,000,000
In Bank of Montreal, London..	10,000,000
In Bank of Montreal, New York..	4,414,047
Amount to be received on account of last Victory Loan..	55,000,000
Total..	$204,414,047

On account of this being, as respects expenditure, a war year, we shall have to float at least one further loan in Canada for purposes connected with the war and demobilization. Any necessary external financing to meet loans maturing outside of Canada will receive timely attention.

As the aggregate of our war issues exceeds our net war expenditure it is to be pointed out that during the war we were enabled to make advances to Great Britain for her purchases in Canada to a greater extent than we availed ourselves of advances from the Imperial Government to meet our war expenditure in England and on the continent. The result is that there is owing to us by the Imperial Government a balance, after making the necessary set-offs, of about two hundred and thirty million dollars. This is subject to reduction by the unascertained amount which we shall pay in respect of increased charges for ammunition at the front since September 1, 1917. An inquiry is now being made for the purpose of adjusting this charge.

The following information will be of interest to the House as to Dominion note issues at the close of the war:

Total Dominion Notes outstanding March 31, 1919.. .. ..$298,058,697.67 of which $153,630,697.67 is secured to the amount of $116,014,654.37 in gold reserve and $144,428,000 by securities.

Our gold is thus 38.92 per cent of the total issue of $298,058,697.67, and 75·52 per cent of the $153,630,697.67 against which no securities other than gold are held.

A comparison with the note issues of Great Britain and the other Allies, including United States which was less than two years in the war, is such as to cause satisfaction to Canada with respect to the post-war condition of our currency.

The policy will be to gradually restore our note issue to the statutory condition, which requires us to hold in gold 25 per cent up to fifty million dollars of note issue and dollar for dollar for any further issue. This can be done by buying gold on the one hand, or on the other by retiring outstanding notes from time to time from the proceeds of loans or from revenue. It will be a long time before the currency inflation of the world will be abated.

The figures which I have given show the increase in the national debt of Canada due to the war. Interest must, of course, be paid annually upon this debt, and I have had a careful estimate made as to the yearly burden which this will entail.

Assuming the total debt of Canada on March 31, 1920, to be $1,950,000,000, the estimated annual interest charge will be approximately $115,000,000. This compares with $12,893,504, which was the interest charge upon the national debt as of the fiscal year ended March 31, 1914.

But the added annual burden due to the war does not rest there. There is the further responsibility for pensions to our soldiers and their dependents. For the past fiscal year the amount paid on this account was $17,460,000. For the present fiscal year it may reach $30,000,000. For a generation or more to come we may look forward to providing, say, $35,000,000 to $40,000,000 per annum for pensions. In addition there will be the annual expense for maintenance of hospitals, convalescent homes, and other services established for the aid and comfort of our soldiers. No national expenditures will, I am sure, be more gladly borne than these by the people of Canada, who will never fail to appreciate the sacrifices made on their behalf by those who fought for Canada in the great war.

Having indicated the extent of the financial burden which the war has imposed upon us, it seems advisable to pause to inquire how that burden is to be met. What are the resources upon which Canada must depend to carry this huge national debt and the annual charge for pensions and other services which I have mentioned? We are to-day a prosperous community of high average productivity. I am not prepared to say that even without extraordinary effort we should not be able to merely carry along the extra financial burden imposed by the war. But its magnitude must not be minimized, and it is for us to consider and put into effect such policies as may be appropriate to counteract the disadvantage under which we shall labour in this regard and to insure the continued prosperity of our people, notwithstanding this great national handicap upon their exertions. In this connection we should undoubtedly have in mind the gradual extinction over a long course of years of the debt by a sinking fund provision to be put into effect as soon as possible after the conclusion of the present year. With this I do not intend to deal further for the present.

What are our resources, actual and potential, from which we can carry the interest, pensions, and other war charges, and gradually extinguish our indebtedness due to the war?

We have a country of almost unlimited natural assets, vast stretches of cultivable lands, magnificent forests, regions abounding in mineral wealth, and fisheries the most valuable in the world. We have a highly intelligent, energetic, enterprising people of great stability of character and ardent aspiration for national and individual success. To develop our natural resources there is required the application of enterprise, capital, and labour. To sell our products we require markets, domestic and foreign.

Let us for a moment consider some of the policies which are essential for the realization of the development I have outlined. Our ability to meet and retire our war obligations will depend upon our power to increase our production of natural and manufactured commodities and to economize individually so as to bring about each year substantial increase in domestic wealth and savings and a more favourable balance in our international trade. In other words, the motto for the future, as it was for the war, must be "Produce and Save."

As evidencing what can be done by Canada in the way of national saving, I can not do better than give the following statistics of deposits, demand and notice, in our chartered banks for the years 1913 to 1919, inclusive:—

Mch. 31.	Demand Deposits	Withdrawable on notice	Total.
1913	$357,756,659	$ 630,434,708	$ 988,191,367
1914	350,884,153	665,994,852	1,016,879,005
1915	406,735,171	714,219,286	1,120,954,457
1916	459,277,454	836,593,269	1,295,870,723
1917	538,869,362	1,008,657,874	1,547,527,236
1918	666,366,359	939,329,271	1,605,695,630
1919	566,797,268	1,037,851,766	1,604,649,034

The bank deposits in Canada almost doubled in the six-year period from 1913 to 1919. In connection with these figures, there should also be taken into account the subscription by the Canadian people to the war loans floated in Canada and paid for by withdrawal of their deposits in our chartered banks and other financial institutions.

To greatly increase our production we need more population and particularly that class which will engage in our basic industries. Our immigration policy is therefore of prime importance. We must fill up our vacant cultivable lands. In the past we have not been sufficiently selective in our immigration. We are so amending our laws as to ensure that the destinies of this country will always be controlled by those who may be depended upon as loyal and patriotic citizens of Canada, ready at all times to take up arms in her defence no matter from what source aggression may come. It is interesting to note that during the war immigration, likely to result in increased production, continued, although on a comparatively small scale. The figures are as follows:

Immigration for	1914-15	144,789
" "	1915-16	48,537
" "	1916-17	75,374
" "	1917-18	79,074
" "	1918-19	57,702

Since March 31 last immigrants to the number of 12,000 have entered Canada.

