

HOUSE OF COMMONS.

Friday, 22nd Feb., 1878.

The Speaker took the Chair at Three o'clock.

PRAYERS.

REPLY TO THE ADDRESS.

MESSAGE FROM HIS EXCELLENCY.

MR. MACKENZIE delivered a Message from His Excellency the Governor-General.

MR. SPEAKER read the Message, and it is as follows:—

"DUFFERIN.

"Gentlemen of the House of Commons:

"I thank you for your Address in answer to the Speech, with which I opened the Session, and I rely upon your promised attention to the measures that may be submitted to you.

"GOVERNMENT HOUSE,

"OTTAWA, 22nd February, 1878."

IMPERIAL EXTRADITION ACT OF 1870.

MESSAGE FROM HIS EXCELLENCY.

MR. MACKENZIE delivered another Message from His Excellency the Governor-General.

MR. SPEAKER read the Message, and it is as follows:—

"DUFFERIN.

"The Governor-General transmits to the House of Commons copy of a Despatch from Her Majesty's Secretary of State for the Colonies, having reference to the Joint Address of the Senate and House of Commons of the 16th April, last, praying that legislation be had to cause the operation of the Imperial Extradition Act of 1870 to cease in Canada.

"GOVERNMENT HOUSE,

"OTTAWA, 22nd February, 1878."

RECEIPTS AND EXPENDITURES.

STATEMENT.

MR. CARTWRIGHT laid before the House, Statement of the Receipts and Expenditure (Consolidated Fund) from the 1st of July, 1877, to the 10th of February, 1878, inclusive.

KEEWATIN MUNICIPALITIES BILL.

(*Mr. Mills.*)

FIRST READING.

MR. MILLS introduced Bill (No. 23) To establish Township Municipalities

in the District of Keewatin. He said the measure was necessitated by the fact that the Icelandic settlers, who resided in the northern part of Manitoba and in the District of Keewatin had voluntarily established municipal institutions there, somewhat similar to those existing in the Province of Ontario. Those municipalities, however, had no legal existence; and he proposed by this Bill to provide for the establishment of township municipalities. The Bill conferred upon them powers somewhat similar to those exercised by the Municipal Councils in the Provinces of Ontario and Manitoba; and also provided for the appointment of assessors, for the uniform assessment of property, for the election of councillors, and for the division of the settlement into school sections, with the power to appoint trustees and employ teachers, and impose taxes for building school-houses and for other school purposes. It also authorized the Lieutenant-Governor in Council to extend the provisions of the Act to other portions of the district as soon as they might become settled.

Bill read the first time.

INSOLVENT ACT AMENDMENT BILL.

(*Mr. Bourassa.*)

FIRST READING.

MR. BOURASSA introduced Bill (No. 24) To amend the Insolvent Act of 1875, and the several Acts in amendment thereof.

Bill read the first time.

SUPPLY—THE BUDGET.

MR. CARTWRIGHT: Mr. Speaker. It is now almost five years since from my place as a private member of this House, I took occasion to point to the then House of Commons in the most emphatic language I could command, the inevitable consequences which must necessarily ensue from the adoption of certain proposals at that time submitted for the consideration of Parliament. It is nearly four years since, as Minister of Finance, it became my unpleasant duty to point out to the House the grave financial difficulties which, in

my judgment, beset our position; and the necessity of submitting to considerably increased taxation, if we desired to provide for the liabilities we had incurred. Unhappily grave as were the forebodings I then expressed the re-action which actually took place has decidedly surpassed the extent upon which I had calculated. It is not often, in the commercial history of any country, that we are called upon to chronicle so great a reduction, not merely in the total volume of our trade, but also in the revenue derived therefrom, as we have seen within the last two or three years. Making allowance for the admission of Prince Edward Island into the Union, the total volume of the trade and commerce of Canada has in that short interval been reduced by very nearly \$50,000,000, while the revenue derived from Customs alone shows a decrease in that period of something like \$3,000,000, the actual figures in round numbers being that our Trade and Commerce collectively has been reduced from \$218,000,000 to \$168,000,000, while the duties derived from Customs alone have fallen off from \$15,351,000 to \$12,546,000. Neither would this reduction, enormous as it doubtless is, fairly represent the whole measure of inflation which occurred at that time, or the subsequent reaction. In a country like ours, which is steadily growing in population, and in which a large area of fertile soil is constantly being brought under cultivation, we may fairly calculate, in any ordinary year, that a considerable increase, provided there has, as I have said, been no unreasonable inflation, would always be made by the natural force of circumstances to the general volume of our trade; and, therefore, if the House wish really to measure the extremity of the inflation, or the consequent severity of the reaction, they must add to the \$50,000,000 which have been absolutely and definitely ascertained to have been lost, also a very considerable percentage, probably varying from \$30,000,000 to \$40,000,000, at least, for the natural growth which may be said to have been absorbed or anticipated, which last comparison is only valuable, as affording an index of the extreme character

of the inflation, and of the extreme violence of the subsequent reaction. To put the matter before the House in another shape, while during that interval the total volume of our imports has been absolutely reduced by fully one-third, it is probable that our population has increased at least one-ninth, and consequently, whereas a few years ago, with a total population of 3,600,000 souls, we imported something like \$127,000,000 worth of goods, we found ourselves, with a population of 4,000,000, importing a little over \$94,000,000 worth. In other words, the total imports have fallen from an average of \$35.25 per head to something like \$23.50 per head. Had the imports continued stationary, as it was at that time supposed they would, the revenue, under our present tariff, would, in all probability, have considerably exceeded \$27,000,000, and, had the reduction, which actually took place, not exceeded the amount estimated by myself, it would still have remained at about \$24,000,000; while, as the House knows, the actual fact is that our revenue has sunk to a sum very little exceeding \$22,000,000. Now, I think, it will be admitted that two facts may be looked upon as clearly established from these circumstances; in the first place, the extreme character of the inflation which existed in 1873, and, in the next place, the fact that if, as I have no doubt is unfortunately the case, the demand for home manufactures produced in this country, has considerably decreased, it is not at all probable that it has decreased in more than equal ratio to the diminished consumption of foreign manufactures. Now, it is not my purpose at present to dwell on the great length of time that this depression has prevailed, nor to waste any unnecessary words in descanting on the unavoidable misfortunes which have exasperated the natural reaction that has ensued. What I desire especially to point out at the present moment, is that the strain on our resources has of necessity been exceedingly great, and that, indeed, it could not have been otherwise, because these misfortunes—these commercial disasters—have not only visited us, but have also visited very heavily those nations who have always

been our best customers, and with whom, both then and now, the great bulk of our commercial transactions have taken place. It is, however, very satisfactory to find that at last the tide seems to have turned in some degree, and to be able to inform the House that the results of the receipts from revenue, during the last seven months, are very decidedly in excess of those for the same period of the preceding year. On the 10th day February instant, I find that our receipts from all quarters amounted to \$13,434,235, as against receipts to the corresponding period of last year of \$12,494,279; that is to say, Mr. Speaker, that the augmentation in these seven months, reached the sum of nearly \$1,000,000. Now, although it is true, that a certain proportion of this may perhaps be attributed to the necessity of replacing the mass of goods that were unhappily destroyed in the great fire that desolated the city of St. John, I am glad to be able to tell the House that the increase from that source is not by any means the largest part of the increase I have mentioned; but that every Province, without exception, I believe, shows a large and cheering increase, and as the question has been raised as to the increase being largely due to this merely accidental cause, I think it is not unreasonable to point out to the House that the very remarkable character of the present winter has most assuredly diminished, to a considerable extent, the consumption, and, consequently, the revenue we might otherwise have secured; and that in all probability the \$200,000, or thereabouts, which might have been derived from the misfortunes that I have alluded to, are balanced, and, I dare say, more than balanced, by the diminution of consumption arising from that cause. Proceeding now, Mr. Speaker, to the consideration of the general statement for the year which expired on the first of July, 1877, it will be my duty, before making any general observations, to invite the attention of the House to certain special items, particularly in the list known as the ordinary expenditure. The House will observe that for that year our total expenditure for civil Government reached the sum of

