Tuesday, May 18, 1920.

The House met at Three o'clock.

REPARATION BY GERMANY—ALLIES CONFERENCE AT OSTEND.

On the Orders of the Day:

Mr. P. R. DuTREMBLAY (Laurier-Outremont): I see in the Montreal Gazette of this morning a despatch stating that it is rumoured that, following the conference held at Hythe, the Government of Germany will be called upon to pay to the Allies as an indemnity the sum of about £6,000,000,000. Would the Government tell us what portion of this sum is to be allocated to Canada?

Mr. SPEAKER: I would ask the hon. member to put that question on the Order Paper. It is one which requires notice and with respect to which there is no urgency.

Mr. DuTREMBLAY: It is a question which requires the attention of the Government. The despatch further states that a special conference of the Allies will be held shortly at Ostend to consider financial questions among the Allies. I should like to know if the Government have been invited to attend this conference and if they will have a representative at it.

Rt. Hon. Sir ROBERT BORDEN (Prime Minister): The answer to my hon. friend's question is in the affirmative.

THE BUDGET.

ANNUAL FINANCIAL STATEMENT DELIVERED BY SIR HENRY DRAYTON, MINISTER OF FINANCE.

Hon. Sir HENRY DRAYTON (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: Mr. Speaker, I am afraid that on the present occasion I shall have to ask the indulgence of the House as I shall have to address the House at considerable length. The fault is not mine; the financial position of the country at the present requires, I think, to be dealt with in considerable detail.

The conditions not only in Canada to-day, but the world conditions obtaining, are very different from the conditions which did obtain while the war was in progress. During this period the compelling necessity of the moment, the winning of the war, required raising large sums of money in the easiest possible way and with the least interference with the public or with business methods. It was absolutely imperative that there should be no check in production, no questions raised which might hinder that production or hinder the war effort. It was no time for the consideration of domestic politics, which in any way might distract the nation from a united effort towards the supreme end.

These conditions to-day are changed; the war is won; expenses are great; the cost of Government operations as well as the carrying on of every business of every character in the country has increased enormously, and over and above this the country, with other countries which took their part in the titanic struggle, is faced with a pyramid of debt. The task to-day is to aid the return to ordinary economic conditions to the extent that such return is at this time possible.

The duty to-day is not only to carry on the Government of the country without any additions to the debt, but on the other hand to promote measures which will reduce the nation's obligations. The task while heavy is nevertheless not as severe and difficult as the obstacles and difficulties which the country has gloriously overcome in the five years of war and stress. Indeed, were it possible for the country to again become as united and earnest as it was during the war period, if it were possible for each and all of us to sink all differences, class and sectional interests and jealousies into an effort towards re-establishing Canada as united and co-ordinated as that which won the war, the task would indeed be easy and simple.

Canada's soldiers during that period won for themselves and our country imperishable fame. "Their name liveth for evermore." But the productive efforts of Canada during that period were second only to their glorious record. For the five fiscal years ended on March 31, 1915, the excess of the country's imports over exports amounted to $825,521,490. For the next succeeding five years, ended on March 31 last, this excess of imports was not only overtaken, but our exports exceeded our imports by a sum of $1,803,442,233. It is plain in view of such a tremendous productive and industrial exploit, that if anything like the same effort is made to overcome debts, and by overcoming debts to bring about a proper deflation of prices, credits, and circulation, the task will prove well within our powers. Canada's trade while, as in the case of all countries, subject to periodical depression has steadily advanced, as the following figures will show:

Fiscal Year.	Total Trade.
1879	$ 149,489,188
1889	196,309,107
1899	304,227,339
1909	548,139,881
1919	2,185,194,620
1920 (unrevised)	2,351,174,886

The increase thus recorded is one which is contributed to practically by all of our productive agencies and is spread over a wide field. An increase in the basic industry of agriculture may be illustrated by the country's wheat production which has been as follows:

Year.	Bushels.
1870	16,732,873
1880	32,350,269
1890	42,232,372
1900	55,572,368
1910	132,077,547
1919	193,260,400

As indicating the development which has taken place in the production of our agriculture, forests, mines, and fisheries, and the growth of our manufacturing establishments, I desire to place on record the following statistics:

Agriculture Production—Canada.

Year.	Field Crops.	Other Farm Produce.	Total Production.
1900	$ 194,953,420	$169,953,446	$ 364,906,866
1910	383,366,856	279,982,334	663,349,190
1917	1,144,637,000	476,391,000	1,621,028,000
1919	1,452,437,000	523,404,000	1,975,841,000

Forest Production—Canada.

Year.	Log Products and Wood Pulp.
1881	$ 39,540,570
1891	55,266,368
1901	55,051,865
1906	72,878,051
1911	114,713,655
1915	79,767,938
1919	140,381,584

Mineral Production—Canada.

Year.	
1889	$ 14,013,113
1899	49,234,005
1909	91,831,441
1917	189,646,821
1918	211,301,897
1919	173,075,913*

*Subject to revision.

Fishery Production—Canada.

Fiscal Year.	
1879	$13,529,254
1889	17,655,254
1899	21,891,706
1909	29,629,169
1917*	52,312,044
1918*	60,243,429

*Calendar year.

Manufacturing Industries.

Year.	Capital Invested.	Employees.	Value of Products.
1881	$ 165,302,623	254,935	$ 309,676,068
1891	353,214,300	369,595	469,847,886
1901	446,916,487	308,482	481,053,375
1906	846,585,023	356,034	718,352,603
1911	1,247,583,609	515,203	1,165,975,639
1915	1,994,103,272	514,883	1,407,137,140
1917	2,786,649,727	692,067	3,015,577,940

Co-related with the above are certain financial statistics which are interesting.

Canadian Chartered Banks.

Year.	Paid-Up Capital and Reserve.
1888	$ 79,218,565
1898	91,197,340
1908	170,885,203
1918	225,508,222
1919	243,912,111

Year.	Total Bank Deposits by the Public in Canada.
1878	$ 71,900,195
1888	128,725,529
1898	248,572,085
1908	639,899,365
1918	1,669,597,617
1919	1,841,478,895

Amount of Fire Insurance Policies in Force.

Year Dec. 31.	Amount.
1878	$ 409,899,701
1888	650,735,059
1898	895,394,107
1908	1,700,708,263
1918	4,523,514,841
1919 (unrevised)	4,904,396,461

Amount of Life Insurance Policies in Force.

Year Dec. 31.	Amount.
1878	$ 84,751,937
1888	211,761,583
1898	368,523,985
1908	719,513,913
1918	1,785,061,273
1919 (unrevised)	2,187,833,396

If the progress of the past be but a fair indication of the future, the problems of to-day and to-morrow may be faced without doubt of a successful issue.

During the period covered by the above statistics an immense railway system has been built. In 1879 the mileage of steam railways in Canada was 6,484, and in 1919, 38,896.

Steam Railways of Canada.

	1879.	1889.	1899.	1909.	1919.
Miles in operation	6,484	12,628	17,141	24,104	38,896
Tons of freight..	8,348,310	17,928,626	31,211,753	66,842,258	116,699,572
Gross earnings	$19,925,066	42,149,615	62,243,784	145,056,336	382,976,901

A great canal system has also been constructed from tide water to the head of the Lakes at a capital cost of $110,823,237.42 to the country. Large and commodious public buildings have also been erected, with the result that an investment has been made in Government capital accounts of $766,912,802.71, while the Dominion ledger shows Government investments amounting to $1,078,537,461.27.

National Debt.

The ledger as of March 31, 1920, shows the country's gross debt to be $3,014,483,774.12. The capital accounts referred to are not deducted from this debt but the ledger, treating investments as active, deducts them from the gross debt and discloses a net debt of $1,935,946,312.85. Beyond all question it is a matter of importance that the exact position of the country's debt should be clear. While the books are correctly kept and the entries properly made, in my opinion some of the investments cannot be characterized as active investments. They are shown as follows:

Investments, etc., included in calculating Net Debt.	As of March 31, 1920
Sinking Funds..	$ 21,385,930.72
Canadian Northern Railway Co.	140,223,373.89
Grand Trunk Pacific Railway Co..	95,345,469.19
Grand Trunk Railway Co... ..	1,148,533.33
Loans to Banks..	101,065,725.00
Advances to Trust & Loan Cos.	3,850,000.00
Loans to Provinces (Housing)	11,740,000.00
Loans to Provinces (Farmers)	3,500,000.00
Imperial Government...	171,710,168.19
Other Governments..	34,336,117.75
Miscellaneous Investments. ..	39,314,000.45
Miscellaneous & Banking Acc'ts	175,039,622.61
Cash..	173,984,342.34
Specie Reserve..	103,597,849.90
Province Accounts.	2,296,327.90
	$1,078,537,461.27

Gross Debt..	$3,014,483,774.12
Less above..	1,078,537,461.27
Net Debt..	$1,935,946,312.85

It is obvious that the advances to the Canadian Northern, Grand Trunk Pacific, and Grand Trunk Railway Companies cannot be treated as active assets. They are not at the moment realizable; further, no interest is being paid, and in some cases the principal as well as interest is overdue. As is well known, Canada is now the owner of the Canadian Northern, receiver for the Grand Trunk Pacific, and steps have been taken for the acquisition of the Grand Trunk. While the railways have potential value, at the present time the fact is that the country itself owns the Canadian Northern and is responsible for the operation of the Grand Trunk Pacific, with resultant heavy cost to the taxpayer.

Assets which are not readily convertible, as the specie reserve is, or are not interest producing, are not such assets as ought to be deducted from the gross debt. They are inactive, they are items of such a character as might well be placed in a suspense account. At any rate, whatever may be their future value, however great it may be, they are not assets of such a character as to directly reduce the gross debt any more than the other capital accounts of the country ought to be deducted from it.

I would therefore reduce the deductions made from the gross debt by the railway items already referred to, and on the same grounds after making a study of the amounts making up the $39,000,000 odd charged to miscellaneous investments, I would reduce that item by $11,015,951.20, and the item, miscellaneous and banking accounts, of $175,000,000 odd by the sum of $56,592,463.12. While the charge against the Imperial Government is correctly stated as of the above date, beyond all question there are further contra accounts of the Imperial Government which will approximately reduce this credit item by some $33,033,333.34. The result of providing for this contra account and of treating the inactive items as items that ought to go in suspense or capital account is to reduce the investments included in calculating the net debt by $337,359,124.07, and to increase the net debt as shown from $1,935,946,312.85 to $2,273,305,436.92.

Inflation.

There undoubtedly is in Canada as everywhere else inflation in the price of commodities, inflation in currency, and inflation in credits. Our total issue of Dominion notes on March 31, 1914, was $117,795,718. It reached a peak of $337,319,309 in November 1918 and on the 31st March last it amounted to $311,932,791. Of this amount $128,366,066 is issued against gold. The amount of gold required under the Dominion Notes Act, as amended, to secure an issue of this amount is $90,866,066. Gold to the extent of $100,286,280 is available. $26,000,000 of the remainder of the currency was issued for national purposes under the authority of the Dominion Notes Act 1915, and secured as therein provided. $50,000,000 was issued for the purpose of making advances to the Imperial Treasury and is secured by the pledge of approved securities, and $107,566,725 was issued to the banks secured by approved securities largely consisting of Imperial Treasury Bills and our own Treasury Bills. As a result there has been an increase since March 31, 1914, in the circulation issued by the Dominion of $194,137,073.

The banks' circulation on 31st March, 1914, was $96,848,384. In November of the preceding year a high point of $126,839,620 was reached. On the 31st March last it amounted to $225,769,628. As against this increase, in the same period the holdings of the banks in cash reserves (gold and subsidiary coin) rose from $45,661,913 to $79,990,836, and the deposit of Dominion notes and gold in the Central Gold Reserves, earmarked for the redemption of the bank note circulation, rose from $3,500,000 to $108,200,000. In addition, the bank holdings in Dominion notes for general reserve purposes rose from $96,227,321 to $184,152,673.

Tabulating for purposes of comparison the combined circulation of the country as of March 31st, 1914, and the 31st March last, the result is as follows:—

	March 31st, 1914.	March 31st, 1920.
Dominion Note Circulation	$117,795,718	$311,932,791
Bank Note Circulation	96,848,384	225,769,628
	$214,644,102	$537,702,420
Less Dominion Notes held in Central Gold Reserves	3,500,000	97,700,000
	$211,144,102	$440,002,420
Gold Held.		
By Government	96,161,366	100,286,280
By Banks	45,661,913	79,990,826
In Central Gold Reserves	nil	10,500,000
	$141,823,279	$190,777,106
Per cent of Total Gold to Total Outstanding Circulation	67	43

As the statement shows, the combined circulation of the country amounted on March 31st last to $440.002,420 as against $211,144,102 on March 31st, 1914, a percentage increase of 108 per cent.

Comparing these increases with those of other countries, the Right Hon. Reginald McKenna recently stated that the circulation of Great Britain had increased 207 per cent between 1914 and the end of 1919, while the circulation of the United States, as given in the report of the Secretary of the Treasury, shows an increase of 70 per cent from June 30, 1914, to the corresponding date in 1919. The circulation of other countries taking a prominent part in the war has increased to far greater percentages.

Unquestionably, the currency in light of former gold reserves is inflated. The fact, however, is that the world over currency to an ever-increasing degree is related to movement of commodities, secured by a national guarantee supported by approved securities. This trend was apparent before the war. The best illustration is perhaps afforded by the Federal Reserve legislation of the United States. Under that legislation, currency issued by Federal Reserve Banks requires a gold reserve of 40 per cent and no currency stands higher.

Under all the circumstances, bearing in mind that Canada before the war had to borrow abroad to finance her own requirements, bearing in mind that during the war and since the Armistice she has not only financed herself but has also extended credits to other nations, the situation of the country's currency is very remarkably good. The percentage of the gold reserves to the Dominion and bank note circulation is 43 per cent. The percentage of gold to the total circulation of Great Britain based on 1919 figures is 26 per cent and of the United States approximately 55 per cent.

The circulation, large as it is, is all required. The greatest demand that actual circulation has to meet is the pay-envelope. In view of to-day's conditions the world over on a greatly increased wage scale, much more circulation is now required for this purpose. The increased prices of commodities mean that more money must be kept in the tens of thousands of shop-tills all over the country. The constantly increasing demands on the Mint tell their own story. In 1914, 11,770,108 pieces of coinage were turned out; in 1919, 35,906,003 pieces, and for last march, 2,677,874 pieces were coined as against 806,646 pieces in March, 1914.

Increased credits have contributed and contributed largely in the first instance to the abnormal increase in the cost of commodities, and to a lesser extent increased circulation contributed to the same result. The cost of commodities under new high standards once having been arrived at, however, if business is to continue in Canada under existing world conditions, both the inflated currencies and inflated credits are at the moment necessary to support it. The high prices in Canada could not be and were not made by Canadian action alone. They are the result of the general trend in the prices of commodities the world over, and to-day were it possible to suddenly deflate Canadian credits and circulation, with the general demand for commodities that to-day exists, the influence on the general situation would be negligible. Prices would continue high and the only result to the Canadian public consequent on the withdrawal of purchasing power would be stagnation of business, unemployment, and loss of production.

As stated, inflation of credit has more to do with increased buying power and therefore, with that increased buying power, has more to do with affecting the cost of commodities than circulation. It is true that in part these credits are increased by an inflated circulation, but the circulation deposited in banks from time to time plays but a small part of the total deposits. Every credit transaction, every advance made by a bank to a customer inevitably produces a corresponding deposit in the banks of that customer's creditor or creditors. The net result is to increase bank deposits by the extent of the credit and to increase the liabilities of the bank granting the credit without any corresponding increase in its cash assets. Obviously, if the money advanced is to be applied in a productive agency which would be carried on with a profit and result in a large gain of commodities to the country, there is no inflation. On the other hand, the business situation has been improved.

The credit basis which is more vicious than any other basis is that which is given for Government expenditure on non-productive objects and which does not result in any addition to the national production. Every loan for an unproductive purpose that the Government makes, no matter how successful it be, to some extent at any rate increases the credit inflation of the country. It either does it directly, as in cases where money is loaned to loan subscribers by the banks for the purpose of enabling them to take up the Government's securities, or indirectly by taking away from the productive agencies of the country savings which otherwise would be available for them, rendering it necessary for the banks to enlarge credits for essential purposes of production which otherwise would have been met by the savings of the nation. Government borrowing, in other words, has the effect of removing capital, the tool of industry, from its ordinary and legitimate purpose of industry and production. It ought to be noted that in Canada the loan situation is extremely satisfactory. Not only has the great bulk of our loans been subscribed to by our own people but in connection with all our large popular issues not one single bond has been subscribed to by the banks. Canadian banks are not loaded with governmental securities.

The increase in bank deposits which has been brought about in Canada is in a very similar ratio to that which has happened in other countries. Our total deposits on 31st March, 1914, amounted to $991,734,246, and on the 31st March last amounted to $1,855,131,598, an increase of 87 per cent. In England, according to Rt. Hon. Mr. McKenna, bank deposits increased 115 per cent from 1914 to 1919, while in the United States an increase of 80 per cent in total deposits occurred between 1914 and 1919.

In Canada it may be noted that the Government's war borrowings amounted in round numbers to $2,000,000,000 as against an increase in deposits amounting to $863,397,352. As a result, the increase in public purchasing power gauged by the total currency in circulation and total bank deposits in Canada increased 91 per cent in 1919 over the figures of 1914. In England the increase was 125 per cent and in United States 78 per cent.

The commerce of the country still requires ample credits. On the 31st March, 1914, the total of loans made by the Canadian banks amounted to $928,184,060, and on the 31st March last the loans amounted to $1,527,078,-232, an increase of 65 per cent. This large sum does not include any advance to the Government. Although the business men of the country and those requiring accommodation are now enjoying this great increase in credits, the fact is that from available resources the banks in Canada as well as in all other countries ought not to meet the full requests made for further credits, apart entirely from the injurious effect credits still further increased would have on the general economic situation.

The situation is therefore one in which it is impossible by any direct Government action to bring about deflation either in circulation or in credits without great danger of economic disaster. Inflation can only safely be cured in this as in other countries, by the Government and Provincial Governments stopping further loans, and by all governmental institutions, including municipalities and indeed every individual whose circumstances permit it, reducing expenditure whenever possible and by an increased production in all our forms of productive industry.

While the trade figures of the country show advances in the value of our production and exports, and while these figures correctly show our standing and growth as compared with those of other nations, the fact must not be lost sight of that these figures are based on the inflated values today obtaining and that expressed in quantities the production of the country instead of increasing has actually decreased. Without wearying the House with statistics, it is sufficient to merely point to the best indicator of trade activities, that is, the amount of tonnage handled by the country's railroad system.

Those statistics show that in 1918 our railways handled 127,543,687 tons of freight. This indicates a remarkable activity particularly in view of the fact that many of the country's best workers were overseas and that relatively a very large proportion of our population was withdrawn from agriculture and industry. It is specially significant in view of the fact that in the year 1914, with our men at home, the freight handled only amounted to 101,393,-989 tons. The tonnage handled last year, however, only amounted to 116,699,572 tons. Instead of decreasing our production the imperative necessities of the country required that it should be largely increased, not only to assist in financing and carrying on the country's operations but also to assist in bringing about that reduction of the present high cost of living which is so much desired.

Trade.

I have already referred to the aggregate trade for the past year and the favourable balance that has developed over the past five years. The results of the past year require a greater detail. Canada's external trade in 1919-20 resulted in a favourable balance of $220,000,000. The chaotic condition of foreign exchange during the year was not without its influence on our business abroad and tended to complicate the readjustment of international trade. In the United Kingdom—our largest selling market—the Canadian dollar was at a premium ranging from 1 to 22 per cent, while in the United States, where some 75 per cent of the national purchases are made, our dollar has been at a discount of from 2⅜ per cent to 17⅛ per cent.

The rate of exchange thus worked against Canada in her chief selling market as well as in her chief purchasing market. An appreciated currency assists national buying in any market, in which it is at a premium, while purchases are made proportionately the more onerous when made in a market where the currency is at a discount.

Our total imports from United Kingdom amounted to $126,274,000, which is $53,000,-000 greater than in 1919 and very nearly, as expressed in dollars, equalled our pre-war trade with the Mother Country. Her purchases from us totalled $489,000,000, a decrease of $51,000,000 from 1919, the balance of trade being $363,000,000 in Canada's favour. While our exports to Great Britain have fallen off, it should be noted that the 1919 figures included about $170,000,000 for munitions and war materials. To the extent of $120,000,000, therefore, this transient trade has been replaced by trade of a more permanent character. The increase in imports from Great Britain has been very marked in recent months. They rose from a low point of $5,204,979 in April to $25,-555,386 in March, the latter figure constituting not only a record but an extraordinary increase. Figures for the last six months have been as follows:—

October..	$ 8,655,848
November..	10,919,282
December..	9,888,075

January	16,414,503
February	14,953,730
March	25,555,386

The increase in imports from the Mother Country is very gratifying and is very significant. The greatest previous volume of her monthly exports to Canada prior to the war was $14,395,740 in March, 1913. It is to be noted that the good old Mother Country very nearly doubled March last, the greatest amount of exports she has ever sent to this country.

Exports to the United States amounted to $464,000,000, increasing by $9,000,000, while imports from that country reached the unprecedented figure of $802,000,000 exceeding 1919 imports by $55,000,000. The year's trading, therefore, resulted in an unfavourable trade balance of $338,000,000. The volume of imports from the United States is all the more remarkable owing to the fact that for a considerable period of the year the adverse exchange rate which has obtained has added to the extent of the depreciation of our money in New York an additional cost to the Canadian purchaser. It is apparent that the mere question of cost has not weighed very much upon the Canadian buyer. Undoubtedly, the exchange rate is against the interests of our national buying from the United States. If practicable it ought to be remedied but it cannot be properly remedied by any artificial means. It will be remedied and can only be permanently relieved when sterling advances to its normal position and Canada's interchange of commodities with United States is reduced to a more reasonable ratio.

The following compilations indicate the trend of our trade both as to imports, exports, and total trade: (1) with all countries; (2) with the United Kingdom; and (3) with the United States, for the last three years and for the pre-war years of 1913 and 1914:—

—	Canadian Trade—Merchandise Only.		
	Imports for Consumption.	Exports Domestic and Foreign.	Total Trade.
	$	$	$
Fiscal Year ended March 31st—			
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	916,429,335	1,268,765,285	2,185,194,620
1920 (unrevised)	1,064,516,177	1,286,658,709	2,351,174,886

—	Trade with United Kingdom.		
	Imports for Consumption.	Exports Canadian Produce.	Total.
	$	$	$
Fiscal Year ended March 31st—			
1913	138,741,736	170,161,903	308,903,639
1914	132,070,362	215,253,969	247,324,331
1918	81,302,403	845,480,069	926,782,472
1919	73,035,118	540,750,977	613,786,095
1920 (unrevised)	126,274,365	489,151,552	615,425,917

—	Trade with the United States.		
	Imports for Consumption.	Exports Canadian Produce.	Total.
	$	$	$
Fiscal Year ended March 31st—			
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	746,920,654	454,873,170	1,201,793,824
1920 (unrevised)	802,095,452	464,029,273	1,266,124,725

The following statement indicates the dislocation brought about by the war in our two chief markets, Great Britain and the United States.

(Expressed in percentages of the whole.)

—	Pre-War. Year ended 31st Mar., 1914	Post War. Year ended 31st Mar., 1919	Year ended 31st Mar., 1920
Canada's Purchases.			
From United Kingdom	21·35%	7·96%	11·86%
From United States	63·96%	81·50%	75·44%
Canada's Sales.			
To United Kingdom	48·81%	44·20%	38·54%
To United States	38·85%	37·66%	38·94%

Revenue, 1919-20.

The revenue for the fiscal year ended 31st March last will when the accounts are finally closed reach approximately $388,000,000. This is the largest revenue that the country has ever collected. Instead of lessened receipts, as conditions at the time the last Budget was prepared seemed to indicate, the revenue of the preceding year has been exceeded by $75,000,000, and the country's revenue for 1920 was no less than $255,000,000 greater than that of the first year of the war. The chief sources of revenue were as follows:

Customs	$169,000,000
Excise	43,000,000
Post Office	22,000,000
Business Profits War Tax	44,000,000
Income Tax	20,000,000
Other war taxation	17,000,000

Expenditure, 1919-20.

The consolidated fund ordinary expenditure will be approximately $349,000,000. This sum of $349,000,000 includes $108,500,000 interest on public debt, $26,000,000 for pensions, and $49,000,000 for Soldiers' Re-establishment.

For investment and capital outlays, beyond the ordinary current expenditure of $349,000,000, an expenditure of $187,856,991 is estimated. The resultant total is $536,741,110 and represents the outlay of Canada for all purposes apart from war during the past year.

With a total revenue of $388,000,000 and an ordinary expenditure of $349,000,000, it will be seen that during the fiscal year 1919-20 the Government, after meeting all ordinary expenditure, including an increased amount for interest account and pensions over the previous year totalling nearly $39,000,000, has a surplus of approximately $39,000,000 over ordinary expenditure, to apply to capital expenditure.

The demobilization expenditures for 1919-20 will amount to $350,000,000, making a total outlay for the year of $886,741,110. Our total expenditure for the war, up to and including the 31st March, 1920, now amounts to $1,674,000,000, apart altogether from such expenses resulting from the war, as Pensions, Soldiers' Civil Re-establishment, Soldiers' Land Settlement, and interest on war debt.

Debt.

During the year just passed the country paid off a floating debt of $247,000,000 out of the proceeds of the Victory Loan issue of 1919. The floating or short date indebtedness of the country at the close of the year amounted to only $88,956,000. The addition to the debt during the year amounted to $395,000,000 and the position of the net debt has already been referred to.

Expenditures for 1920-21.

The Main Estimates for 1920-21 total $537,149,428 and Supplementary Estimates for $12,500,000 for bonus purposes have been tabled, with the question of Main Supplementary Estimates still standing.

In the above-mentioned Estimates already brought down certain considerable amounts classified as investments are included as follows:

Soldiers' Land Settlement Loans	$50,000,000
Loans to Canadian Northern Railway Company	48,600,000
For Railway Equipment purposes	17,000,000
Loans to provinces for Better Housing purposes	13,300,000

to which ought to be added $20,000,000 for shipbuilding programme included in the above Estimates as "Public Works (Marine Department), Capital."

The estimated expenditure on ordinary account for the present year is: Main Estimates, $328,500,000 and Civil Service bonus, $12,500,000. Of this, $140,000,000 represents interest on public debt, an increase over 1919-20 of $31,500,000. An estimated expenditure on capital account of $41,000,000 is also included in the total of $549,649,428. There will be no separate Act providing for demobilization expenses this year. The Main Estimates contain provision for $38,463,400 for this purpose and also cover distributed items to the amount of $1,745,624 for services paid out of the demobilization appropriation last year. In order to compare the expenditure proposed for all purposes apart from the war with that of the past year the amount then of $40,209,024 must be deducted from this year's Estimates. As these Estimates are also enlarged by an unescapable increase of $31,500,000 in debt interest, it will be found that for comparable expenditures, notwithstanding increased costs of service, a saving of $71,709,024 is indicated.

Probable income for the present Fiscal Year, 1920-21.

The revenue for the year ending the 31st March, 1921, estimated on the basis of existing fiscal legislation, and assuming that values of importations for customs purposes remain practically the same as for 1919-20, should amount to $381,000,000 as follows:

Customs..	$167,000,000
Excise..	43,000,000
Post Office..	22,000,000
Government railways for 9 months	28,000,000
Business Profits War Tax..	40,000,000
Income Tax	35,000,000
Other War Taxation..	17,000,000
All other revenues..	29,000,000

The revenue from the Government railways for 1919-20 is put at $42,500,000. For 1920-21 only $28,000,000 is taken into account on the assumption that at the end of this calendar year the revenue from Government railways will be under the control of the Canadian National Railways, and applied directly against the working expenses of such railways, which will be correspondingly reduced in our estimate of ordinary expenditures for the year.

Including the estimated revenue of $381,000,000, cash on hand and outstanding counts including balances due from Great Britain make a whole total of $720,441,752.88. In all probability the whole of these accounts will not be collected within the year and $571,000,000 will more accurately represent the actual cash resources for the year. No further loan, as already pointed out, ought to be made. In addition to the commitments already mentioned, certain floating obligations mature during the year. They are as follows:

Treasury Bills, Oct. 1st, 1920..	$24,605,000
Treasury Bills, Oct. 15th, 1920..	49,215,000
Debenture Stock, June 1st, 1920.	238,400
Total.. ..	$74,058,400

The revenue of the year and cash assets available should at least not only carry current expenditure but retire this debt.

Grand Trunk Acquisition.

The current expenditure, however, will be greater this year than that already indicated. Deficits on the railway system have been reported in the Main Estimates. These deficits during the readjustment period will be materially increased by the acquisition of the Grand Trunk. The primary object of the acquisition of the Grand Trunk was to render efficient and properly complete the National system. The country had a large railway investment with proper terminal facilities in the West, but, speaking generally, lacking them in the East. The railway burden was also largely increased by the failure of the Grand Trunk Pacific promoted and owned by the Grand Trunk. The country was faced with the necessity either of providing new terminals at great cost in eastern centres, leading to a still greater railroad duplication, or of acquiring the Grand Trunk system. The traffic centres of the East had to be opened to the National system if that system was to be put upon a proper basis and enabled to properly compete in all through-traffic. Over and above this, the Grand Trunk was acquired for the purpose of reducing existing duplication and enabling extensive operating economies to be made.

Over and above these considerations, the acquisition of the Grand Trunk was highly desirable in order to prevent the insolvency of the line and the consequent breakdown of railroad facilities in the districts served by that system. Railway receiverships in some instances do not carry with them serious consequences, but in the case of the Grand Trunk a receivership would be exceedingly objectionable owing to the fact that the company's system is composed of many separate railway corporations having in instances separate obligations and different creditors, rendering a re-organization as of a completed system very difficult. Such re-organization would be attended with still greater difficulty owing to the fact that part of it would take place under the direction of United States courts and part under the direction of Canadian courts. The dislocation of business would have been exceedingly great and the inconvenience and loss to Canadian shippers and consignees and to Canadian business heavy.

Some economies ought to be effected in the near future, but with the arbitration pending it is improbable that full benefit of the Grand Trunk acquisition can be expected in the current year. It will be necessary to make advances to the company to cover past due operating obligations. These advances will constitute obligations of the company and as such must be taken into account in the arbitration. In addition to this, advances of necessity will be made to provide for this year's operations, including the acquisition of necessary rolling stock.

The abstract of the company's cash book as of February 21 last shows obligations overdue or shortly payable amounting to $18,710,588, made up in large part of unpaid vouchers, bank overdrafts, drafts held for acceptance and short date notes given for supplies. As against these debts the Grand Trunk has supplies on hand and certain capital accounts as against which no capital issue has been made. They are, however, not of a character which can be relied upon for the purpose of supplying cash to meet these liabilities.

The approximate amount to cover advances for the purposes above mentioned is $28,000,000.

Railway difficulties and overdrafts ought now to be at their peak. Proper co-ordination and economies will, just as soon as the Grand Trunk arbitration is over, be practicable and will be put into effect. The balance sheet, however, inevitably depends on the cost of carrying on business, which has been very greatly increased, and the general rate schedule. The serious drain made by the railways on the country's finances ought to be materially lessened.

As a matter of common justice to Canada it should be stated that the charges of unfairness levied against Canada by different shareholders at Grand Trunk meetings, are unfounded. The simple fact remains that if the Grand Trunk had not been taken over the shareholders in all human probability would have lost their whole investment. It is entirely untrue that the Government forced the company to pay a highly increased wage scale and at the same time prevented it from raising its rates either directly or through the Board of Railway Commissioners. The chairman of the Grand Trunk is reported to have made the following statements at the special general meeting of the company:

> I knew there were influential men in Canada who thought the policy the Government should pursue was to let us alone, and that the weaker we became the easier we could be dealt with —(hear, hear)—they knew we were being forced by the Government to carry on under impossible conditions—conditions over which we had absolutely no control. What were those conditions? That we should meet every order issued by the Canadian Railway War Board to increase wages by immediate compliance, notwithstanding that no increase of rates to meet the increased expenses was allowed.......
>
> In 1918 an increase of freight rates was granted on a great portion of the freight carried, something under 15 per cent in March and something under 25 per cent in August. Notwithstanding this, owing to a further serious increase of wages being ordered by the Canadian Railway War Board, without any corresponding increase in rates, there was an actual decrease in net profit for 1918. The gross traffic for 1918 amounted to £12,600,000, as compared with £9,800,000 in 1917, or a gross increase of £2,700,000, but the working expenses increased by £2,900,000, or a net loss of £200,000 for 1918.
>
> In 1919, the accounts of which are not yet complete, the gross earnings are estimated at £14,000,000, as against £12,600,000 in 1918, or an increase of £1,400,000. Owing, however, to another large increase in wages being ordered by the Canadian Railway War Board—again without any increase in rates—it is not expected there will be any increase in net profit, and consequently the company will only be able to meet its fixed charges. Thus, in each of the three years—1917, 1918, and 1919—in consequence of being compelled, by order of the Canadian Railway War Board, to grant increased wages without sufficiently increased rates, the shareholders lost on the average at least between £1,250,000 and £1,500,000 in each of those three years, which they ought to have received in dividends.

The direct imputation conveyed to the shareholders was that the Railway War Board was a governmental institution to whose orders railways were subject. It was not. That board was not a statutory body but was an organization formed by the railway companies (including the operators of the Intercolonial) for the express purpose of more perfectly co-ordinating their activities and for the purpose of dealing with large railway questions. The board was organized in 1917. The Grand Trunk's representation was as follows: Mr. Howard G. Kelley, a president, and Mr. W. E. Gillen, chairman of the Administrative Committee. Mr. Gillen subsequently retired and Mr. W. D. Robb, a vice-president of the Grand Trunk, was elected a member of the Administrative Committee. In 1919 the board was reorganized as The Railway Association of Canada with Mr. Kelley this time as sole president and with Grand Trunk representation on every committee. The organization was entirely a railway organization. It was not a Government organization. The organization had, however, no control over railroad rates. The Grand Trunk has American lines as well as Canadian lines. It has traffic originating at American points for Canadian destinations. The rate for the shorter haul in Canadian territory cannot obviously be greater than the rates on the longer haul for Canadian destinations from American territory. Subject to this consideration, and just as soon as action was taken by the American Commission, every application made by the company for a general increased tariff during the whole of the war period was given effect to, and I am informed by the Board of Railway Commissioners that there is no general application for an increase of rates by the Grand Trunk Railway Company pending or refused, nor was any application of that character pending at the time the meeting was held. The highest dividend distribution of the Grand Trunk amounted to $4,736,241.22. The average dividend payments are much lower without deductions being made for deficits of the Grand Trunk Pacific (the subsidiary of the Grand Trunk and organized by it) which were met by advances made by the Parliament of Canada to an amount in excess of $50,000,000.

Luxury Taxes.

Not only is more revenue necessary but extravagant and luxurious expenditure ought to be checked. Just so long as expenditure on non-essentials and extravagant expenditure continues, just so much longer will the drop in the value of essentials be postponed. On those having income more than necessary for properly maintaining themselves and families, there rests a special duty of saving whenever possible and in this manner adding to the available financial resources for development and for industrial undertakings. Extravagant buying should stop. With this end in view, as well as for necessary revenue, it is proposed to levy on certain specified articles excise taxes which are to be paid by the purchaser to the vendor at the time of sale for consumption or use, or on importation for consumption or use other than resale. Upon certain articles of wearing apparel, such as boots, shoes, etc., in excess of $9 a pair, men's and boys' suits in excess of $45 each, fur coats and robes in excess of $100 each, women's dresses in excess of $45 each, women's suits in excess of $60 each, men's and women's overcoats in excess of $50 each; hats, hose, neckwear, shirts, purses, and gloves bought above specified prices, and on fans and opera cloaks, it is proposed to levy a tax of 10 per cent of the total purchase price. The women are given a little preference over the men because men's suits in excess of $45 will be taxed, whereas women's suits up to $60 will be exempt from taxation.

Mr. BUREAU: Where does the influence come from?

Sir HENRY DRAYTON:: The same rate of tax is to apply to trunks in excess of $40 each, valises, suitcases, etc., in excess of $25 each; ivory handled cutlery, cut glass ware, velvet and silk fabrics, lace, ribbons, silk embroideries, and sporting goods.

Under the terms of the French Treaty silks, velvets, lace, and silk embroideries were given a preferential treatment. Not only was France interested in the Treaty but other countries making like importations received full benefits of the Treaty. These countries amounted to eleven in number, including Japan and Switzerland. The operation of the French Treaty ceases on the 19th June next and thereafter, subject to what further action may be taken when the tariff is revised, these articles will take rates from 30 to 35 per cent instead of the present rates ranging from 20 to 27½ per cent.

In addition to this, these luxuries will be subject to the above excise tax of 10 per cent on the whole of their purchase price.

A similar tax of 20 per cent of the total purchase price is to be levied upon such articles as cigar and cigarette holders and pipes in excess of $2.50 each, humidors and other equipment for smokers, hunting, shooting, and riding garments, fancy pocket knives, gold, silver, ebony and ivory toilet-ware, articles of silver adapted for household or office use, jewellery, fur wearing apparel (except as provided above), liveries, oriental rugs, expensive carpets and curtains, and chandeliers.

An excise tax of 10 per cent will also be payable at the time of sale by the Canadian manufacturer or when imported on boats, yachts, canoes, and motor boats (when used for commercial purposes refund of tax is provided for), cameras, candy and confectionery, firearms, shells or cartridges, pianos, organs, musical instruments, and plated ware adapted for household use.

A like tax of 20 per cent will be imposed upon mechanical player pianos, graphophones and mechanical musical instruments and records used therewith. Articles of gold adapted for household or office use will be taxed to 50 per cent of the selling prices. A specific tax on playing cards is also provided for. On all cards selling at wholesale rates not over $25 per gross packs, the tax will be 25 cents a pack and in excess of $25, 50 cents a pack.

Excise Tax on Motor Cars.

A large revenue was received during the year from taxation on motors which totalled $12,962,365, of this amount $6,378,171 being from customs duties and $6,584,194 from excise. The taxation of motors would seem to be a reasonable and proper source of revenue. The field, however, has been always occupied by the provinces, and instead of taxing motors generally, it has been determined to increase the excise tax, which is chargeable both on Canadian and imported cars, from 10 to 15 per cent.

Beer, Wine, and Spirit Duties.

It is also proposed to increase the duties on beer, wine, and spirits.

Mr. LAPOINTE: That is cruelty.

Mr. BUREAU: There is no more beer.

Sir HENRY DRAYTON: I hasten to reassure my hon. friend that we do not class 2 per cent as beer, and it is therefore not subject to the tax. The proposals call for an increase in the duties on beer of 30 cents a gallon, on non-sparkling wines, 30 cents a gallon; on spirits, $2 a gallon, and on sparkling wines, $3 a gallon. These are in excess of the present duties both customs and excise.

Mr. BUREAU: That is the best prohibition law passed yet.

Sales Tax.

Sir HENRY DRAYTON: In view of the necessities of increased revenues, a tax of one per cent on the sales of all manufacturers, wholesale dealers, jobbers and importers is proposed. The tax will not include retailers as such but will include the goods manufactured or imported by any retailer although manufactured or imported by such retailer for r tail sale by himself. Consideration must also be given to the cost of essentials and on this account it has been determined that the tax will not apply to sales of meats, fresh, salted or pickled; butter, cheese; oleomargarine, margarine, butterine, or any other substitute for butter; lard, eggs, vegetables, fruits; grains and seeds in their natural state; buckwheat meal or flour; pot, pearl, rolled, roasted or ground barley; cornmeal, oatmeal, or rolled oats, rye flour, wheat flour; coffee, green, roasted or ground; tea, salt, cattle foods, hay and straw, nursery stock; fish, fresh, pickled, salted, smoked, dried or boneless; sugar, syrups and molasses; anthracite or bituminous coal; artificial limbs and parts thereof, or to goods exported.

The sales tax ought not to be used as a basis of further profits and must not, therefore, be included in the manufacturer's or wholesaler's costs on which profit is calculated. The tax when not absorbed by the vendor must then be included in his invoice as a separate item.

Stamp Taxes.

The existing tax on cheques will be continued, but the rate increased on bills of exchange and promissory notes so as to provide a 2 cent tax on all bills or notes of $100 or less and for every additional $100 or fractional part thereof 2 cents more. A tax of 2 cents for each share of stock transferred is also proposed.

The method of collecting stamp duties on patent and proprietary medicines and perfumery will be changed by having the stamps affixed by the manufacturer or importer instead of the retailer at the time of sale. The stamps are not to be included in the costs of the manufacturer or importer but if not absorbed by the seller are to be added in the invoice as a separate item.

Removal of Tax on Moving Picture Films.

Under existing legislation a special tax is collected on films used in moving picture theatres. The tax provided is a charge of 15 cents per film for each day upon which such film is used. It has been found that this duty has worked a hardship on small movie theatres. Many complaints have been received and it has become apparent that the tax in the case of the small theatres sometimes represents a charge of as high as 6 or 7 per cent of its total receipts, already subject to municipal and provincial taxation, while in the case of large theatres the tax amounts to less than 1 per cent of receipts. Undoubtedly the present tax is unfair in its incidence and it has been decided to remove it. Movie theatres and other forms of amusement would appear in the first instance proper subjects of taxation, but it is felt that if these theatres are to be subject to further taxation, it ought to be done by an increase in the existing forms of taxation imposed by the provincial and municipal authorities, rather than by a new federal tax.

Income Tax.

The income tax rate was substantially increased last year, so as to bring it up to the increased United States rates. The increase was material as the following examples indicate:

On incomes of	$ 5,000 from	$ 100	to	$ 120	an increase of	$ 20
"	10,000 from	392	to	590	"	198
"	20,000 from	1,382	to	1,990	"	608
"	30,000 from	2,702	to	3,890	"	1,188
"	50,000 from	5,782	to	9,190	"	3,408
"	100,000 from	17,607	to	31,190	"	13,583
"	200,000 from	50,957	to	93,190	"	42,233
"	500,000 from	195,407	to	303,190	"	107,783
"	1,000,000 from	499,157	to	663,190	"	164,033

The corporation tax was in like manner increased from 6 to 10 per cent.

These large increases will be payable this year for the first time. It is anticipated that they will yield approximately an additional $15,000,000. That our measures of taxation must in view of our geographical situation have regard to United States legislation is a principle that has found general acceptance. I do not desire to question it. But revenue is urgently required and a difference of 5 per cent in these individual and corporation taxes will not deter immigration and the investment of outside capital so essential to our national development and growth. It is therefore proposed to increase these taxes on incomes of $5,000 and upwards by 5 per cent. The increase will be made effective this year. As a result the tax on a personal income of $5,000 will be $126 as against a levy of $100 last year, and on an income of $50,000, $9,649.50 as against $5,782 last year. In the case of a corporation with an income of $100,000, the rate this year will be $10,500 as against $6,000 last year.

Collection of Income and Profits Taxes.

These taxes are not collected with desirable despatch and under the existing Acts there is reason for vexatious delays. An assessment once made by the department stands. As a result any zealous officer makes no assessment until satisfied that he has made every possible check and has exhausted all avenues of information bearing on the taxpayer's income. In addition to this, the business profits tax requires an exhaustive inquiry into the company affected—an inquiry which covers the question of the true amount at which capital stock should be valued, often resulting in shares being valued considerably below their actual selling market value, and also covers the liquid and other debts and obligations, liquid and other assets, depreciation and maintenance. In many cases personal incomes depend on the ascertainment of business profits taxes. The result is delay, loss of interest, and added difficulties in finally collecting the tax. Delay is inseparable from the business profits tax. The situation can, however, be materially improved in so far as the ordinary income tax is concerned.

A Bill will be introduced making each taxpayer in the first instance his own assessor. For the guidance of the taxpayer a plain table will be either attached to or included in the form of return showing exactly what taxes are payable on incomes of various amounts. The taxpayer will with his return include his cheque, either for the taxes properly payable by him or for an amount not less than 25 per cent of that sum—the remaining 75 per cent to be paid in three equal bi-monthly instalments, the first of such bi-monthly instalments to be paid at the expiration of two months after the return is made, and so that the whole amount of the tax will be paid in six months after the return is made. Interest will be charged at the rate of 6 per cent on all payments made on instalments. The returns will be carefully checked by the department and in all cases where it is discovered that overpayment has been made by the ratepayer, a refund for the amount must be immediately made to him or applied on any instalment due or becoming due. If investigation shows that the taxpayer has misstated his income, penalties will be provided. A mistake of 10 per cent in income might well arise from bona fide error and no penalty is proposed, except that the further payment found to be due will carry interest at the rate of 10 per cent per annum. Where the actual income exceeds 10 per cent and does not exceed 20 per cent of the amount shown by the taxpayer's re-

[Sir Henry Drayton.]

turn, a penalty of 50 per cent will be provided, and where the deficiency is greater than 20 per cent a penalty of 100 per cent will be provided. These penalties will be calculated on the amount the returns are deficient. The proper tax with interest at 10 per cent must also be paid.

Business Profits War Tax.

Many representations have been made against the continuance of the Business Profits War Tax. The tax is charged with being largely responsible for the high cost of living. It is held that it is impossible to fairly collect and administer the tax owing to the different characteristics of different businesses and to the fact that what is a fair profit in one class of business is entirely inadequate in another, and further that the capitalization of companies differs very very widely in proportion to their activities and to their resultant profits, so that some companies are taxed on the same amount of income, derived from the same class of business, very much more heavily than others. It is attacked on the ground that it directly contributes to extravagance and places a premium on inefficiency, that in many instances companies in providing for the tax have advanced their costs in far greater proportion than was at all necessary to provide for these payments and still keep their business in a flourishing condition. It is further contended that much of the profits are represented by necessary plant extensions and by stocks of commodities on hand which have been bought and are valued at current high prices, so that 100 per cent of profits shown by the books are rarely if ever represented by cash.

Much undoubtedly can be said against the Business Profits War Tax. Under normal conditions it would indeed be hard to find any argument which would justify its continuance. We are not yet, however, under normal conditions. Supply has not yet caught up to demand, and in some lines of business activity, at any rate, the salutary effects of competition are, as a result, not in play, and whatever can be said against the Business Profits Tax, it at least has meant that a substantial sum of money has been recovered for the country out of large profits.

Business in 1919 was carried on under the existing Business Profits Tax and to the full extent that it was possible for companies to avoid the tax and pass the full incidence to others, that will already have been done. During the current fiscal year our business profits revenues will come from 1919 profits, the tax being levied under last year's Act at the maximum rates. It may possibly be that with another year, business will be more normal and that no Business Profits Tax ought to be levied. It undoubtedly is probable that some measure of deflation and retrenchment will have occurred, that there will be some decrease in the inflated prices of commodities, and it is in the interest of the country that business concerns should be able to make some provision for shrinking price lists and decreased buying power of their customers. Our Business Profits Tax is at a high rate. It makes no allowance for pre-war profits, however large they may have been, but fixes an arbitrary return of 7 per cent on the capital employed before the tax commences to operate. Unquestionably, with the higher return money to-day commands, 7 per cent is not a reasonable reward for commercial ventures. It has been determined that it is impossible to stop immediately the imposition of the Business Profits Tax, and a resolution will be introduced which will provide for the continuance of a tax of this character, but on a reduced scale, on the profits derived during the year 1920, the tax being payable in 1921. The present exemption will be extended from 7 to 10 per cent, the schedule of taxation to be as follows:

	Tax.
On profits in excess of 10% but not exceeding 15%	20%
On profits in excess of 15% but not exceeding 20%	30%
On profits in excess of 20% but not exceeding 30%	50%
On profits over 30%	60%

The present Act provides a different scale of taxation for the profits of businesses with capital of not less than $25,000 and under $50,000, being one-quarter of all profits exceeding 10 per cent on the amount of the capital employed. It is proposed to reduce this tax from 25 to 20 per cent.

It has been felt that the concessions made in the proposed amendments are sufficient for the purpose of enabling firms to set aside more of their profits to reserves or plant extensions and to put their businesses in a better position to meet the deflation period, while at the same time a check will still be held on abnormal profits.

Removal of Customs War Duty.

The general war customs duty of 7½ per cent was repealed last year in so far as articles of food, clothing, agricultural implements, and fertilizers, as well as some other items are concerned. It, however, still obtains on a large part of our importations, approximately thirty million dollars of revenue accruing from this source last year. It is a tax which has been blamed, perhaps as much as any tax, with the exception of the business profits war tax, as a reason for the high cost of living. Notwithstanding the need for revenue, in view of the fact that it is impossible at the present time to intelligently revise the tariff and the further fact that the incidence of this tax, placed as it is in a general blanket way, works and maintains inconsistencies, it is proposed to abolish entirely this 7½ per cent war duty.

Minor Tariff Changes.

A very apparent anomaly exists in the present tariff which ought to be corrected and the correction of which can do no possible harm to any Canadian trade or industry. That anomaly consists in the tariff items which allow the importation free of duty of novels and other books (other than scientific works), when printed in languages other than English or French. It is proposed to remove the discrimination in favour of foreign publications by placing them in the same category as those published in English or French.

Owing to the fact that the blind population of Canada has been increased by the war, it is deemed a small measure of justice to remove the duty on books and other essentials for the blind which are not manufactured in Canada or which are only of special use and advantage to blind people.

Tariff Revision.

The following statement was issued on December 15 last on the subject of tariff revision:—

Since the signing of the Armistice a little over a year ago the Government and Parliament have been devoting attention to peace and reconstruction problems. Among the many questions that have received consideration is that relating to a general revision of the tariff. Dealing with this subject my predecessor Sir Thomas White, in his last Budget Speech is reported in Hansard, June 5 last, as follows:—

"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."

Unfortunately, international and economic conditions are not only far from normal but in many respects are worse than they were six months ago or at any time during the entire war period. International exchanges in particular are not only unstable but erratic. Tariff considerations of necessity have largely to be based on international and economic conditions and the result is that the different countries of the world are still refraining from any general tariff rearrangement, waiting until some appreciation may be possible of the future conditions, under which their tariffs will operate. Inasmuch, however, as any general tariff revision must be based upon as complete a knowledge as possible of the conditions and relations one to another of our various national industries and productive agencies, and as it is also desirable to obtain the views of as many persons as possible whose practical knowledge and experience would be most valuable, it is considered advisable to begin the collection of information relative thereto.

In order to obtain proper results from public hearings and in order to give all those interested the best opportunity of presenting their cases, it has been decided that the inquiry shall be started by written statements, which should cover each particular issue as each interested claimant for relief sees it. These statements ought to show the particular complaint in each instance, a full statement of the grounds on which that complaint is based, the remedy proposed, and a statement of the grounds leading to the conclusion that such remedy proposed is effective. The issue is really of course not merely a tariff issue from the standpoint of protection or otherwise but is also a revenue issue, and in like manner the submissions of those desiring reductions in tariff should at the same time show methods by which compensating revenues can be obtained from taxation or other sources. The preparation of these statements will necessarily require much careful consideration. Those desiring to make representations as to the problems involved are therefore asked to undertake the preparation of the same without delay and forward their statements addressed to the Minister of Finance at Ottawa. Upon receipt of the statements they will be systematically analysed and classified for the purpose of making them a basis of the general public inquiry to be held throughout the country as indicated by Sir Thomas White.

While unfortunately trade and economic conditions are yet unstable, the tariff investigation has commenced and public sittings will be held throughout Canada after prorogation. The investigation will be conducted by the Department of Finance with the assistance of such expert and other advisers as will be necessary to conduct a thorough inquiry. I am further of the opinion that not only should the investigation proceed but that information should now be given of the principles and policies of the Government in the light of which effect will be given in the tariff revision to follow to the evidence and facts developed in the inquiry.

Our policy calls for a thorough revision of the tariff with a view to the adoption of such reasonable measures as are necessary —(a) to assist in providing adequate revenues, (b) to stabilize legitimate industries and to encourage the establishment of new industries essential to the proper economic development of the nation—to the end that a proper and ever increasing field of useful and remunerative employment be available for the nation's workers, (c) to develop to the fullest extent our natural resources, (d) to specially promote and increase trade with the Mother Country, the sister dominions and colonies and Crown dependencies, (e) to prevent the abuse of the tariff for the exploitation of the consumer——

Mr. LAPOINTE: Some change.

Sir HENRY DRAYTON: —and, (f) to safeguard the interests of the Canadian people in the existing world struggle for commercial and industrial supremacy.

As a means of raising revenue, the tariff should be so adjusted as to place the chief burden upon those best able to bear it. Articles of luxury should be heavily taxed through the imposition of customs and excise rates. Food commodities and other necessaries of life, not produced or manufactured in Canada, should, if taxed at all, bear only such imposts as are necessary for revenue purposes. Those produced in Canada should be subjected to such customs duties only as may be necessary in the general national interest to be determined after strict investigation from time to time.

Apart from the question of revenue, the tariff should have regard to the maintenance, stability and prosperity of Canadian enterprise in the development of all our natural resources in lands, forests, mines, fisheries, as well as our agricultural and manufacturing industries. Consideration must also be given to the importance of creating and maintaining conditions that will afford to Canadian industrial workers opportunities for steady and remunerative employment. It is undoubtedly in the true interests of Canada as a whole that Canadian workers should not be forced to seek in foreign countries employment and opportunity denied them at home by reason of the export of the natural resources, primary products, and raw materials with which the Dominion is so amply endowed.

For the purpose of encouraging the fullest development of our natural resources the tariff should be so adjusted as to permit machinery and the implements of production to be purchased at prices that will compare equitably with those paid in other countries for similar articles. The revised tariff law should be so framed and administered as to effectively prevent any customs duty being used to facilitate the formation or maintenance of any combine, trust, association or agreement among manufacturers, dealers, or producers for the purpose, at the expense of the general public, of restraining trade, preventing competition, or unduly enhancing the selling price of any article of commerce. The principle of trade preference between the different members of the Britannic Commonwealth should be maintained and extended from time to time to such degree as may be found practicable and consistent with Canadian interests.

While a general revision of the Canadian tariff based upon the foregoing considerations is due, it must be recognized that, owing to the war, economic and commercial conditions the world round have been profoundly disturbed and that, as a consequence it is neither practicable nor possible in the national or public interest to undertake such revision until a thorough inquiry is made to ascertain the essential facts upon which tariff provisions must necessarily be based.

All the financial difficulties of the moment can be, and I have no doubt will be, readily met. I am confident that every hon. gentleman has the firmest belief and confidence in Canada—and that belief is well justified. Immigration and a reasonable investment of outside capital rendering our illimitable national resources available, but above all the national characteristics and strength of character of the citizens of Canada, will easily surmount the past. And Canada's situation to-day is indeed an enviable one. There is no country in the world that can offer greater inducements to the immigrant and greater inducements to foreign capital than Canada can. Prosperity is entirely relative. Our position relatively has enhanced. We have finished borrowing, and notwithstanding the great increase in our debt, Canada's securities to-day stand as high, or higher, than those of any foreign country in what is to-day the great market for foreign securities—New York. Canada's world status is far greater to-day notwithstanding her losses and war debts than it was in 1914.

I crave the indulgence of the House, Mr. Speaker, for the length of time I have spoken before introducing these resolutions. I wonder if before reading them I might not say just one or two words more. You know, some people to-day think, and apparently believe, that the country is in a bad state; I do not. Some people to-day think, and apparently believe, that the job ahead of Canada is a bigger job than Canada can look after; I do not. I wonder if we are not altogether too prone to forget what Canada has done; I wonder if we are not entirely too prone to forget the amount of hard work, of sacrifice and of devotion that the Canadian people showed themselves capable of sustaining during the war period.

Are we not a little too apt to forget that it was the soldiers of Canada who formed just a few short months ago the spearhead of the forces of righteousness? Are we not a little too apt to forget that we have got the same spirit and the same blood in Canada yet? Are we not a little too apt to forget that their magnificent achievements never could have been and never would have been possible had not the men behind and, indeed, the women, too, seen to it that the soldiers were supported, that reinforcements were sent? Yes, the war record is a glorious record; but there were other war activities. Why, there is no better record than the record of the Canadian Medical Staff; no better record than the record of Canada's production; no better record than the record of Canada's transportation facilities, which remained at a higher point than did those of any other country engaged in the war.

Does it not seem rather ridiculous for any one to seriously think that a nation that has done so much will not now be able to look after its own business; that a nation that has done so much for Europe and the world is not going to do something for Canada—something for that Canada which is so dear to every Canadian, something for that Canada which is to-day so infinitely more precious and glorious by reason of the sacrifices made by her fighting men than she ever was before, something for that country which the very best of us in consecrating his services to her is compensated by the thought that it is impossible for any Canadian to do too much for Canada?

RESOLUTIONS.

I beg to give notice that upon the House resolving itself into committee I shall move the following resolutions:

Resolved, That it is expedient to amend The Special War Revenue Act, 1915, and to provide:—

1. That the following excise taxes be imposed, levied and collected on the total purchase price of the articles hereinafter specified, and on articles of clothing the said tax may be imposed upon the combined selling price of materials and cost of manufacture when sold separately:—

(a) A tax of ten per cent on,—

Boots, shoes, pumps and slippers of any material (not including shoes or appliances made to order for persons having a crippled or deformed foot or ankle) in excess of $9 per pair;

Hats, men's and boy's in excess of $5 each;

Caps, men's and boy's in excess of $2 each;

Hose or stockings, silk, men's and boy's, in excess of $1 per pair;

Neckties and neckwear and scarfs, men's and boy's, in excess of $1.50 each;

Clothing consisting of coat, vest and pants or coat and pants, men's and boy's, in excess of $45;

Cloth overcoats, men's and boy's, women's and misses', in excess of $50 each;

Waistcoats, men's sold separately from suits, in excess of $5 each;

Shirts, including night shirts, men's and boy's, in excess of $3 each;

Hats, bonnets and hoods, women's and misses', in excess of $12 each;

Hose or stockings, silk, women's and misses', in excess of $2 per pair;

Kimonos, petticoats and waists in excess of $12 each;

Nightgowns in excess of $3 each;

House or smoking jackets or bath and lounging robes;

Pyjamas and underwear in excess of $5;

Fans;

Purses and pocket-books, in excess of $2 each;

Shopping and hand-bags in excess of $6 each;

Umbrellas, parasols and sunshades in excess of $4 each;

Trunks in excess of $40 each;

Valises, travelling bags, suitcases, hat boxes and fitted travelling cases in excess of $25 each;

Gloves, except fur in excess of $3 per pair;

Dresses, women's and misses', in excess of $45 each;

Suits, women's and misses', in excess of $60 each;

Opera cloaks;

Coats and robes, the component material of chief value being fur, in excess of $100 each;

Ivory handled cutlery;

Cut glassware;

Sporting goods, such as tennis rackets, nets, racket covers and presses, skates, snowshoes, skis, toboggans, canoe paddles and cushions, polo mallets, baseball bats, gloves, masks, protectors, shoes and uniforms, football helmets, harness and goals, basket-ball goals and uniforms, golf bags and clubs, lacrosse sticks, balls of all kinds, fishing rods and reels, billiard and pool tables, chess and checker