

Highness had made all arrangements to leave Canada at the conclusion of his extended term of office on the 22nd October, but, with the high sense of duty which has always actuated him, he has placed himself at the disposal of His Majesty for this purpose.

Mr. GRAHAM: The people of Canada will hear this announcement with great gratification and satisfaction. The ripe military experience coupled with the dual knowledge of His Royal Highness the Governor General of conditions in the old land and in our own will make his presence in this part of His Majesty's dominions during the trying period through which we are now passing most gratifying and reassuring to the people.

HOUSE OF COMMONS.

APPOINTMENT TO LAW BRANCH.

Sir ROBERT BORDEN moved:

That the recommendation of His Honour the Speaker of the House as to the appointment of Mr. John T. Dunn to fill a vacancy in subdivision B of the second division in the Law Branch of the House of Commons, and the appointment as made by the Governor in Council during the recess of Parliament, be ratified and confirmed.

He said: The appointment is made under the Civil Service Act, all the requirements of the Act having been complied with.

Motion agreed to.

CANADIANS IN EUROPE.

On the Orders of the Day being called:

Mr. GRAHAM: What steps have the Government taken for the relief of Canadians who are stranded in Great Britain or on the continent of Europe through being unable to get passage home at the present time?

Sir ROBERT BORDEN: I think that the correspondence brought down contains some information with regard to that. A great many inquiries and applications have come to the Government for the purpose of obtaining information as to Canadians who are somewhere on the continent of Europe and as to whose whereabouts and condition information cannot be obtained by their friends and relatives. We have endeavoured to systematize the dealing with these applications. They have been placed in charge of Sir Joseph Pope, Under Secretary of State for External Affairs. Wherever it has seemed necessary or desirable, he has communicated by cable with Mr. Perley in

regard to a number of cases or in regard to individual cases as occasion might demand. In addition to that, we have informed Mr. Perley that the Government would be prepared to place £20,000 at his disposal in order to relieve such persons, under such conditions as to repayment or otherwise as he may determine, believing that he, being upon the spot, will be better able to judge as to these matters than we can possibly be at this distance.

WAR CONTRIBUTIONS OF PROVINCES.

Mr. LEMIEUX: May I ask the right hon. the Prime Minister if he can inform the House of the various contributions which have been made by the different provincial governments, and the nature of those contributions, to the Imperial authorities?

Sir ROBERT BORDEN: I think there is one which is about being made, or perhaps will be made in the early future, as to which I have not exact information. I heard something of it to-day, but I am not prepared to make a definite statement. If my hon. friend will permit the matter to remain until to-morrow, I shall endeavour then to give all the information in the possession of the Government.

THE EUROPEAN WAR.

THE BUDGET—TARIFF CHANGES.

Hon. W. T. WHITE (Minister of Finance) moved that the House go into Committee of Ways and Means. He said:

I shall preface the introduction of the fiscal measures which I have to propose to the House by a brief statement of the financial position of the Dominion, and of the new situation, as it presents itself to me, with which we are confronted as a result of the outbreak of war.

Owing to widespread financial and economic conditions, to which I referred at length in my Budget speech of April, our revenues since September last have shown a marked decline. During the first four months of the present fiscal year, April, May, June and July, we have experienced a reduction, as compared with the same four months of the previous fiscal year, of over ten million dollars.

In consequence of a general increase in commercial activity, due to easier money conditions, a marked improvement became perceptible about the end of July. The extent of this improvement is reflected in the returns of the first ten days of August,

the loss of revenue being \$500,000, or at the rate of say \$1,500,000 for the month, as compared with an average decline of \$2,700,000 for each of the four preceding months.

As the decline in revenue for the last fiscal year had begun in October, we had calculated that during the remainder of the calendar year we would gradually overtake the revenues of the corresponding months of the previous year and could look forward to gains in January, February and March, which would have recouped in some measure our earlier losses.

This outlook has been wholly changed by the war. Its startlingly sudden outbreak between Austria-Hungary and Servia and the appalling rapidity of its extension to Russia, Germany, France, Belgium and Great Britain threw the civilized world into a panic such as was never known before. The shock to international finance was immense. In the general loss of confidence there arose an instantaneous and universal demand for gold. Huge volumes of securities were thrown upon the market and sold for what they would realize. Liquidation proceeded upon a colossal scale until the prodigious losses of individuals and the vast drainage of gold from all great financial centres compelled the closing of the bourses and exchanges of the world. The demand for gold still continuing in the financial world, and general hoarding having begun on the part of the general public, a widespread suspension of specie payment inevitably resulted. In consequence of such suspension, accompanied in Great Britain and elsewhere in Europe by moratory proclamations whereby the payment of maturing obligations was postponed, and by reason of the fact that gold could no longer be shipped across the Atlantic owing to the menace of hostile cruisers, the exchange system of the world at once experienced collapse. In the meantime international trade was prostrated by the blow which severed at once all intercourse between belligerents and caused immediate cessation of commerce between Europe and America.