\$812,000; being, I may remark, about \$71,000 less than the sum which was expended for that purpose in the year 1173-4, and representing simply the regular statutory increase which, under the ordinary operation of law, would have been made to the expenditure of 1872-3. On the item for superannuation, the House will see that the charge is \$104,000 as against \$101,000. Now, Sir, I may state, as some questions seem to have arisen as to the mode in which that Act was administered, that the total increased amount during that year was \$12,005, against which are to be set off reductions by death to the extent of \$11,711. The increased receipts on account of that fund, as the House will see by a comparison with the previous year was \$2,414, and the net addition to our annual expenditure, barely \$294, without taking into account the fact that several of those superannuations were caused by the abolition of offices by which a considerable saving was effected to the country. Under the head of Immigration the House will observe that a considerable amount has been paid out in the shape of loans to the Mennonites and Icelandic settlers, which, I have every reason to believe, will be returned to us at a comparatively early day. This expenditure amounted, in all, to \$79,000, and the sum expended in suppressing a violent outbreak of small-pox in the Icelandic settlement, \$21,000. Under the head of railway expenditure, the sum of \$90,000 more than was estimated for has been expended. But, on the other hand, I am happy to be able to state that the receipts show an equal augmentation, being very nearly \$90,000 more than was expected. Of course, the House will know that estimates cannot always be exact in regard to such matters; if the traffic increases, the expenditure must necessarily be expected to increase also. The House may further observe that, under the head of sinking fund, a certain cross entry has been struck out on both sides of the account. It has been held to be desirable, in the public interest, to devote the whole sinking fund to the purchase of the securities known as the four per cents., and

the rough and ready system of book-keeping which had heretofore prevailed, and under which the nominal value and not the sum actually paid was usually entered, has been discontinued. A small excess over our gross estimates has been caused by reason of the negotiation of the loan of 1876, some considerable time before the period at which I had originally designed to negotiate it. I am happy to be in a position to state to the House that the wisdom of the course adopted by the Government on that occasion has been very amply justified by the results. I have obtained a statement of all the loans negotiated in the calendar year 1877 on the London market, which, with your permission, I will briefly read to the House. In the month of April, the Corporation of Birmingham attempted to negotiate a loan of £1,500,000, bearing $3\frac{1}{2}$ per cent. interest, which loan, I am advised, proved a total failure. In the same month, the Metropolitan Board of Works put a loan of £1,250,000 at $3\frac{1}{2}$ per cent. on the market, and of this only one-half was subscribed. The Government of Natal, in the month of June, endeavoured to negotiate a loan of a similar amount, which, I understand, was very tardily subscribed for.

AN HON. MEMBER: What date was that?

MR. CARTWRIGHT: In June.

THE HON. MEMBER: What was the rate?

MR. CARTWRIGHT: $4\frac{1}{2}$ per cent. The Government of Portugal issued a loan of £6,500,000 at 3 per cent., which was offered on the market at £50—that is to say, a rate of interest of 6 per cent., and this was also tardily subscribed. I find also that, in the month of April, which would have been the period—other things being equal—when I should have desired to place our own loan on the market, the price of our securities, deducting accrued interest, was £90 6s. 8d. This price ruled, or rather it was a few shillings less, from May, with slight fluctuations, down to December, at which time it was £91 3s. 6d.—for retail transactions, be it understood. Now, Sir, I

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think this will satisfy all reasonable men that not only was the price obtained for the securities the highest which could reasonably have been expected, but that parties who purchased them could by no possibility have gained any undue or unfair profit out of the transaction, if, indeed, which in many cases I much doubt, they succeeded in securing themselves from loss at all. But, what is of most moment, and the point that I chiefly desire to press upon the attention of this House is that it is also perfectly clear that the Government of the Dominion would have incurred extreme danger if they had neglected to avail themselves of the opportunity which presented itself in November, 1876, to negotiate that loan. It is very rarely, indeed, that such difficulty has been experienced in placing loans of any kind on the London market, as occurred during the year 1877, and those who are acquainted with the very high position which is held by several of the corporations whose securities I have quoted, and more particularly with the position held by consols of the Metropolitan Board of Works, will know that it is morally impossible that the Government of Canada could, under such circumstances, have successfully floated a loan had it been delayed till that period. Turning to the general statement, if the House will deduct the interest on permanent investments, which did not exist in the year 1873-4, they will perceive that the total gross expenditure for the year which is just closed, exceeded the gross expenditure for the year 1873-4 by barely a few thousand dollars; while, if they turn to that portion of the statement which is headed "Ordinary Expenditure" they will find that, whereas in 1875-6 our expenditure for ordinary purposes amounted to \$8,569,774, our expenditure in the last year amounted to \$6,835,078; in other words, that the ordinary expenditure was reduced in that year by the sum of \$1,734,696. If they prosecute this comparison to 1873-4, they will find that in that year the ordinary expenditure amounted to \$8,324,076, our expenditure, of course, being as before, and that our ordinary expenditure, as compared with 1873-4, was less by

\$1,488,998. Should they prefer to take the year 1872-3, they will find that the ordinary expenditure in that year amounted to \$7,062,095; showing that our expenditure for 1876-7 was less than the ordinary expenditure for 1872-3, by \$227,017; and that, it is well to remember, in spite of the fact that we have had to provide very large amounts for treaties with the Indian tribes, for the maintenance of the North-West Police, and of law and order in that extensive territory, for the expenditure necessarily involved in the admission of Prince Edward Island, in the creation of the Supreme Court, and also, to some extent, by the increased population of the Dominion. Sir, I think the House will agree with me that that side of the statement, at least, may fairly be looked upon as reasonably satisfactory; and, although it is unhappily true that, in spite of these reductions, the very serious shrinkage which took place in our Customs and Excise revenue, amounting, altogether, to very nearly \$1,000,000—although, I say, it is unhappily true, that that has caused a considerable deficit, amounting to no less than \$1,460,000, still—

Several Hon. MEMBERS: Hear, hear.

Mr. CARTWRIGHT: Do hon. gentlemen consider it a subject of merriment, a subject of rejoicing, that a deficit of \$1,500,000 has been incurred?

Mr. MITCHELL: Of regret.

Mr. CARTWRIGHT: My ear may be in fault, but I detected no tones of regret in the expressions emanating from the opposite side.

An Hon. MEMBER: Too thin.