As a great food-producing country Canada is bound always to enjoy agricultural prosperity. The war has caused the death of millions of the rural workers of Europe, devastated vast tracts of cultivated **lands,** consumed the horses, cattle and other domestic animals, and destroyed the implements of tillage.

It must be many years before Europe is able to recover agriculturally from the effects of the war. In the meantime the hungry millions must be fed and it would seem certain that Canada's agriculture will not lack for profitable markets for all it can produce.

The yearly exportable surplus of the Dominion's grain and foodstuffs should go far towards ensuring most favourable trade balances for the future. For the reconstruction work in Europe our raw materials and their products must also be in demand. Every effort must be made to develop and expand our export trade in manufactured articles as well as in the immediate products of our fields, forests, and mines. The more highly finished the commodity the greater the price which it will bring to the Dominion. Our policy should be directed to ensuring so far as practicable the completion within Canada, in Canadian shops and mills, of manufacturing processes in order that we may obtain the benefit of the greater value of finished products as compared with that of raw materials or partly manufactured articles.

No doubt we shall be subject in this to the keenest international competition, and to succeed we shall require to avail ourselves of every assistance which can be legitimately afforded by the Government in obtaining information respecting, and access to, foreign markets, as well as transportation and financial facilities.

One most important asset which we possess as a result of the war is the increased capability of industrial production which was turned during the war to such remarkable purpose in the manufacture of munitions and other materials. In all departments of our national activity—agricultural, industrial, commercial and financial—the war discovered to the people of Canada a capacity in themselves for achievement which they would not have dreamed they possessed had not the pressure of emergency called forth their latent genius for organization, administration and efficiency. This higher capability among all classes should prove of the greatest value in enabling us to deal with our after-war problems and burdens.

As illustrating the vast strides made by our foreign trade during the war, the following statistical information is submitted.

In 1913 the balance of trade against us was $300,000,000. In 1914 our total international trade was $1,073,000,000, of which $618,000,000 was in imports and $455,000,000 in exports. For 1918 the total was $2,550,000,000, of which $962,000,000 was imports and $1,586,000,000 exports. For 1919 the unrevised figures show a total of $2,169,000,000, of which $916,000,000 was imports and $1,253,000,000 exports. It will thus appear that from an adverse balance of $300,000,000 in 1913 and of $160,000,000 in 1914, we had attained a favourable balance of over $600,000,000 in 1918 and of $340,000,000 for 1919. At the end of the five-year period from 1914 to 1919 our total trade had doubled, while for the year 1918, which marked the highest point, it aggregated 2½ times the trade of 1914.

It must be kept in mind respecting these figures that the higher prices of our grain, foodstuffs and other exports, and of the goods which we imported, is a most important factor for consideration, and further that of our exports for 1918 and 1919 the estimated amount of ammunition, explosives and other war materials aggregated $418,000,000 and $260,000,000 respectively. The cessation of the manufacture of these articles and any fall in the price of commodities generally are bound to make serious changes in our trade aggregates unless offset by increased production. For the information of the House I here place upon Hansard the statistical details of our total trade, also details of our trade with the United Kingdom, with the United States, and of exports (by classes) of Canadian produce for the past six years; also of imports from and to the United Kingdom and the overseas Dominions, and the principal foreign nations with whom we traded for the past two years.

CANADIAN TRADE.

—	Merchandise Only		Total Trade.
	Imports for Consumption.	Exports (Domestic and Foreign).	
Fiscal year ended Mar. 31—	$	$	$
1913	670,089,066	377,068,355	1,047,157,421
1914	618,457,144	455,437,224	1,073,894,368
1918	962,543,746	1,586,169,792	2,548,713,538
1919 (unrevised)	916,443,332	1,253,080,170	2,169,523,502

[Sir Thomas White.]

TRADE WITH THE UNITED KINGDOM.

——	Imports for Consumption.	Exports (Canadian Produce).	Total.
Fiscal year ended Mar. 31—	$	$	$
1913	138,741,736	170,161,903	308,903,639
1914	132,070,362	215,253,969	347,324,331
1918	81,302,403	845,480,069	926,782,472
1919 (unrevised)	73,029,215	531,920,977	604,950,192

TRADE WITH THE UNITED STATES.

——	Imports for Consumption.	Exports (Canadian Produce).	Total.
Fiscal year ended Mar. 31—	$	$	$
1913	435,770,081	139,725,953	575,496,034
1914	395,565,328	163,372,825	558,938,153
1918	791,906,125	417,812,807	1,209,718,932
1919 (unrevised)	746,940,654	454,923,170	1,201,863,824

IMPORTS AND EXPORTS BY COUNTRIES.

Countries.	Imports for Consumption (Merchandise only).		Exports (Domestic).	
	Year ended Mar. 31, 1918.	Year ended Mar. 31, 1919.	Year ended Mar. 31, 1918.	Year ended Mar. 31, 1919.
	$	$	$	$
United Kingdom	81,302,403	73,029,215	845,480,069	531,920,977
Australia	2,356,655	4,963,416	8,653,635	14,019,629
British South Africa	553,362	1,300,259	5,065,658	11,992,299
British India	9,355,593	8,395,290	2,995,630	2,905,426
British Guiana	6,716,647	6,747,072	1,978,323	2,646,169
British West Indies	10,550,550	8,082,790	6,838,563	9,829,072
Newfoundland	2,947,527	3,098,834	10,191,564	11,327,074
New Zealand	3,735,559	7,855,436	4,089,823	6,227,509
Other British Empire	10,515,185	10,188,104	3,494,911	5,461,789
Total British Empire	128,033,481	123,660,416	888,788,376	596,329,789
Argentine Republic	984,955	1,139,267	1,203,142	4,603,130
Belgium	12,973	6,270	4,909,453	950,318
Cuba	1,085,547	2,628,031	4,015,940	5,035,975
France	5,274,053	3,641,244	201,053,676	92,103,142
Italy	771,487	555,112	3,336,059	13,181,514
Japan	12,255,319	13,618,122	4,861,244	11,845,439
Netherlands	1,054,176	495,409	2,462,574	198,985
United States	791,906,125	746,940,654	417,812,807	454,923,170
Total Foreign Countries	834,488,366	792,783,016	651,239,412	611,284,017
Grand Totals	962,521,847	916,443,432	1,540,027,788	1,207,613,806

EXPORTS OF CANADA, BY CLASSES.

—	Canadian Produce.	
	The Mine.	The Fisheries.
Fiscal year ended Mar. 31—	$	$
1913	57,442,546	16,337,721
1914	59,039,054	20,623,560
1918	73,760,502	32,602,151
1919 (unrevised)	77,439,963	37,137,072

	The Forest.	Animals and their Produce.
Fiscal year ended Mar. 31—	$	$
1913	43,255,060	44,784,593
1914	42,792,137	53,349,119
1918	51,899,704	172,743,081
1919 (unrevised)	70,024,644	197,805,478

	Agricultural Products.	Manufactures.
Fiscal year ended Mar. 31—	$	$
1913	150,145,661	43,692,708
1914	198,220,029	57,443,452
1918	567,713,584	636,602,516
1919 (unrevised)	269,819,833	549,284,268

Estimated amount of cartridges, explosives, ammunition and other war materials exported during the year ended Mar. 31, 1918	$	418,0C0,000
Estimated amount of cartridges, explosives, ammunition and other war materials exported during the year ended Mar. 31, 1919		260,000,000

During the war the condition of our foreign trade has been greatly changed. The outstanding feature has been the increase in total to which I have referred and the reversal of the unfavourable to a most favourable balance. The trend of our trade for the war period may be observed from the following summary:

United Kingdom.

The imports from the United Kingdom have decreased from the fiscal year 1913-14 to the year 1918-19 from $132,000,000 to $73,000,000 and our exports (domestic produce) have increased from $215,000,000 during the year just preceding the war to $532,000,000 during the year 1918-19.

Other Parts of the British Empire.

Our imports from other parts of the British Empire increased from $22,000,000 during the fiscal year 1913-14 to $50,000,000 during the fiscal year 1918-19, and exports (domestic produce) increased from $23,000,000 to $64,000,000 during the same period.

United States.

The trade with the United States has greatly increased during the war period. The imports from this country in 1913-14 were $395,000,000 and in 1918-19 were nearly $747,000,000, while the exports (domestic) increased from $163,000,000 to $454,000,000.

France.

The imports from France have decreased from $14,000,000 in 1913-14 to $3,600,000 in 1918-19, while the exports increased from $3,600,000 to $92,000,000 during the same period. The exports were largely munitions and other war supplies.

Italy.

The imports from Italy during the war period decreased from $2,000,000 to $550,000 and the exports increased from $500,000 in

1913-14 to over $13,000,000 in 1918-19. In the year 1917-18 the principal exports were asbestos, canned salmon, canned meats, wheat, oats, oatmeal and explosives.

Japan.

The imports from Japan during the year 1913-14 were $2,600,000 and increased to $13,600,000 in the year 1918-19. The principal goods included in the increase would appear to be of a class formerly imported from Germany and Austria-Hungary. Our exports (domestic) to Japan in 1913-14 were $1,500,000 which increased to nearly $12,000,000 in 1918-19.

Mr. LEMIEUX: Will the minister state whether our largest customer is Great Britain or the United States?

Sir THOMAS WHITE: Our total trade with Great Britain including imports and exports in 1918-19 was $605,000,000. Our total trade with the United States was $1,201,000,000.

Now, Mr. Speaker, having dealt with the financial and commercial position of the Dominion, I now proceed to the consideration of the important problem of our estimated expenditure for the present fiscal year 1919-20 and the fiscal proposals which the Government has to make in connection therewith.

It will be advantageous in assisting us to reach a conclusion with respect to these matters if I first briefly review the result of the last fiscal year which ended on March 31, 1919. During that year the expenditure of the Dominion upon account of the ordinary services of the Government amounted to $240,000,000. The outlay upon capital account aggregated $22,000,000. For war, the total expenditure for the year is estimated at $450,000,000 (that is the last fiscal year). On the other side of the account we estimate a total revenue for the year 1918-19 of $310,000,000. As emphasizing the importance of this figure, I may point out that for the fiscal year before the war the total revenue was $163,174,394. For the fiscal year which ended on March 31, 1909, the revenue was only $85,093,404. Of this total of $310,000,000 (the revenue for the last fiscal year), $147,000,000 was received from customs; $30,000,000 from excise; $21,000,000 from post office; $33,000,000 from taxation under the Business Profits War Tax Act; $10,000,000 from the Income War Tax Act; $14,000,000 from other war taxation; and $55,000,000 from other miscellaneous sources, including $38,000,000 from railways.

If we follow the practice which has been hitherto adopted in treating as surplus the amount of revenue received in excess of the ordinary expenditure, it will appear that for the past fiscal year the Government had a surplus of $70,000,000, which was devoted to war expenditure. If, on the other hand, we first appropriated our revenue to the payment of both ordinary and capital expenditure, the surplus which was used for war expenditure was $48,000,000.

I have already stated the estimated war expenditure for the past year to have been $450,000,000. Of this expenditure, therefore, $48,000,000 was paid out of revenue after meeting all other outlays on the part of the Government, including capital expenditure.

In connection with our expenditures during the past year and generally throughout the period of the war, I may observe with respect to both ordinary and capital outlays that they have been kept well in hand, and that the increased expenditure under this heading is attributable principally to interest upon our war debt and pensions.

I now proceed to estimate the revenue and outlay of the present year. Main estimates totalling $437,000,000 have been laid before the House, with Supplementary estimates still to be brought down. Embraced in these estimates are certain considerable amounts representing investments. I refer particularly to the estimate of $25,000,000 appropriated for the purpose of soldiers' land settlement; $35,000,000 loan to Canadian Northern Railway Company; $35,000,000 for railway equipment purposes; and $25,000,000 to be advanced by way of loans to the several Provincial Governments for promoting better housing conditions. The estimate for expenditure on ordinary account for the coming year is $270,000,000. Of this the sum of $102,000,000 represents interest on the national debt. This figure contrasts with $12,893,000 representing interest charges upon the national debt before the war. It includes also the sum of $30,000,000 for estimated pension expenditure for the year. It is these two items of interest and pensions which will particularly constitute the burden of the war upon the taxpayers of the country for a great many years to come; until, in fact, the national debt is materially reduced and pensions gradually run their course. The estimated expenditure on capital account for the year we place at $50,000,000.

This is a war year and it is necessary also to add the estimated expenditure which has been and will be incurred on account of demobilization. This will aggregate the large sum of $300,000,000, including $92,000,000 for war gratuity. The entire estimated expenditure, therefore, of the year on ordinary account, capital account, and for demobilization will reach the large total of $620,000,000.

Assuming that we maintained, without change, existing fiscal legislation, and that the yield of the various services would be upon the same basis as for 1918-19, our estimate of revenue for the present year would be as follows:

Customs..	$145,000,000
Excise..	30,000,000
Post Office..	18,000,000
Business Profits War Tax	35,000,000
Income Tax..	20,000,000
Other War Taxation.. ..	14,000,000
Miscellaneous sources.. ..	18,000,000
	$280,000,000

In this estimate we have, owing to the change to be made, commencing with this year, in the mode of financial administration of the Intercolonial and other Government railways, omitted $30,000,000 of revenue from that source. That revenue will henceforth be received by the Canadian National Railway Company and applied directly against its working expenditure. In our estimate of ordinary expenditure for the year we have allowed for a corresponding reduction.

While from the statement which I have just made it will appear that our total estimated expenditure, ordinary and capital accounts, and for demobilization, will amount to $620,000,000, our estimated revenue on the present basis will reach only $280,000,000. Putting it another way, our revenue would enable us to pay only our ordinary expenditure and leave a small amount to be applied to other purposes.

The question which now arises is what shall be our policy in the matter of taxation for the present year. It is a year of great industrial instability and business uncertainty. If the war were still continuing it would be necessary to recommend heavily increased taxation in order that we might pay a substantial portion of the principal of our war expenditure. If it were not for special circumstances arising out of this transitional period from war to peace that course should be adopted, notwithstanding the ending of the war, because we shall have this year so heavy a volume of what is really war expenditure, that is to say, our outlay for demobilization and all that it involves. We must, however, bear specially in mind the anxieties and burdens of the general public at a time of dislocation, unrest and high prices, and endeavour to wisely bridge over this troubled period by giving such measure of relief as may be practicable, having regard to the heavy financial obligations devolving upon us and our national credit in the eyes of the outside world.

The cost of living in Canada has, in common with all other countries, gradually increased during the war and is causing hardship to a large portion of our population, especially those of limited means and slender incomes. I am of opinion that for this transitional period we are justified in adopting the policy of meeting only our ordinary expenditure and borrowing for our capital and demobilization expenditure.

In considering the question of reductions and increases in indirect taxation most careful attention must be given to their effect upon established industry and the employment of operatives dependent upon its success for the maintenance of themselves and their families, and upon the domestic trade and commerce which it supports.

Having fully considered all aspects of the subject the Government submits the following proposals:

Under the Customs Tariff War Revenue Act, 1915, a British preferential tariff rate of five per cent and an intermediate and general tariff rate of seven and a half per cent were imposed upon, with certain exceptions, all imported goods.

We propose to wholly repeal this British preferential tariff rate of five per cent. Further, we propose to partially repeal the intermediate and general tariff rate of seven and one-half per cent at present in effect under the Customs Tariff War Revenue Act referred to by making it no longer applicable to the following classes of articles, namely:—

Foodstuffs, linen and cotton clothing, woollen clothing, boots and shoes, fur caps and fur clothing, hats, caps, hoods and bonnets, gloves and mitts, collars and cuffs, hides, skins, leather, harness and saddlery, agricultural implements, petroleum oils, mining machinery, and bituminous coal.

Those classes embrace a very large variety of individual articles which will be disclosed in the resolution.

So much for the reductions from the tariff rates established by the Customs Tariff War Revenue Act, 1915. We have now certain other reductions and modifications to propose in respect of the ordinary tariff rates, that is to say, the tariff rates established under the tariff of 1907 and amendments thereto. I call them, for the purpose of distinguishing them from the special customs war duties, the ordinary tariff rates. The resolutions presented in this regard will provide for a reduction of five cents per pound in the British preferential, intermediate and general tariff rates on roasted or ground coffee and three cents per pound under the British preferential tariff on British grown teas. This latter reduction gives a substantial Empire preference where no preference at present exists.

We shall provide for the free importation into Canada of wheat, wheat flour and potatoes from countries which do not impose a customs duty on such articles grown or produced in Canada.

We shall also provide for an alteration in the rates on soda ash from five per cent under the British preferential tariff and seven and a half per cent under the general tariff to one-fifth of a cent a pound under the British preferential tariff and three-tenths of a cent per pound under the general tariff.

We shall provide further for specific instead of ad valorem rates of duty upon pig-lead, zinc spelter, and copper ingots.
4 p.m. On certain products made from these materials there will be an increase in duties.

I come now to the consideration of agricultural implements. I have stated that we propose to take off the Customs war revenue duties. But for an arrangement we have been able to make for the equalization of Canadian freight rates with those enjoyed by American competitors of our industries engaged in the manufacture of these implements, it would not have been practicable to make any reductions in the ordinary tariff schedule covering these articles. Under the ordinary tariff, rates of duty upon manufactured products are closely related to duties upon raw material, coal, machinery, and other equipment used in their manufacture, and any reduction except upon an occasion of general revision when the tariff as a whole can be dealt with would necessarily lead to most serious consequences.

Desirous as we were of providing for as low a duty as might be practicable upon these implements of agricultural production so essential to Canada at this time, the problem before us was how to make it possible to reduce the ordinary tariff rates.

The business of manufacturing agricultural implements is almost wholly confined to Eastern Canada. So far as concerns their great market in the West, Canadian firms and companies engaged in this industry have been handicapped as against their American competitors by higher freight rates. The freights charged by Canadian railway companies upon shipments from eastern points to Winnipeg, Brandon, Regina, Saskatoon, Calgary, Edmonton and other western points have been higher than the rates from Chicago to the same points. This has been caused by the fact that the manufacturing centres of the eastern provinces are separated by great distances from the consuming and distributing centres of the West. The American manufacturer of agricultural implements is not only closer to the American consumer and American distributing points but he is also nearer to the western distributing points of Canada.

In view of these circumstances it appeared to us that we should seek assistance in freight reduction to enable us to reduce the ordinary tariff upon these implements. The plan was not free of difficulty. In so far as railway rates, as such, are concerned, the railway rates in Canada, although recently raised, are certainly not more than sufficient to make a carrying return on the value of the properties used for transportation. Indeed, having regard to railway investment, railway returns, owing to the very great increases in the cost of operation, may well be described as low. In view of this, it is, of course, impossible to expect a reduction in railway rates to be ordered by the Railway Commission.

As a rate-making proposition, reductions at the present time are impossible. We have, however, approached the railway companies with a view of overcoming the difficulty of distance to the greatest extent possible, and of doing so without unduly injuring railway revenues and credits. At the present time railways, which are the largest consumers of bituminous coal, pay a war duty of seven and a half per cent on the value of the imported commodity. As this duty is an addition to the specific tax upon this coal, a heavy resultant charge has been thrown upon the operating railways, whose fuel costs, in view of the advanced price of coal alone, have been greatly increased.

The proposal which we made to the rail carriers was that they should reduce their rates from the eastern manufacturing points of production of agricultural implements, Montreal, and east of the Great Lakes, to prairie points, to the rates charged by the American lines with shorter mileages, from Chicago to the similar western destinations, stating that if the railway companies could see their way to do this they would be assisted to the extent that relief would be afforded them by the abolition of the seven and a half per cent war duty on bituminous coal.

In the first instance, the railway companies claimed that, in view of their financial obligations, it was entirely impossible for them to sacrifice any revenue whatever, but that their existing revenues were, as a matter of fact, insufficient.

The question, however, was not allowed to stand, but other representations were made to the companies, such as the national necessity of making farming operations in the West more profitable, of increasing the population of the West, and the resultant interest that the companies themselves would have from the traffic which a larger and more prosperous population would afford, and also the fact that such conditions would render more saleable the railway lands owned by companies in the West, an argument which appealed with special force to the Canadian Pacific Railway Company, which company has perhaps as much interest in the proper development and prosperity of the West as any other interest can possibly have.

I am very glad to be able to say that the railway companies have recognized the large overlying national interest, and have consented to put in tariffs as asked. The new tariffs will give the Chicago rate on agricultural implements from producing centres in the East, west of Montreal and east of the Great Lakes, to prairie points, for carlot movements, loaded to a minimum of 24,000 pounds. This reduction is a substantial concession made by the railways, as the following statement of present rates will indicate:

Movement. From. To.	Mileage.	Rate.	
Toronto-Winnipeg	1,233	82½	cents
Chicago-Winnipeg	876	67½	"
Toronto-Brandon	1,366	95	"
Chicago-Brandon	931	80	"
Toronto-Portage la Prairie	1,288	87½	"
Chicago-Portage la Prairie	873	72½	"
Toronto-Regina	1,590	$1.12½	
Chicago-Regina	1,069	1.02½	
Toronto-Yorkton	1,512	1.06½	
Chicago-Yorkton	1,143	.96½	
Chicago-Moose Jaw	1,141	1.07½	
Chicago-Moose Jaw	1,141	1.07½	
Toronto-Saskatoon	1,713	1.22½	
Chicago-Saskatoon	1,241	1.12½	
Toronto-Swift Current	1,742	1.24	
Chicago-Swift Current	1,222	1.14	
Toronto-Medicine Hat	1,889	1.35	
Chicago-Medicine Hat	1,369	1.25	
Toronto-Lethbridge	1,990	1.41½	
Chicago-Lethbridge	1,481	1.31½	
Toronto-Calgary	2,056	1.49	
Chicago-Calgary	1,536	1.37½	

The rates to Edmonton are the same from both points as those to Calgary.

The reduction will be appreciated when it is recognized that, for example, to Regina, the Canadian haul of 1,590 miles equalizes the haul from American territory of 1,069 miles, while to Medicine Hat the Canadian movement is 520 miles longer than the American movement, although the rate will become the same.

It must also be borne in mind that although, as the above schedule indicates, the rates for equivalent distances in the United States are higher than in Canada, notwithstanding a greater density and diversity of traffic, combined with a lower fuel cost, the United States operations, as indicated by the reports made by the United States Railroad Administration, are now being carried on at an operating loss.

The companies made these concessions then, not on any rate basis, nor for any railway advantage, and without regard to rates on other articles or railway returns or necessities—simply to meet a situation of national importance. The companies state that their action thus taken must not in any way be regarded as a measure for profitable transportation, and that it is absolutely impossible that railway revenues can be further affected by any rate reductions on any other commodities.

In view of the arrangement for freight reduction made with the railway companies, we are enabled to make the following proposals for reductions in customs duties upon agricultural implements.

Mr. ROBB: Has the minister any statement as to the difference between the new rate and the Canadian rate in force prior to 1912?

Sir THOMAS WHITE: I have no information before me as to that.

Including the 7½ per cent war duty reduction to which I have already referred, our proposals if adopted by the House will provide for a total reduction under the general tariff from 27½ per cent to 15 per cent on cultivators, harrows, horse-rakes, seed-drills, manure spreaders, and weeders, and complete parts thereof, and from 27½ per cent to 17½ per cent on ploughs and complete parts thereof, windmills and complete parts thereof, portable engines and traction engines for farm purposes, horse powers and threshing machine separators and appliances therefor.

On hay-loaders, potato diggers, fodder or feed cutters, grain crushers, fanning mills, hay tedders, farm, road or field rollers, post-hole diggers, snaiths and other agricultural implements, the resolutions will provide for a total reduction in the rate from 32½ per cent to 20 per cent, and a similar reduction on farm wagons.