All these cataclysmic events have been compressed within the period of two or three weeks; and yet such is the flexibility of the financial organization of the world that already order is emerging out of what seemed hopeless chaos, and the vast and complicated machinery of commerce and finance is with hourly-increasing efficiency resuming its normal functions.

For the purposes of this presentation it remains for me to estimate so far as possible our expenditures for the year, indicate

my view as to revenue and submit the measures proposed by the Government to meet the altered conditions with which we are confronted. I should not be frank if I did not at once say that I put forth my view as to both revenue and expenditure with the utmost diffidence, because it is not possible for any one to forecast with any measurable degree of certainty what lies ahead of us under either of these headings.

Before the outbreak of war we had calculated upon a revenue of \$145,000,000 and an expenditure of about \$175,000,000 of which \$135,000,000 would have been upon Consolidated Fund Account and \$40,000,000 upon Capital, Special, and Investment Accounts.

In June last we floated a loan of £5,000,000, the proceeds of which with our expected revenues would have carried us into next fall, when a further loan of any £3,000,000 would have sufficed for our requirements until the end of the fiscal year, including the retirement of £1,700,000 Treasury Bills maturing in November next.

Our present cash position is normal, our bank balances both in Canada and in London having been well maintained.

I proceed now to deal with the situation as changed by the war. As to revenues for the remainder of the year, it is with much hesitation that I venture upon an estimate. For some time past I have had the tariff experts of my department and of the Customs Department considering the question. That we shall experience a sharp decline in customs revenue due to decreased importations seems certain. The war itself shuts off automatically our trade with the enemy. The increased risk of ocean traffic must have a most serious effect upon our seaborne commerce. Above all, the temporary cessation of the stream of our borrowings in Great Britain will diminish our capital and other expenditures, and express itself in a marked diminution in our imports. On the other hand, we shall probably increase our imports from the United States, through whose ports goods from Europe will no doubt find their way. The enhanced prices of our grain, food and other products will give us greater buying power than we should have otherwise possessed from this source. After careful consideration of all these aspects of the question, we are of the view that our revenues from present sources for the year should reach from \$130,000,000 to \$135,000,000.

With regard to expenditures, it will be

the policy of the Government so far as possible to maintain the existing programme of public works under construction. New works will not, however, be undertaken until the financial situation clears; and in this connection we must ask the forbearance and co-operation of members of both sides of the House. On the one hand, we do not desire to shut down construction now under way, with the consequent resulting unemployment, and, on the other, we must have in mind existing financial conditions, and embark upon new expenditure only when we have in view the source of funds with which it may be defrayed. Under this policy I estimate that our revenue will just about suffice to meet our ordinary running expenditure; at least, I am hopeful that it will do so.

This leaves to be otherwise provided for capital, special and investment expenditure a sum totalling probably \$30,000,000, together with such special expenditure as we may make for the common defence of Canada and the Empire. We are asking Parliament for a vote of \$50,000,000. What portion of this may be expended during the remainder of the fiscal year is problematical, but we must assume at least the greater part. With the world at war and our national existence at stake, it is not the part of patriotism to spare either blood or treasure, and the Government may be depended upon to continue to uphold to the utmost of its power the arm of Britain in the fateful contest in which she is now engaged for the preservation of the Empire and the freedom of the world.

Assuming a capital and special war expenditure of, say, \$60,000,000, we must further provide \$8,500,000 for the retirement of Treasury Bills maturing in November, making a total of \$68,500,000, which must be met by the proceeds of borrowing or special taxation. We have already borrowed \$25,000,000 by the issue of June. This leaves a balance of \$43,500,000 which we must now devise ways and means to meet.

To partially meet the special war expenditure I have to propose certain increases in customs and excise duties upon articles and commodities to the taxation of which resort is usually had in the emergency of war.

The special war taxation which I have to propose to the House will affect the rates of duties of customs and of excise upon coffee, sugar, spirits and tobacco. On green coffee, which was free when imported direct from the country of growth and production

or purchased in bond in the United Kingdom, it is proposed to place a duty of 2½ cents per lb. under the British preferential tariff and 3 cents per lb. under the general tariff. The increased revenue on coffee for the year will be about \$500,000. As to sugar, we propose that upon the raw commercial article testing 75 degrees by the polariscope, the rate of duty shall be increased from 25 cents under the British preferential tariff to 88 cents per 100 lbs., and from 31½ cents under the general tariff to \$1.11½ per 100 lbs. No change is proposed in the rates respecting each additional degree over 75 degrees. In other words, an increase is proposed of 63 cents per 100 lbs. under the British preferential tariff and 80 cents per 100 lbs. under the general tariff. On raw sugar which tests 96 degrees an increase is made in the British preferential tariff from 40½ cents per 100 lbs. to \$1.03½ per 100 lbs. and an increase in the general tariff from 57½ cents per 100 lbs. to \$1.37½ per 100 lbs. On refined sugar testing 88 degrees by the polariscope the British preferential tariff rate will be increased from 72 cents to \$1.52 per 100 lbs., and under the general tariff from 93 cents to \$1.93 per 100 lbs. No change is made in the rates respecting each additional degree over 88 degrees. In other words an increase is proposed of 80 cents per 100 lbs. under the British preferential tariff and \$1.00 per 100 lbs. under the general tariff.