Mr. CARTWRIGHT: I am willing to believe that my hon. friend from Northumberland (Mr. Mitchell) expressed, correctly, the feeling of the House on that side, and that the cheers with which they received the announcement of a deficit only indicate that they do, deeply and sincerely, regret that this deficit has not been extinguished; a thing in which I most heartily concur with him. Sir, I need not say that, although it is probable that one cause of the deficiency has

been the continued shrinkage in the introduction of imported goods, still, the main cause is necessarily due to the very bad harvest of 1876. Those who have studied the position of this country are well aware that, however important other interests may be, now and for a long time to come the agricultural interest will necessarily continue to be the predominating interest in Canada; and, therefore, that anything which strikes at the prosperity of the agricultural population strikes necessarily at all those classes, those very numerous classes, which are dependent upon them; strikes, I may say, at the foundation of our national prosperity; and, therefore, that it is no cause of wonder that an exceptionally bad harvest should produce such a reduction, or even a larger reduction in the revenue than that to which I have alluded. Proceeding, now, Sir, as, perhaps, the most convenient place to lay before the House the Estimates which I have prepared of the probable receipts of 1878-9, I may take this opportunity of saying that these Estimates, as all Estimates prepared so many months in advance of the time of expenditure necessarily must be, are based on the supposition that we shall enjoy, I do not say an unusual, but, at any rate, a moderately good harvest. Should we be favoured with that, I think, under the present tariff, we may reasonably expect, judging from our returns, to receive from Customs a revenue of about \$13,750,000; from Excise, \$5,250,000; from Stamps, our ordinary revenue of about \$250,000; while, from the Post Office, which, I am glad to say, shows decided signs of improvement, I believe I may safely reckon on \$1,200,000, and on \$1,900,000 in all from Public Works, together with a revenue from various miscellaneous sources, and from interest on our investments, which as hon. gentlemen know, is continually increasing under the operation of the sinking fund of about \$1,500,000; making, in all, \$23,850,000. I may remark, as respects the expenditure side, that the House will note that the calamity which overtook St. John has inflicted upon us the necessity of a considerable expenditure for the purpose of repair-

ing the public buildings in that city. At least \$200,000 will be required for that purpose, which necessarily increases the Estimates that I would otherwise have had to submit to the House. Having completed this much of my task, it appears to me that it would be advisable, before I proceed to discuss the general policy of the Government, in order that the House may be fully possessed of the necessary facts, to review somewhat briefly the seized and of it to enable them to jue position in which we stand now, as contrasted with the position in which we stood in some five years ago; and mainly with respect to these points—First, as to our past and present liabilities; next, as to the causes of the great increase which has occurred in the expenditure during that period; and, lastly, as to the exact amount and incidence of our present system of taxation, absolutely and comparatively. With respect to the first point, I have had some considerable difficulty in ascertaining the exact extent of our liabilities on the first of July, 1873, partly for this reason, that those liabilities at that period consisted of two totally distinct classes; one being undetermined, and the other reasonably fixed and definite. On the first of July, 1873, we had not by any means definitely ascertained what would be the expense of working the railroad system, of which we had become, or were shortly about to become, possessed. We could not tell exactly what would be the cost of maintaining order in our North-West Territories, nor the ultimate expense of our Indian treaties. Since that time, we have ascertained those amounts with something like moderate precision. For the purpose of working our railroads a sum of about \$750,000 will be required. For the purpose of maintaining order in the North-West Territories, \$400,000 has been found to be necessary per annum; while the expenditure on our Indian Treaties, as the House is aware, will make necessary a sum of about \$400,000 more.

MR. MITCHELL: Is that over and above the receipts?

MR. CARTWRIGHT: From Indian Treaties the receipts are *nil*.

MR. CARTWRIGHT.

MR. MITCHELL: For railways?

MR. CARTWRIGHT: The probable loss on the working of railways is, as nearly as can be ascertained, \$600,000 a year. I am now, however, speaking of the additions to the gross expenditure. To resume, however, apart from these sources of expenditure, we had other liabilities definitely fixed on July 1st, 1873, amounting very nearly to \$131,000,000. For the construction of our canal system on the scale at that time contemplated, I find, upon reference to the Public Works Department, that, had those designs been carried out in their entirety, a sum of no less than \$43,800,000 would have been required, including, of course, the whole system of the Welland, Lachine and St. Lawrence Canals, the deepening of the St. Lawrence itself, and the various canals in Nova Scotia, on the Ottawa River and in New Brunswick, which were at that time contemplated; for the completion of the Intercolonial Railway, \$10,000,000; for the Pacific Railway, a sum of \$30,000,000 was estimated by the then Minister of Finance; for debts maturing, the sum of \$35,000,000; for the necessary expenditure on the Nova Scotia and New Brunswick portion of the Intercolonial Railway, the sum of \$2,000,000; for the Prince Edward Island Railway and land grants, the sum of \$2,500,000; and for a great variety of minor works, about \$4,500,000; for improvements on the St. Lawrence below Montreal, \$2,500,000; and for certain advances then contemplated \$1,000,000, making in all a sum total, of what I may call liabilities capable of being ascertained, amounting to \$131,300,000, all of which had, of necessity, to be provided for by new loans, although it was not all necessarily an addition to our net debt. Now, the House will see the magnitude of the task then imposed, by observing that this sum is as nearly as possible equal to the total net indebtedness of the entire Dominion, upon the 1st of July, 1877, and at least \$23,000,000 more than the total net indebtedness on the 1st November, 1873; that it would require, at the rate of discount at which our loans of late have been made, seven successive loans of

\$20,000,000 each; and lastly, on the estimate submitted by the then Finance Minister, an addition to the interest paid by this country of \$3,367,400 per annum. As regards our present liabilities upon 1st July, 1878, my estimate is as follows, taking into account only those works which it is really necessary to prosecute:—For the completion of the Welland and Lachine Canals, \$5,500,000; to redeem debts which mature within a reasonable time, \$13,500,000; for the purpose of completing necessary portions of the Pacific Railway, a sum of about \$6,000,000 may be needed; for a variety of miscellaneous purposes, a sum of about \$5,000,000, I think, would suffice, making in all a sum of about \$30,000,000 for which I consider it still necessary to make provisions for by fresh loans. After 1881, although there still remains a very considerable amount of debt, which I should desire to reduce, it is to be noted that payment is optional, at the convenience of the borrowers. Coming, now, to the second point to which I desire to call the attention of the House, that is to say, to the causes of the great excess which occurred during this period, I find that the causes of the large excess which marks the year 1873-4 are chiefly due to the following additions to our annual expenditure:—In the first place, to the assumption of the Provincial debts, and the additional subsidy to New Brunswick, amounting to \$820,000; in the next place to the additional charges incurred by the admission of Prince Edward Island, \$500,000; to the first half-year's interest on Mr. Tilley's loan, \$225,000; to the alteration in the mode of keeping the Post-Office accounts, which involved a nominal addition of \$300,000; to that variety of increases in the salaries paid to the officials of the Government, amounting to a little over 300,000; to an increase of the expenditure on public works chargeable to income, \$500,000; for the Mounted Police, \$200,000; the expenses of the extra Session of that year, involving a sum of \$200,000; for treaties, about \$100,000, and for a considerable number of miscellaneous items, ranging collectively from \$350,000 to \$900,000; amounting in all to about

\$4,000,000, which sufficiently accounts for the increase as between 1873-4 and 1872-3. As, however, at that time there was no doubt considerable difficulty in ascertaining exactly the result of the expenditure which had been incurred under the legislation I have referred to, it will probably interest the House to see how the expenditure for the current year would compare with the expenditure of the year 1872-3. I find that the chief causes of excess in the expenditure of these two years may be described as follows:—The Provincial debt and subsidy as before; Prince Edward Island, with the addition of the railroad and steam ferry, amounting to \$820,000; the total interest of loan contracted in 1873, \$445,000; the Post-Office increases as before; the increases of salary in Estimates \$350,000; for the additional working expenses of the Intercolonial, \$500,000, which was not necessary or incurred in 1872-3. The total interest of capital placed in the Public Works up to the end of 1877-8, represents an additional charge of \$1,200,000; our Mounted Police, \$330,000; and our Indian treaties are additional charge of probably \$330,000 more; making a sum total of \$5,100,000 of increase as between these years due to the respective items to which I have alluded. Without pausing further to discuss this point at present, I proceed to consider the amount of the absolute taxation now levied on the people of this country, and also the incidence of that taxation. Taking, in the first place, the ordinary standard *per capita*, the House will observe that on our present population of 4,000,000 of people, we expect to receive in the current year a gross revenue of \$23,400,000, less about \$250,000 interest accrued on capital since, 1872-3. They will also observe that of that amount \$19,150,000 are expected to be derived from what may be called actual taxation, as compared with about \$17,616,000 in 1872-3. It will be observed, therefore, that on our gross revenue for the years 1877-8, if it does not exceed the estimated amount our receipts *per capita* would amount, as nearly as possible, to \$5.79 per head, as against \$5.86½ in 1872-3; allowing

for the nominal addition on account of the Post Office; while the sum actually paid in taxation will amount, if we receive all we expect to get, to \$4.79 per head, as against \$4.90 actually paid into the Treasury in 1872-3. Now, I am perfectly well aware that the *per capita* standard is only a very partial test of the actual incidence of taxation. It may doubtless happen—it often does happen—that the taxation may be so levied on a country as to take a very great deal more out of the pockets of the people, than ever finds its way into the public Treasury, and therefore the *per capita* test can only be looked upon as valuable, all other conditions being the same. We have only to look to the case of the United States to see how grievously a people may be burdened without any considerable portion of the amount of the taxes, levied from the people, coming into the National Treasury, and I will venture to say that, if we were induced to re-adjust our tariff in the direction of the policy pursued by the United States, we would soon experience in our persons how very large an amount of taxes the people of Canada might be called on to pay, without more than a fraction of the sum finding its way into our Treasury. I desire, while on this subject, to remove from the minds of hon. members a misapprehension which I believe exists as to the relative extent of taxation in the periods prior to and after 1873-4. It is quite true that as comparing the present time with the year 1872-3 there has been a considerable addition to the taxation of the people, although I will here pause to observe that undoubtedly the taxes that had been taken off, or their equivalents, ought to have been replaced as a matter of sound ordinary economy in 1872-3. But I beg to state that, if we compare the actual taxation which was levied on the people of Canada in any year from Confederation to 1872, it will be found that the so-called increase has been slight, if indeed it can be said to exist at all. Now, without pausing to take into consideration the effect of some temporary taxes such as the five per cent. addition which was made in 1870 or the so-called national policy of the succeeding year, if we take the

actual amount of taxation collected from the people of Canada in 1870-71 or 1871-72, and compare that with the rates now levied, though there is no doubt an addition of two and one-half per cent. on the general list of articles imported into this country, and a considerable addition to the duties levied on whiskeys, brandies, tobaccos, and other such articles; yet, in comparing those two years, so great has been the reduction in the duties on tea and coal oil—both articles of general consumption—that I am inclined to think that the money actually taken out of the pockets of the people of Canada in the one year was quite as great as that now taken out under our apparently increased taxation. In the first place, the actual duties on tea which were levied in the year I have referred to, or from the period of Confederation upward, would have alone yielded a revenue of quite \$1,500,000. Now there seems to be reasonable grounds for believing that the people of Canada profited from \$1,500,000 to \$2,000,000 by the abolition of the Excise duty, and the reduction of the other duties, on coal oil. Upon that, however, I do not insist; though it is obvious that, if you put the two sums together, they represent the total amount of the additional taxation (even if the imports continued at their original figure), which would have been obtained by the taxes I imposed. Neither do I wish to do more than merely glance at the fact that, in all probability, owing to the reduction in the value of articles imported into this country, even the sum we receive from the two and a half per cent. barely equals the amount which would have been collected had the fifteen per cent. been converted to a specific duty in 1874. But, taking the lowest amount—taking only \$800,000, which we know positively to have been saved to the consumers of coal oil by the abolition of the Excise and Customs duty; adding that \$1,500,000 which, under the old tariff, would have been collected on tea, it will be seen that the actual sum the people of Canada were paying on these two articles was \$2,300,000 (although the whole of the latter sum did not come

into our Treasury), whereas, admitting that we collected \$3,300,000 from the duties imposed, it is clear that the additional taxation we are now obtaining from the people of this country would be at the outside barely \$1,000,000 more than was levied in the whole period from Confederation to 1873-4, with the exception of the last year of that period. And it is worthy of the attention of the House that, whereas the new duties have undoubtedly chiefly affected articles of luxury, yet, as regards the two prime articles of necessity above named, the taxes have been very largely reduced indeed. If the House desires to compare our position with that of other countries, I think it will find that, although I cannot pretend to say that our present taxation is light *per se*, yet at any rate it is light as compared with other countries somewhat similarly circumstanced. Take first the case of the people of the United States, and, in doing this, I may observe that it will be quite impossible to institute any really valuable comparison unless, in doing so, we take into account, not merely the results of their tariff, but also the very great amount of municipal taxation levied in that country. It is well known to those who pay any attention to American affairs that the amount of municipal taxation in the United States has become so great as to constitute a very serious drain on the resources of that country. How great it is will be best understood from the following simple facts: A year or two ago the four great States of New York, Ohio, Massachusetts and Pennsylvania, having a total population of 12,000,000, contributed for purposes of local taxation the sum of \$151,000,000 a year; while, out of 131 cities whose returns have been published, we find that on a total population of 8,500,000, the taxes levied amount to no less than \$112,000,000; and, in the case of the city of New York, with a total population of 1,249,000, and a valuation of \$1,111,000,000, no less a sum than \$31,000,000 per annum was levied for municipal purposes, being a sum quite equal, I believe, to the total taxation for municipal and federal purposes levied from the whole people of Canada. I have called attention to this point

because I know there is serious danger lest we ourselves should suffer from this particular evil. No one can have looked carefully at the vast increase which has taken place, and is taking place, in the amount of our municipal taxation, particularly in towns and cities, without being aware that there is very considerable risk that the almost unlimited power for the purposes of direct taxation that has been granted to those bodies will be grievously abused. Sir, I trust it will be no offence to the representatives of the various cities of the Dominion if I say that city populations are especially unfitted to be entrusted with such very large powers. The country populations, so far as I know, do generally manage their affairs with great economy and discretion; but I am sorry to say that neither the experience of the people of the United States, nor our own experience in this country, would warrant us in bestowing any such powers on our civic municipalities at least. If I may be permitted, on a point which, though not under our control, is very closely connected with the question under discussion, to express my own individual opinion, I would say there is urgent need that the power granted to those municipalities should be rigidly restricted, and that I believe it will be found far truer in principle, and far more conducive to their real interests, if they were confined to taxing certain subjects strictly selected, instead of, as at present, permitting them to tax everything less a certain list of exceptions. I urge that restriction, not only in the interest of the property-holders, who are generally well enough able to take care of themselves, but more particularly in the interest of the poorer classes of the population. Always and everywhere when municipal extravagance has occurred, I think it will be found that the poorer classes are those on whom, in the long run, the chief part of the burden inevitably presses, and that they have to pay for the follies of their municipal governors in almost every conceivable way, but notably in bad air, bad light, bad water, bad lodging and increased dearness, not only of food, but of every necessary they require. No one can read the history

as revealed by the reports of the State Commissioners and State Courts of the great mismanagement which existed for many years in the city of New York under the Tammany Ring, and the report of the Board of Sanitary Commissioners for the city of New York, without perceiving that the consequences of that civic mismanagement have been directly visited on large portions of their population. I was not aware myself, until I had the opportunity of perusing that report, that, in the city of New York at this moment, the number of people to the square mile is said to be very nearly double that which exists in the most crowded localities of east London, the population in New York being stated to be as nearly as possible 290,000 to the square mile in certain localities as against 179,000, which was the greatest density attained in the city of London. I need not point out to those gentlemen who have visited personally these regions of large cities, what an amount of misery is contained in that simple statement. I would only say that, although there are no doubt particular circumstances in the case of New York, which have brought about that unfortunate result, yet I believe two chief causes will be found in the fiscal policy, or rather in the fiscal impolicy of the United States, and in the grievous mismanagement which has so long disgraced the civic Government of that city. Although it is true that this matter is not directly within our province as a Legislature, yet no consideration of the question of taxation in Canada, or the United States can be held complete without ascertaining the amount of the municipal taxation laid on the people; and, moreover, I believe that it has become time for us in our individual capacities, at all events, to exert ourselves to see that the requisite remedies be applied here, if we would avoid the same mischiefs which have undoubtedly seriously affected the resources of the United States. Sir, I am not going to make any precise estimate as to the effect of the United States tariff. That is a point upon which, I can well understand, many different opinions will be expressed, but allow me briefly to say that it is, at least, three-fold our

tariff, and that the revenue certainly did not show any greater receipts per head from Customs duties under its operation, and that I believe that Mr. David Wells, no mean authority on that subject, is within the mark in asserting, as he has done, that the people of the United States are annually paying \$400,000,000 or \$500,000,000 in taxes under the operation of that tariff, of which scarcely one-third finds its way into the public coffers. I have had difficulty in ascertaining, with sufficient accuracy, at what amount our own local taxation might fairly be put down, but I have succeeded in ascertaining the taxation paid in the Province of Ontario, which appears to amount to \$5,500,000, and I think that, even allowing for the taxes imposed by local Assemblies in other Provinces, I shall not be far astray if I put down the local taxation of the rest of the Dominion at a sum not exceeding that amount. In doing this, it will be observed that no account is taken of the receipts from Crown Lands, or for the sums paid by the Dominion Government in the way of subsidy. But, if that computation can be allowed, and I think, without wearying the House with details, it will be found sufficiently accurate for practical purposes, you will have this result, that the taxation for all purposes of the people of the Dominion of Canada, is probably barely one-third of the taxation inflicted on the people of the United States under the operation of their municipal system, and of their tariff, and in any case is barely one-half of the sum which we know to be paid by them in hard cash; while, as compared with the British Islands, which have a present estimated population of about thirty-three millions, who pay, in what are known as the Queen's taxes, about £66,000,000 sterling, our taxation may be fairly computed as barely one-half. And, although it is doubtless true that the wealth of the people of Great Britain is vastly greater than ours, and although their power of raising money by way of loan far exceeds ours, still it ought to be borne in mind that the distribution of property in Canada is very much better than it is in that country, and therefore that the power

of our population to bear a fair amount to taxation without serious inconvenience is probably quite as great as that of the people of Great Britain. I think, too, that even in these hard times I am justified in saying that, with the exception perhaps of some portions of our large cities, there is no district of Canada at the present time in which there is any serious risk of any considerable portion of the people being stinted in the absolute necessities of life, and, therefore, I am justified in saying that, although our taxation is rather heavier *per se* than I would desire to see it, yet that, on comparing it with that imposed in other countries somewhat similarly circumstanced, it may fairly be described as endurable, and even, by comparison, as light. Now, under these circumstances, it may not unnaturally be asked by some members of this House whether it would not be advisable, in view of the fact that we have now had for two years considerable deficits, to adopt such precautions as would render the existence of another deficit practically impossible. Well, Sir, I would say at once that, if we possessed in Canada any tax equivalent to the income tax now in use in England, I would not hesitate to advise the House to have recourse to that means of increasing the revenue, that being a tax which can be raised or lowered with a minimum of disturbance to the commercial interests of the country. But, as the matter stands, I feel it is important to call the attention of the House and the country to the fact that, although we have had, unfortunately, two successive deficits in the last two years, still it is equally true that a very large proportion of those deficits has been composed of the sum annually devoted to the Sinking Fund, which, I think, the House will agree, makes an important difference in considering the situation. In these two years our total deficits have amounted to \$3,361,000; but of that sum no less than \$1,650,000 has been invested in the reduction of our debt, and the consequence is that the net increase of our indebtedness in those two years is, not \$3,361,000, but barely \$1,700,000 all told. Apart from this, I think, that

the combination of adverse circumstances which sunk our revenue to the extremely low figure of \$22,000,000, is one which is not likely to recur; and indeed, that there are reasons for expecting a moderate and steady increase. Under any circumstances, in this country, while the population continues to grow as we know that it is growing, while we continue, from year to year, to add a very considerable amount of virgin territory to the area of arable land, I think there is always ground for expecting, from that source alone, a considerable augmentation of our revenue. Now, so far as it is possible to ascertain a matter of this kind, I am inclined to believe that, one year with another, from 500,000 to 1,000,000 acres of new land are almost always brought into cultivation in this country—an amount which, extending over a period of six or seven years, will, undoubtedly, secure a considerable permanent augmentation to the products of the Dominion. Moreover, the fact is not to be lost sight of, that the great advantages of our position, and in some respects of our climate, are beginning to assert themselves; while, as everybody knows, the enormous improvements which have, of late years, been made in the transportation of freights have reduced the cost of transporting our products from one side of the Atlantic to the other to so low a figure that there appears good ground for expecting a very large and steady advance in our trade in that direction. I believe that I am strictly accurate, in saying that, at this present time, almost every one of the more valuable products of the farm can be transported from the furthest point of Ontario east of Lake Superior, to the city of London, at a cost varying from one farthing to one half-penny sterling per lb. Although it may be, and I daresay is, true that at present a very considerable proportion of the profits is intercepted by the various middlemen engaged in that transportation, still, if that rate of freight can be maintained, and I see no reason why it should not be, it must be obvious to every hon. gentleman that an almost unlimited field is open to the enterprise of our agricultural population, of which there

are many cheering signs that they are heartily disposed to avail themselves. It is true, on the other hand, that it is impossible for us, a small people of about four millions of souls, placed along our entire frontier in direct contiguity to the American nation, not to be seriously affected by the fiscal policy they have chosen to pursue. I have never maintained that the Dominion of Canada was not mischievously affected by the policy of the Americans, but at the same time I say not only that I do not see in their folly any reason for imitating them, but that I believe they themselves are beginning to admit that they have made a very grave and serious error, and that there is a very strong disposition to retrieve the mistakes they have committed, and, further, that they have become convinced, as far as Canada is concerned, that their policy has resulted only in driving us to seek other markets, and in depriving themselves of the middlemen's profits they would otherwise have enjoyed. No doubt we have sustained a very grave direct loss from the fact that the United States were formerly one of our very best customers, and that it is impossible for forty-four millions of our best customers to be suffering from prolonged depression without seriously embarrassing a large number of ourselves. It is well known that, wholly apart from the direct loss, we have also sustained serious indirect losses—as, for example, the loss of the profits many of our banks were in the habit of deriving from American trade, and what is perhaps as serious an item, the loss of the large purchases at one time made in Canada by American travellers. There is, in addition to these considerations, one other of considerable moment which I desire to present to the House. There can be no doubt, Sir, that the very serious disproportion which exists between the fixed charges on our revenue and the sum which remains really under our control has become a matter requiring very grave consideration indeed. Out of a total nominal expenditure, in round numbers, of \$23,500,000, no less than \$11,500,000 is devoted to payment of interest, Sinking Fund, and

subsidies to the Provinces, and must be regarded as absolutely a first mortgage. Of the remainder, about \$5,500,000 for charges on Revenue must either be regarded as cross-entries, which cannot be removed from one side without blotting them out on the other, or as being to all intents and purposes a practical mortgage also. It will be obvious that the balance of about \$7,000,000 which remains at our disposal is not only a very small field in which to exercise any great economy, but is barely sufficient for the purposes we expect it to discharge. At present, even after the various services have been cut down to the lowest point consistent with economy, I see no reasonable ground for expecting that we shall be able to reduce the expenditure on Justice and Penitentiaries below \$1,000,000 per annum, or that of Militia and Maintenance of the North-West Police below a like amount or that much less than \$1,000,000 can be voted for Public Works, while at least an equal sum is required for Fisheries, Lighthouse and Coast Services and other similar matters. For the service of our Indians a sum of nearly \$500,000 is wanted, nor can the Immigration service if maintained at all, be conducted for much less than \$250,000 annually, including Quarantine. For Miscellaneous Expenditures about \$250,000 is required; making a total of about \$5,000,000 out of \$6,750,000, which cannot well be reduced, and leaving, for Legislation, Civil Government, Pensions and Superannuation, a sum of \$1,750,000 in which possibly some reduction might be effected. I do not say that further economy is absolutely impossible, nor that further taxation might not be borne, but I do say that to push economy further, unless indeed we submit to very important alterations in our present constitutional system, would be both difficult and of doubtful expediency; while increased taxation, if carried to any considerable extent, might defeat its own object, not only by stopping the growth of this country, but also by the well-known fact that, if you raise the taxes above a certain point, you are always sure to defeat yourselves either by diminishing consumption or by encouraging smug-

gling as we have more than once discovered to our cost. All things considered, therefore, I am disposed to advise that we should delay the consideration of the question whether it is desirable to impose any further taxes on the people or not, and I do this for these several reasons—first, because, in spite of all that is asserted to the contrary, it appears to me that there are signs of improvement in the general revenue, and the general condition of this country; in the next place, because I believe that the receipts for the year 1876-7 were decidedly below the ordinary average; because the deficit, being largely composed of the Sinking Fund, is not nearly so formidable as may appear at first sight; because a very considerable portion of the outlay which we are annually incurring, although properly chargeable to the Consolidated Fund is made for objects which may fairly be regarded as approaching the character of expenditure on capital account; because the liabilities, which it is absolutely necessary for us to meet, have been vastly reduced; and because (which is perhaps even more to the purpose) the issue which is about to be presented to the country by the two political parties of the day would involve, if decided against us, so great and so radical a change in our whole fiscal system and our mode of collecting the revenue, that I desire that the voice of the people should be heard on this question. Now, without desiring to stir up unnecessary controversy, I think, Sir, it is as well that the House should understand clearly and distinctly what that issue is, and how violently our policy and that of the hon. gentlemen opposite is contrasted in this matter. I find that the hon. leader of the Opposition a very few months ago, in descending upon this question, made use of the following words:

“Gentlemen, you know that Canada from east to west lies within the same degrees of latitude, and does not produce a great variety of crops. From the Atlantic to the Pacific the country is subject to the same climatic influences; but the United States, extending from the Lakes to the Gulf of Mexico, possesses a variety of climates. In Canada, however, if by an unfavourable season the crops are scanty, we are without such resources, and then the farmers of the

United States pour in their produce upon us, and we are defenceless. You (the farmers), who in an ungenial season might get some recompense for scanty crops in the enhanced prices they would bring, find that hope gone from you. Even the little harvest the storms have left you, you find valueless when the products of the Western States are poured into the markets of the Dominion. Shall we suffer in this way? Shall we not say, Canada is for the Canadians, and protect our markets for ourselves? Shall we not say, if we have a short crop our own people shall consume it, and pay us a fair price for it; and if we have a large crop, let us not only have our own markets, but the distant markets of Europe, and let us say to the United States—‘We allow you to send the products of your country into our markets, let us have the same privilege, and send ours to your own.’”

That is the policy of the Opposition; that is the policy which my hon. friends are going to fight to the death. Let us trust that it will not be to the death of any unhappy wretches who may be expected to make good the deficiency of the crops. Now, it is desirable to point out that the doctrines avowed in this speech have been endorsed within a very short period by, at any rate, the Ontario representatives of that party, as I find at a very recent conference certain resolutions were published as indicating the programme of the Opposition in Ontario on that question, which read as follows:—

“1. We are satisfied that the welfare of Canada requires the adoption of a national policy, which, by a judicious readjustment of the tariff, will benefit and foster the agricultural, the mining, and the manufacturing interests of the Dominion;

“2. But no such readjustment will be satisfactory to the interests affected or to the country if adopted as a provisional measure only, to meet a temporary exigency or to supply a temporary deficit, nor unless it is made to be carried out as a national policy, and until reciprocal trade is established with our neighbours, Canada should move in the direction of a reciprocity of tariffs so far as her various interests may demand;

“3. That it is the duty of the people of Canada to force upon the attention of the Government and Parliament of the Dominion the necessity of carrying out their views, and to withhold or withdraw their confidence from any Government who may fail from want of will or want of ability to enforce them by legislative enactment.”

Now my object at present is neither to comment on that remarkable speech,

nor on those remarkable resolutions; but to draw your attention to the fact that they involve an absolute contradiction of the policy laid down by this Government. The position taken up by the hon. gentlemen of the Opposition, is, as I understand it, this—that it is in the power of the Government to increase the collective wealth of the country by increasing the taxation, and that they can enrich the community collectively by taking money out of their pockets. It may be so. On the other side, our position, equally clear, equally well-defined, for which we are at least equally willing to fight to the death, and which we are determined, so far as we can, to carry out, is this, that all taxation, however disguised, is a loss *per se*, that it is the duty, and the sacred duty of the Government to take only from the people what is necessary to the proper discharge of the public service; and that taxation in any other mode is simply, in one shape or other, legalized robbery. No doubt, Sir, there is this misfortune in our present position—we are debarred, so long as our revenue continues in its present state from attempting many things which I shall be glad to see attempted. There are valuable improvements which the Government are not able at present to consider. There are valuable suggestions made from time to time, which we would desire, if our circumstances permitted, to carry into effect. We are obliged, no doubt, to abstain from doing these things, but, when we are told, after having had to contend with the difficulties we have met with, that we are wrong for not attempting to do more, I must venture to enter a protest against such censure. Sir, to condemn us in the present state of our finances, because we are unable to undertake new enterprises, is as unreasonable as if the passengers were to rise in mutiny against the captain and crew because they were unable to make progress to port while obliged to lie to in a storm. Now, Sir, the year which has just closed is remarkable for another reason; it completes, as the House knows, the first decade which has elapsed since Confederation, and it may not be altogether amiss for us to spend a few moments in reviewing, generally, the financial history of that period. Look-

ing back to 1867 and looking at our condition at present, I think that all persons will admit that two things are pretty clear. One, that the resources of the Provinces originally confederated were ample to enable them to carry out all that was then undertaken, and perhaps even to engage in considerable additional enterprise. But another thing appears to me equally clear, that we have unfortunately attempted too much and thereby seriously imperilled the existence of our young community, when we undertook risks which no country in our situation ought to have undertaken, and that the consequence has been an increased expenditure so startling and rapid that it may well cause the most inconsiderate amongst us to reflect. Taking a starting point in 1867, we find that, whereas the total outlay amounted in that year to barely \$13,500,000, in the course of ten years it has swollen to \$23,500,000, being as nearly as possible an increase in the period of \$10,000,000; and, what is more important, after making provision for the increased liabilities thrown upon us, we are unable to see any reasonable prospect of reducing it below that limit. It will not by any means be idle for me to point out to the House the main items which have caused that increase from the date of Confederation. In the first place, I find that the interest on the capital expended in constructing the Intercolonial Railway and the expenses of running it appear to represent no less a sum than \$2,400,000 of that increase. I find that our total expenditure for the North-West, including Indian Treaties, Mounted Police, and also the interest on the purchase of the Territory—amounted to about \$1,000,000 per annum. The interest on the sum expended for the Pacific Railway, and also the charges on account of British Columbia, amount to \$1,000,000 more. The interest on the other public works represents a further sum of \$1,000,000, while the assumption of Provincial debts, and admission of Prince Edward Island represent \$1,640,000. These five items, it will be observed, represent nearly the whole of the increase. Now, allowing for all the receipts which have been obtained, this represents a dead loss,

so to speak, of about \$5,000,000 per annum, which, if capitalised, would represent an increase to our gross indebtedness of \$110,000,000. Of the balance of the increase, no doubt, a certain portion may be fairly set down as a cross entry, which should appear on both sides of our account; and a certain other portion is due to a considerable increase of population since that period; while the remainder is made up of a number of miscellaneous items, to which I shall not now call the attention of the House. Looking at our situation generally, I think we may fairly say that the expenditure has at last been brought within some bounds, and, after allowing for increased population and the increased progress of the country, there is reason to think that the *per capita* expenditure need not be much increased; still, it is equally clear that our task at this moment is one of a thankless character. Our position presents certain very peculiar features; and, although our absolute taxation, *per capita*, is probably less than it was, and although the incidence of that taxation is much the same—at any rate has not appreciably increased—and although the general mass of our liabilities is vastly less than a few years ago, I must frankly admit that a very excellent financial position has been flung away; that the margin in which to exercise economy is exceedingly narrow; that the power of imposing fresh taxation is limited within comparatively narrow bounds; that economy has been pushed to the very verge, unless, as I said, we agree to some considerable alteration of our system. And I must also admit that the danger to our future position from any considerable imprudence would be very grave indeed. Now, Sir, as to the question of largely increased taxation, it ought not, I think, to be forgotten by the House, that, in our position, there are serious dangers incident to any largely increased measure of taxation. In the first place, I think it will be found that, unless taxation is imposed for strictly revenue purposes, there will be considerable danger of quarrelling among ourselves. There is no doubt that, in this Confederation, apparent the

interests of some portions of the people may appear to diverge, and, if it were seen that the Parliament of Canada was wantonly sacrificing the interests of any portion of the population, I need scarcely point out that it would give rise to serious dissatisfaction. I may also add, that I do not think it wise on political grounds to assimilate our system to that of the United States, even if there were no other objection. I believe that any large measure of taxation would grievously impede true industrial progress, and would have a tendency to divert the people from more productive to less productive occupations. Then there is no doubt that the effect of an increased tariff would grievously demoralize the mercantile community, and probably would lead to extensive smuggling among large numbers of our own people. On the whole, I may say that the general results of the last few years have been fairly good. A large mass of public works have been prosecuted to completion, or are within a short period of completion; a very considerable portion of debt has been refunded, and the expenditure which has hitherto increased by vast and rapid strides, has been brought, let us hope, at last to a halt. Relatively to the increased population, I may add, our expenditure has been considerably decreased. If the House were to deduct from the expenditure of last year the sum accrued on interest-bearing and permanent investments, and also receipts from railways, not heretofore in operation, it would appear that whereas, in 1873-4 with a population of 3,750,000, we were obliged to expend \$23,316,000, our present expenditure, deducting these items which do not add to our taxation in the proper sense of the term, cannot be considered as much over \$22,500,000; in other words, when measured *per capita*, our present expenditure is only \$5.62 as contrasted with \$6.22 in 1873-4 and, therefore, relatively to our population and making those deductions which I think it would be only reasonable to make, that the affairs of Government conducted proportionately, are now being something like \$2,000,000 per annum cheaper than they were in

the year last named. I repeat, therefore, that in such case it appears to me to be our wisest policy to adhere strictly to a revenue tariff, and to advance steadily, but cautiously, with those important Public Works which cannot be delayed without grave public injury; also to fulfil, so far as we can, all the engagements we have entered into—on this proviso, however, that those engagements most not be allowed to imperil our general position, or to endanger the whole future of the whole population of this country. I do not pretend to say that all risks are past; but I think that I am justified in saying that the risks, at any rate, have been very considerably lessened. I do not look for any sudden expansion; I can hardly say that I desire any very sudden expansion; but I do believe that we may fairly count on a steady and gradual progress, such as we know by past experience has rarely failed to exist in Canada, even under circumstances quite as disadvantageous as those with which we are now confronted. Such, Mr. Speaker, are, as far as I understand them, the questions now before the country. It will be for the country to decide what particular fiscal policy it may please to adopt and it will be for this House, or for their successors, to say whether—

Several HON. MEMBERS: Hear, hear.

MR. CARTWRIGHT: Or for their successors to decide how that particular policy shall be enforced. I would, however, remind the House, and remind the country too, that a very great deal will depend, undoubtedly, on their action now. Our power of re-funding our debt, and of thereby diminishing our annual expenditure, will be largely governed by the opinion that foreign capitalists may entertain as to the prudence and economy with which the affairs of this country are being managed. There appear to me to be two courses open: one, the course which I have indicated above, and which the Government intends to pursue; and there is the other course which I would fain hope we will not see adopted,—the course of indulging again in foolish enterprise, the course of again indulging in engagements of

MR. CARTWRIGHT.

which we have not counted the cost, and the course of imposing an undue amount of taxation, in the vain hope that we will thereby be able to give a false stimulus to the present depressed condition of the country. Now, I think that no hon. gentleman who has either attended to my remarks or who has been at the pains to make himself fairly well acquainted with the general position of this country during the past few years, will be disposed to dispute my statement when I say that our position in 1874 was, as we can now see, of a very perilous character, and that, whatever dangers may await us, they are, at any rate, very greatly less than those which we had to encounter then. Sir, at that time, it was well known that the inflation had been considerable; it was well known that a reaction was inevitable; we could not measure its extent—we could not tell how far it would go—but I do not believe that there was one merchant, one manufacturer, or one individual of any ordinary prudence engaged in ordinary commercial transactions in Canada, who did not feel that the expansion had been beyond all reasonable limits, and that there was very considerable danger of a reaction; and I venture to say that, if there had been any delay on the part of the Government in imposing in 1874 the requisite amount of taxation, or if there had been any failure in floating the successive loans which we were obliged to place upon the English market, our position would have been very dangerous indeed. I may invite the attention of the House to the fact that it is rarely that any Government has been called upon to deal with such a convergence of risks, occurring simultaneously, as we had. We had at one and the same moment to face the injury to our credit, necessarily arising from considerable deficits; we had to provide large sums for carrying on important public works in many quarters of this Dominion; and we had to provide for large amounts of debt maturing, which it was absolutely necessary for us to pay. We had to do all that, at a time when, in addition to the special depression which existed in Canada, a great and universal commercial depression had overspread al-

most the whole world; at a time of grave political disturbances, a time when, for certain reasons, there was a great and unusual distrust of foreign loans, and I may say an aversion to deal with any not previously introduced form of security. Now, Sir, although it is true that we have escaped—although we did succeed in maintaining our credit—although we did succeed in negotiating our loans—still, I am bound to tell the House that our escape was a narrow one; and the House will understand that I have good reasons when I say that I dread rashly entering into any new engagements. Sir, we have had two warnings, which ought to have sufficed, I think, for any people. How it may have been with my friends in the Maritime Provinces I do not know; but I do know that the people of Ontario and Quebec, at any rate, ought to have remembered better than they appear to have done the very grave warning which they should have learnt from the events of 1854 to 1857, and the subsequent depression which ensued. Every one who had studied the commercial history of this country knew that the period of extreme expansion which occurred then was followed by a corresponding period of very prolonged depression, as, indeed, might naturally have been looked for. Almost identically the same results, arising from causes of a very similar character, prevailed between 1870 and 1873; and, although I think we will, on the whole, escape better than we did at that time, I should not be doing my duty here if I did not call attention to the fact that we entirely neglected our former warning, and endeavour as far as in my power lies, to impress on the House and on the country the necessity of being more cautious in the future. I hold that we committed the very common error of grasping at far too much; a pardonable error, perhaps, but none the less a grave error, particularly in a country circumstanced like ours. I would have us recognize and redeem that error, not by idle murmurs at the past, but by submitting as patiently as we may, to the needful and necessary privations which must always follow the reaction from such an extreme expansion. If we

are only moderately prudent, I believe that a very short time will see the end of it. I believe that we possess, after all deductions made, in our great western country, a country which, when developed, will tend to add very largely to our national resources. I am willing for one to incur considerable risk; I am even willing to submit to considerable privation for the sake of developing that magnificent heritage. At present, as far as I can see, we still—although the worst of the storm is past—are on the ground swell which remains after it. At present, so far as I am able to understand the situation—although it is perfectly true, a very considerable amount of depression prevails in commercial circles—I do not think the main interests of the country, with the exception of the important interest of lumber, are at all in as depressed a state as it would apparently please some gentlemen in this House to suppose. In all these cases, I think we may lay it down as an invariable consequence that the effect will almost of necessity outlast the cause. Just as in former years the spirit of extravagance which had got possession of our people, and which led them to import vastly more goods than they required, continued to exercise a powerful effect in stimulating consumption, even after the prosperity had departed, I think now the counteracting influence is having its effect, though the cause is beginning to pass away. If, Sir, any excuses were to be made for the expenditure to which I have alluded, I think they might be fairly found in this, that the whole community appeared, to some extent, to have gone mad together. Nobody can look at the enormous expansions which took place in the years I refer to; no one can look at the speculations of every kind and sort which were entered into; without seeing that we had necessarily prepared for ourselves a period of very considerable depression. Unfortunately that madness had become so universal that—as we we know to our cost in many portions of the country—while those who deserve to be weeded out have been weeded out the loss falls, at present almost more heavily on prudent

and cautious men, who had managed their affairs well, and who have been brought into difficulties, not by their own fault, but in consequence of the insane competition to which they were exposed on the part of persons who ought never to have been entrusted with credit or capital at all. I have no doubt that a great many men of substance are paying in purse and person for the undue facilities with which credit and capital have been obtained by men of straw, and that is, in my opinion, one great cause of the commercial difficulties under which we now labour. I desire to be clearly understood. I do not at all pretend that the present Government have been faultless in their conduct during the last four years. I do not at all pretend to say that they have committed no errors or that their conduct of affairs has been absolutely free from blunders. I do not mean to say that no expenditure has been incurred which could have been avoided. To make such a boast would be to expose myself to the jeers of the hon. gentlemen opposite. I do not claim that we have been infallible, and far less would I say that they have been infallible. But what I do assert is that, as the Public Accounts show, reasonable diligence, care and prudence have been displayed by this Government. I assert that, taking into account the difficulties with which we have had to contend, those difficulties have been, on the whole, well and fairly met. I say our perseverance in the policy which we chalked out is gradually extricating us from those difficulties—difficulties not of our own making—but difficulties with which we have had to contend from the very outset. I say, too, that that has been done with probably as little hardship to the people of Canada as could possibly be inflicted on them. Their taxes have not been unduly increased, and all reasonable efforts have been made to lighten the burden upon them, so far as it could be done by a re-distribution of taxes. I say, too, that that has been done without having had recourse to any hazardous experiments of any kind whatever. I say that our credit has been maintained, and more than maintained. I say that

the rate of interest on our debts has been considerably reduced, that the expenditure, which had increased at the rate of ten millions in seven years, has at last been kept stationary, and that, relatively to our population, and still more, relatively to the services we have been obliged to discharge, it has been very considerably reduced. I say that, under all these circumstances, great works have been carried on, and that those works have been carried on for the first time, I believe, in the history of our country, in such a way that they have not exceeded the estimates originally prepared; and therefore it is, Sir, that in moving that you do now leave the Chair, and that the House resolve itself into a Committee of Supply, I venture to say that the record I have submitted on the Public Accounts, is a record of which this Government and their supporters in this House, or in the country have no need to be ashamed.

It being Six o'clock, the Speaker left the Chair.

After Recess.

MR. TUPPER: Mr. Speaker. I believe the hon. the Minister of Finance, in resuming his seat, at all events may feel assured that he has the sympathy of every hon. member on both sides of the House. I can say that he has excited my sympathy in a very lively degree, because I have rarely witnessed any gentleman placed in a more painful and distressing position than the hon. gentleman was on the present occasion. I had long looked forward to this opportunity to deal with some of the statements which that hon. gentleman thought fit to make during the recess of Parliament at various places in the Province of Ontario, but I confess that I am not inclined to adopt that course during the present debate. I feel that we are brought face to face with a question so important in regard to the condition of the country that I should not be discharging my duty to the House and the country if I were to allow any personal, political or party considerations to enter into a discussion of this kind on the present