In the case of cement, the war customs duty will be repealed and the general tariff rate will be reduced to 8 cents per hundred pounds. This is a reduction of 2 cents from the present general tariff rate.

The total estimated loss in revenue from the tariff reductions which we have proposed aggregates seventeen million dollars. Owing to estimated reduction in the total volume of imports into Canada due to diminished purchasing power during the current year and probable decline in prices as well, we may expect that, including the loss due to the reductions now proposed, we shall sustain a total loss in customs revenue for the present fiscal year of at least twenty-five million dollars. To partially offset this loss and close the gap of the deficit of fifteen million dollars between revenue and current expenditure which it would cause, we propose a heavy increase in income taxation.

Mr. LEMIEUX: Under the proposed changes mentioned by the minister a moment ago, does the Order in Council which was passed two years ago concerning wheat, now become permanent? In other words, are we to have free wheat between the United States and Canada?

Sir THOMAS WHITE: We have had free wheat ever since the Order in Council was passed. I presented to the House the opinion of the Minister of Justice that the provision was on as permanent a basis as if it had been placed in a statute. But if my hon. friend has any doubt on the question, it would now be removed by the fact that we are providing, by the resolution which we shall lay before the House, for placing wheat, wheat flour, and semolina upon the free list to countries which do not impose duties upon those articles coming from Canada.

I was referring to our proposals with regard to income tax. We propose that all corporations shall pay ten per cent on their net income in excess of two thousand dollars. The present tax is six per cent. Shareholders shall be given credit for the normal tax to which they are liable upon dividends received from companies subject to this taxation. That is the same principle as applies to the present income tax.

In the case of individuals, we propose that the normal rate of four per cent shall be levied upon all incomes exceeding one thousand dollars, but not exceeding six thousand dollars, in the case of unmarried persons and widows or widowers without dependent children, and upon all incomes exceeding two thousand dollars but not exceeding six thousand dollars in the case of all other persons.

We propose a normal tax of eight per cent upon all incomes exceeding six thousand dollars.

We propose that the surtax shall commence from five thousand dollars instead of from six thousand dollars as at present, and shall increase by graduation, applying firstly to incomes between five thousand dollars and six thousand dollars, and to every two thousand dollars between six thousand dollars and one hundred thousand dollars.

Upon incomes in excess of one hundred thousand dollars, materially increased rates are levied.

The following compilation shows in detail what is proposed:

In addition to the normal tax rates which I have mentioned payable on incomes in excess of $1,000 in respect to unmarried persons and widows and widowers without dependent children and $2,000 in respect to all other persons a surtax will be payable as follows:

1 per centum of the amount by which the net income exceeds $5,000 and does not exceed $6,000.

2 per centum of the amount by which the net income exceeds $6,000 and does not exceed $8,000.

3 per centum of the amount by which the net income exceeds $8,000 and does not exceed $10,000.

4 per centum of the amount by which the net income exceeds $10,000 and does not exceed $12,000.

5 per centum of the amount by which the net income exceeds $12,000 and does not exceed $14,000.

6 per centum of the amount by which the net income exceeds $14,000 and does not exceed $16,000.

7 per centum of the amount by which the net income exceeds $16,000 and does not exceed $18,000.

8 per centum of the amount by which the net income exceeds $18,000 and does not exceed $20,000.

9 per centum of the amount by which the net income exceeds $20,000 and does not exceed $22,000.

10 per centum of the amount by which the net income exceeds $22,000 and does not exceed $24,000.

11 per centum of the amount by which the net income exceeds $24,000 and does not exceed $26,000.

12 per centum of the amount by which the net income exceeds $26,000 and does not exceed $28,000.

13 per centum of the amount by which the net income exceeds $28,000 and does not exceed $30,000.

14 per centum of the amount by which the net income exceeds $30,000 and does not exceed $32,000.

15 per centum of the amount by which the net income exceeds $32,000 and does not exceed $34,000.

16 per centum of the amount by which the net income exceeds $34,000 and does not exceed $36,000.

17 per centum of the amount by which the net income exceeds $36,000 and does not exceed $38,000.

18 per centum of the amount by which the net income exceeds $38,000 and does not exceed $40,000.

19 per centum of the amount by which the net income exceeds $40,000 and does not exceed $42,000.

20 per centum of the amount by which the net income exceeds $42,000 and does not exceed $44,000.

21 per centum of the amount by which the net income exceeds $44,000 and does not exceed $46,000.

22 per centum of the amount by which the net income exceeds $46,000 and does not exceed $48,000.

23 per centum of the amount by which the net income exceeds $48,000 and does not exceed $50,000.

24 per centum of the amount by which the net income exceeds $50,000 and does not exceed $52,000.

25 per centum of the amount by which the net income exceeds $52,000 and does not exceed $54,000.

26 per centum of the amount by which the net income exceeds $54,000 and does not exceed $56,000.

27 per centum of the amount by which the net income exceeds $56,000 and does not exceed $58,000.

28 per centum of the amount by which the net income exceeds $58,000 and does not exceed $60,000.

29 per centum of the amount by which the net income exceeds $60,000 and does not exceed $62,000.

30 per centum of the amount by which the net income exceeds $62,000 and does not exceed $64,000.

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31 per centum of the amount by which the net income exceeds $64,000 and does not exceed $66,000.

32 per centum of the amount by which the net income exceeds $66,000 and does not exceed $68,000.

33 per centum of the amount by which the net income exceeds $68,000 and does not exceed $70,000.

34 per centum of the amount by which the net income exceeds $70,000 and does not exceed $72,000.

35 per centum of the amount by which the net income exceeds $72,000 and does not exceed $74,000.

36 per centum of the amount by which the net income exceeds $74,000 and does not exceed $76,000.

37 per centum of the amount by which the net income exceeds $76,000 and does not exceed $78,000.

38 per centum of the amount by which the net income exceeds $78,000 and does not exceed $80,000.

39 per centum of the amount by which the net income exceeds $80,000 and does not exceed $82,000.

40 per centum of the amount by which the net income exceeds $82,000 and does not exceed $84,000.

41 per centum of the amount by which the net income exceeds $84,000 and does not exceed $86,000.

42 per centum of the amount by which the net income exceeds $86,000 and does not exceed $88,000.

43 per centum of the amount by which the net income exceeds $88,000 and does not exceed $90,000.

44 per centum of the amount by which the net income exceeds $90,000 and does not exceed $92,000.

45 per centum of the amount by which the net income exceeds $92,000 and does not exceed $94,000.

46 per centum of the amount by which the net income exceeds $94,000 and does not exceed $96,000.

47 per centum of the amount by which the net income exceeds $96,000 and does not exceed $98,000.

48 per centum of the amount by which the net income exceeds $98,000 and does not exceed $100,000.

52 per centum of the amount by which the net income exceeds $100,000 and does not exceed $150,000.

56 per centum of the amount by which the net income exceeds $150,000 and does not exceed $200,000.

60 per centum of the amount by which the net income exceeds $200,000 and does not exceed $300,000.

63 per centum of the amount by which the net income exceeds $300,000 and does not exceed $500,000.

64 per centum of the amount by which the net income exceeds $500,000 and does not exceed $1,000,000.

65 per centum of the amount by which the net income exceeds $1,000,000.

The following table furnishes a comparison of present and proposed taxation in respect of incomes ranging from $3,000 to $1,000,000 and over in respect of married persons and widows and widowers having dependent children:

Comparison of Rates.

Income	Present Tax	Proposed Tax
$ 3,000	$ 20	$ 40
4,000	60	80
5,000	100	120
6,000	140	170
8,000	266	370
10,000	392	590
12.000	590	830
14,000	788	1,090
16,000	986	1,370
18,000	1.184	1,670
20,000	1,382	1,990
22,000	1,646	2,330
24,000	1,910	2,690
26,000	2,174	3,070
28,000	2.438	3,470
30,000	2,702	3,890
32,000	3,010	4,330
34,000	3.318	4,790
36,000	3,626	5,270
38,000	3,934	5,770
40,000	4,242	6,290
42,000	4,550	6,830
44,000	4,858	7,390
46,000	5,166	7,970
48,000	5,474	8,570
50,000	5.782	9,190
52,000	6,200	9,830
54,000	6,618	10,490
56,000	7,036	11,170
58,000	7.454	11,870
60,000	7,872	12,590
62,000	8,290	13,330
64,000	8,708	14,090
66,000	9,126	14,870
68,000	9,544	15,670
70,000	9,962	16,490
72,000	10,380	17,330
74,000	10,798	18,190
76,000	11.271	19.070
78,000	11,799	19,970
80,000	12.327	20,890
82,000	12,855	21,830
84,000	13,383	22,790
86,000	13,911	23,770
88,000	14.439	24,770
90,000	14,967	25,790
92,000	15.495	26,830
94,000	16,023	27,890
96,000	16.551	28,970
98,000	17.079	30,070
100,000	17,607	31,190
150,000	34.282	61,190
200,000	50,957	93.190
300,000	96.857	161.190
500,000	195,407	303,190
1,000,000	499,157	663.190

Several amendments which the administration of the Income Tax Act has shown to be desirable will be submitted. The question of double taxation has given considerable difficulty. In view of the time which would be required to make international agreements respecting the matter we have thought it advisable to take the lead and provide for a deduction from the sum payable by a resident of Canada under our income tax legislation of the amount paid by him elsewhere in the British Empire upon income thence derived. We shall also provide for a similar deduction in respect of income derived from a foreign country extending similar exemption upon income derived from Canadian sources.

As this is a war year so far as public expenditures are concerned, and it is most desirable that we should maintain so far as possible our revenues, the Business Profits War Tax Act will be renewed for the current calendar year so as to make it apply to accounting periods ending on or before 31st December, 1919. The rates of the Business Profits War Tax Act which we are thus extending are as follows:

Businesses having a capital of $25,000 and over but less than $50,000, profits in excess of 10 per cent to be taxable—rate 25 per cent thereof.

Businesses having a capital of $50,000 and over (exemption for incorporated companies, 7 per cent; other than incorporated companies, 10 per cent); profits in excess of exemptions but not exceeding 15 per cent, rate of taxation 25 per cent; profits from 15 per cent to 20 per cent inclusive—rate of taxation 50 per cent; profits in excess of 20 per cent, rate of taxation 75 per cent.

In connection with both income and business profits taxation, I feel I should again call the attention of the House to certain considerations to which regard should, I think, be had in the general national interest. Canada is a country inviting immigration for settlement and capital and business enterprise for investment and development. We must be careful that our taxation of income and profits is not such as to place a barrier against either. In some provinces of Canada there are at present three sets of income taxes, municipal, provincial and federal. The result in these provinces is exceedingly heavy taxation upon individuals and business enterprise. Our business profits taxation, unless repealed as soon as war conditions terminate, must have an adverse influence upon the investment of money in business enterprise in Canada. At present there is a widespread tendency throughout the world to severely tax profits. Within bounds such a policy is not open to criticism, but carried beyond a reasonable point it can only defeat its purpose, with consequences detrimental to capital, labour and the community as a whole.

Tariff Revision.

Now, Mr. Speaker, having laid before the House the fiscal proposals which we have to make at this time, I feel the occasion opportune to make a statement respecting the important subject of general tariff revision.

The sound policy in this regard and the one which has been followed by all Administrations in Canada is that at certain periods, separated by intervals of eight or ten years, there should be a deliberate reconsideration and revision of the entire tariff schedules.

Such general revision becomes necessary in the national interest from time to time in order to adjust the tariff to the changed conditions which have arisen. In the intervals between general revisions the policy has been to make as few changes as possible in order that the business of the country which has adapted itself to existing tariff conditions may not be disturbed by sudden and unexpected change which always makes for uncertainty and lack of confidence. In 1897 there was a general tariff revision such as I have mentioned. In 1904 there was a revision of duties relating to a limited list of commodities embracing oils, glass, and woollen goods and provision was made for a special so-called dumping duty. This was not a general but a partial tariff revision. In 1907 there was a general revision, and in 1914 there was a partial revision. Had the war not occurred there would have been a general revision in 1916 or at the latest in 1917. The world-wide disturbance and unsettlement caused by the war and the organization of all production and business generally upon a war basis rendered such general revision out of the question for the time being. For the purpose of increasing the revenues of the Dominion and enabling us to defray in part our heavy war expenditure special war duties of 7½ per cent and 5 per cent were in 1915 added to the general and British preferential tariff rates respectively upon, with certain exceptions, all imports. The revenue received from this special war tariff has been as follows:

1915-16..	$25,256,787.89
1916-17..	37,830,427.39
1917-18..	45,018,562.27
1918-19..	44,726,091.67

[Sir Thomas White.]

When it is considered that for this year we are budgeting to raise barely the amount of our current expenditure and shall be obliged to borrow for our capital and demobilization expenditure, it will be seen how necessary it is to maintain in greater part at least this war tax upon imports.

It would not be practicable at this time to make a sound general revision of the tariff. International trade is most unsettled, still hampered by war restrictions and prohibitions and by exchange conditions, which are and may long continue to be subject to violent fluctuations. Prices are unstable, and labour conditions, internationally speaking, most uncertain. Until peace is restored and the world is upon a more stable basis with respect to capital, labour, prices, markets, and exchange, the tariff cannot be revised intelligently.

It is my hope that within a year conditions will have become so stabilized as to permit of a general revision of the tariff, which is long, but, owing to the war, unavoidably overdue. Preceding such revision there should be a thorough inquiry conducted by the Minister of Finance and two or more of his colleagues representing the different geographical sections of Canada. Such inquiry should afford all interests, agricultural, industrial, fishing, lumbering, mining, commercial, and financial, producers and consumers alike, an opportunity of expressing their views and opinions and urging their particular needs and requirements. The result of such inquiry should be a body of information which will enable the Government to effect a general revision of the tariff fair to all parts of the community, and effectually promoting the national welfare of Canada. This inquiry should proceed with its work just as soon as conditions are sufficiently stabilized to permit. My own view is that it might well be commenced about autumn of this year.

Before closing my remarks I feel I should make some general observations as to economic conditions prevailing in Canada today. An outstanding feature of the business situation is the fact that a great part of our business activity is due to the continued heavy expenditure of public money.

The policy of the Government for the so-called reconstruction period of transition from war to peace basis as illustrated in its programme with respect to shipbuilding, better housing, railway betterments and extensions, public works, and other national undertakings, together with its contribution of war gratuities to soldiers and the creation of credits for the promotion of our external trade with Britain and other European countries is a vital factor in maintaining our commerce, domestic and foreign, keeping the wheels of Canadian industry turning and affording employment to hundreds of thousands of our people. The funds from which these activities and credits are financed and which aggregate many hundreds of millions of dollars are borrowed money. This being a war year—a year of dislocation and of readjustment, of business and industrial uncertainty, of general unrest and of high prices for the necessities of life, of demobilization and of re-absorption into civil life and occupation of our army, the Government is undoubtedly justified in the policy which it has adopted. To have pursued a timid or hesitating course with respect to making provision so far as possible for employment and for the promotion through public finance of our export trade in agricultural and manufactured products would have invited most serious conditions throughout Canada. During the unsettled period following the war Governments must do many things outside their function in ordinary times, which private enterprise through lack of resource or from apprehension as to the risk involved is not able or willing to undertake. It must, however, be pointed out that the continuation of such a policy is subject to strict limitation and that we must look forward and prepare for a time when the artificial support of employment and public financing of trade must be greatly reduced or discontinued and the industry and business of the country be re-established upon the normal basis of peace conditions. The sooner this can be accomplished the better it will be for the community as a whole.

In the meantime while the Government is, through the instrumentality of the public credit and otherwise, using every endeavour to alleviate conditions which have inevitably arisen out of the war and overcome the effects of the sudden cessation of the activities which it created it is the clear duty of all citizens to earnestly cooperate with the Government and with one another to the end that with the exercise of patience, goodwill, and high patriotic spirit we may tide over successfully this most trying and critical period in the national life of the Dominion.

I shall now read the resolutions:

RESOLVED that it is expedient to amend Schedule A to the Customs Tariff, 1907, as amended by Chapter 15 of the Acts of 1913, by Chapter 3 of the Acts of 1915, by Chapter 7 of the Acts of 1916, by Chapter 17 of the Acts of 1918, and by Orders in Council, and to strike thereout tariff items:—24, 25, 25a, 26, 27, 28, 28a, 29, 60, 61, 83, 84, 210, 267a, 290, 329a, 337, 343, 345, 348, 350, 351, 356, 384, 446, 447, 448, 591, the several enumerations of goods respectively, and the several rates of duties of Customs, if any, set opposite each of the said items, and to provide that the following items, enumerations and rates of duties be inserted in said Schedule A:—

Tariff Items.	—	British Preferential Tariff.	Intermediate Tariff	General Tariff.
24	Chicory, raw or green................................per pound.	2½ cents.	3 cents.	3 cents.
25	Chicory, kiln-dried, roasted or ground...............per pound.	3 cents.	5 cents.	5 cents.
25a	Coffee, extract of n.o.p., and substitutes thereof of all kinds. ....per pound.	5 cents.	7 cents.	7 cents.
26	Coffee, roasted or ground, and all imitations thereof and substitutes therefor, including acorn nuts, n.o.p....per pound.	3 cents.	5 cents.	5 cents.
27	Coffee, roasted or ground, when not imported direct from the country of growth and production..................per pound.	3 cents and 7½ p.c.	5 cents and 10 p.c.	5 cents and 10 p.c.
28	Coffee, green, imported direct from the country of growth and production, and green coffee purchasedin bond in the United Kingdom................................per pound.	2½ cents.	3 cents.	3 cents.
28a	Tea imported direct from the country of growth and production, and tea purchased in bond in the United Kingdom..per pound.	7 cents.	10 cents.	10 cents.
	When in wrappings, cartons or other packages weighing five pounds or less, the weight of the wrappings, cartons or other packages to be included in the weight for duty.			