On refined sugar which tests 99 degrees we propose to increase the British preferential tariff from 83 cents per 100 lbs. to \$1.63 per 100 lbs., and the general tariff from \$1.07½ to \$2.07½ per 100 lbs. In other words, we propose to increase refined sugar four-fifths of a cent per lb. under the British preferential tariff rate and one cent per lb. under the general tariff rate. The revenue we shall derive from this special taxation on sugar will probably exceed \$5,000,000 per annum upon the basis of last year's importations of sugar.

On whisky, brandy, gin and other distilled spirits of like character, it is proposed to increase the duty from \$2.40 to \$3 per proof gallon. The increased revenue on spirits so imported will exceed \$2,500,000 per annum upon the basis of last year's consumption.

Certain other minor changes will be proposed, which it is unnecessary to advert to here, on account of the increase in coffee, sugar and spirits duties. In other words, there are certain changes, known as consequential changes, which it is necessary to

make in the duties on certain commodities by reason of the increased duties imposed on articles which are raw materials in their production.

On cigars and cigarettes we propose to increase the specific rate from \$3 per lb. to \$3.50 per lb., and on manufactured tobacco we propose an increase of 10 cents per lb. The increased revenue from this source will be over \$200,000 per annum.

I may explain that on account of schedule C of the French treaty no increase can be made in the rates of customs duties on wines and champagnes. The reason is that the customs rates under the French treaty are fixed and specific and not susceptible to increase during the continuation of the treaty.

So much for our proposal as regards customs. I now turn to the measures which we propose with reference to duties of excise. Our proposals in this respect are as follows: Upon spirits, from \$1.90 to \$2.40 per gallon; on malt liquor, from 10 cents to 15 cents per gallon; on malt, from 1½ cents to 3 cents per lb.; on cigars, from \$2 to \$3 per thousand; on cigarettes, from \$2.40 to \$3 per thousand; on manufactured tobacco, from 5 cents to 10 cents per lb. We anticipate an increased revenue from excise calculated upon the consumption of last year of about \$6,600,000 per annum.

In connection with the increases which I have proposed in customs and excise rates upon liquors and tobaccos, it has come to our knowledge that certain brewers, distillers and dealers, in expectation that a special war tax would be necessary upon these commodities, have during the past two weeks taken exceedingly large amounts out of bond. I have particulars of the abnormal increases in customs and excise revenue under my hand which I shall later lay before the committee. If we failed to deal with the situation thus created, our fiscal measure, so far as it relates to the commodities in question, would be defeated and we should be deprived in large part of the revenue which for the remainder of the year we have calculated upon from these sources. I have to propose, therefore, that part of the legislation relating to duties of customs and excise be deemed to come into effect on August 7, 1914.

These special war taxes, representing only a small fraction of our increase in military and naval expenditure, due to the critical situation which has arisen, will fall upon the entire community. In paying them each citizen will feel that the amount he pays is a direct contribution to the defence of Canada and the Empire.

[Mr. W. T. White.]

From these special war taxes I estimate we shall derive additional revenue of about \$7,000,000 during the remainder of the fiscal year. This leaves a sum of over \$36,000,000 to be provided by borrowing. We shall, as opportunity offers, issue further loans, but I must state to the House that the amount upon which we can rely from this source is conjectural and dependent upon the course of events.

In these circumstances I am taking authority, by legislation amending the Dominion Notes Act, to increase the amount of notes which may be issued against a 25 per cent margin of gold from thirty to fifty million dollars. This will give us an additional fifteen million dollars from money borrowed from our own people upon the Dominion's credit. We shall avail ourselves of this emergency measure to the extent that it may be found necessary to supplement our borrowings otherwise. I have already given notice of the legislation in that behalf.

As to the effect of the war upon industrial and commercial conditions in Canada, I do not regard it necessary that I should upon this occasion make any special pronouncement. Injury there will no doubt be to some of our enterprises, but such injury may be most marked at the beginning and not of long duration. In the circumstances, I feel that I can confidently appeal to all employers of labour to continue to carry on their operations to such extent as may be feasible to them in order that the distress of unemployment may be minimized as much as possible, and that the first brunt of the war may not fall too heavily upon the working community.

To many of our industries, notably to agriculture, there should be pronounced stimulation and quickening of activity. Trade between Canada and the motherland will undoubtedly receive an impetus, the importance of which to our future relations it would be difficult to overstate. If I have any general advice to offer it is that the people of Canada will, as I am sure they will, continue to maintain the calm, sane judgment for which they have always been noted. Above all, confidence is a supreme patriotic duty—confidence in one another, confidence in our country and its institutions, in the Empire, in the righteousness of our cause and, under Providence, in the certain ultimate triumph of our arms.

I beg, Mr. Speaker, to give notice that, when this House goes into Committee of Ways and Means, I shall move the following resolutions: