

Major-General MEWBURN: I cannot give a definite reply as that matter is left largely to the registrars. We have simply requested that the men in rural districts should not be called until the corresponding classes in the cities have been exhausted.

Mr. H. A. FORTIER (Labelle): In the case of a boy of twenty or twenty-two with a widowed mother to support, is there any possible chance of his being exempted?

Mr. SPEAKER: That case has already been dealt with in the statement of the Minister of Militia and Defence. I must remind the House we are not in committee and hon. gentlemen are going far beyond the latitude allowed on the Orders of the Day.

Sir ROBERT BORDEN: If the hon. gentleman will look at the minister's statement to-morrow he will see a full reply to the question he has just asked.

Mr. FORTIER: I had not finished my question.

Mr. SPEAKER: I think we can with profit adjourn the discussion to another day.

Sir WILFRID LAURIER: Do you rule, Sir, that the hon. gentleman cannot put his question?

Mr. SPEAKER: The right hon. gentleman will see that if every hon. member were to exercise the right of asking a question upon the Orders of the Day we should be here until six o'clock without advancing the business of the House. That would be carrying the privilege beyond reasonable bounds.

Mr. MICHAEL CLARK: Has not every hon. member of this House exactly the same rights as the Minister of Militia has?

Mr. SPEAKER: It has long been the custom for a minister when desiring to do so to make a pronouncement upon an important public matter on the Orders of the Day being called, just as has been done by the Minister of Militia and Defence to-day. It is quite proper for hon. members to address questions to the Government on matters of policy but it is not proper that they should enter into what is in effect a discussion when there is no subject before the House.

Sir WILFRID LAURIER: I think the hon. member is entitled to put his question.

Mr. SPEAKER: I would ask the hon. member not to be unduly long in putting his question.

Mr. FORTIER: Is there any possibility of having exemption granted in the case of a young man of twenty or twenty-two who is the sole support of a widowed mother with a family of young children? If there is no provision for his exemption have the Government considered taking over the farm in such a case rather than allowing it to lie idle?

Major-General MEWBURN: There is no power vested in me to do that.

Mr. T. H. THOMPSON (East Hastings): The minister has said that the men in the rural districts will not be called out until after the men in the cities have been ordered to report but I understand that many young men in rural districts have been ordered to report on the 1st of May.

Major-General MEWBURN: I did not say that we were not going to call out the men in the rural districts I said a request had been made to the registrars under the Military Service Act that the notices ordering men between twenty and twenty-two years of age inclusive to report be first sent to men in the urban districts. I might say that many men living on farms gave their city address to the registrar when registering. A man living ninety miles from Montreal came in to see me to-day and said his boy had received notice to report, but that it was his own mistake because in registering he had given his residence as Montreal; the mistake is being rectified by the registrar. We are not granting exemption to the men in the rural districts but we are simply doing what I think is fair and reasonable, namely, calling out the men in the urban centres first. It will take some time to deal with those classes, before the men in the rural districts are called.

Mr. H. C. HOCKEN (West Toronto): May I ask to what the Minister of Militia attributes the better feeling in the province of Quebec?

Mr. BUREAU: Always true to the Orange Sentinel!

Mr. SPEAKER: That is not such a question as can properly be put on the Orders of the Day.

THE BUDGET.

ANNUAL FINANCIAL STATEMENT BY THE ACTING MINISTER OF FINANCE—WAR TAXATION; CHANGES IN TARIFF.

Hon. A. K. MACLEAN (Acting Minister of Finance) moved:

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

He said: Mr. Speaker, in presenting to-day the annual statement of the financial affairs of the country I deem it but fitting and proper that at the outset I should give expression to what I believe is the profound and sincere regret of Parliament, that Sir Thomas White, the Minister of Finance, was unable to deliver the annual budget by reason of an enforced and lengthy absence from official duties. Regardless of party distinctions, and the inevitable differences of opinion that must prevail regarding the administration of the financial affairs of the country, I am sure that honourable gentlemen will heartily concur in the observation, that the highly important duties attaching to the Department of Finance, so abnormal in their magnitude and exacting in their detail during the war period, have been discharged by Sir Thomas White with distinction and with conspicuous ability. To his task he has applied great energy and industry, and in his labours he has been solely animated by the high motive of rendering faithful and unselfish service to the State. I am confident the House will join with me in expressing gratification upon the fact that he has so far recovered his health that he proposes an early return to Canada to resume his official duties, after disposing of some public business now engaging his attention in the United States.

REVENUE.

The revenue for the fiscal year ending March 31, 1918, will, when the accounts are finally closed, reach \$258,000,000, exceeding the revenue of the preceding year by \$26,000,000, and that of the first year of the war by \$125,000,000. Of the total amount of \$258,000,000, Customs will yield \$146,000,000 and Excise \$27,000,000. From the various taxations apart from Customs and Excise, we shall have received nearly \$25,000,000. The several sources from which this revenue was derived, and the amounts, might be of interest to the House. For the past fiscal year they are as follows: Business profits war tax, \$21,271,283; banks, \$836,724.28; insurance companies, \$385,127.68; trust and loan companies, \$267,917.68; Inland Revenue from railways, steamships, telegraph and cable companies, stamps, etc., \$2,229,922.81; a total of \$24,990,975.45.

EXPENDITURE.

Coming to our ordinary expenditure and taking cognizance only of expenditures for civil government, and disregarding all outlays on account of war, the expenditure for the fiscal year 1917-18 is estimated at

\$173,000,000. The total expenditure of \$173,000,000 includes payment of interest, estimated at \$45,000,000, and pensions of some \$7,000,000, or \$52,000,000 altogether; whereas prior to the war the outlay on interest was but \$12,000,000, and of course the expenditure for pensions on account of the war had not yet begun. It is also inclusive of the sums of \$25,000,000 and \$7,500,000 voted and advanced on account of the Canadian Northern railway and the Grand Trunk Pacific railway respectively. For the capital outlays beyond the ordinary current expenditure of \$173,000,000 an expenditure of \$30,000,000 is estimated. These two items of expenditure amount to \$203,000,000, and represent the outlay of Canada for all purposes apart from war during the past year.

With a total revenue of \$258,000,000, and an ordinary and capital expenditure of \$203,000,000, it will be seen that during the fiscal year 1917-18 the Government was able to meet all ordinary and capital outlays, including an increased amount for interest account and pensions over the previous year of nearly \$15,000,000, and have a favourable balance of about \$55,000,000 to be applied to war expenditures.

FISCAL YEAR 1918-19.

The main estimates for 1918-19 have been submitted to the House, and supplementary Estimates will be presented later. Apart from the increased interest caused by our war borrowing, and the amount required for pensions, also arising out of the war, substantial reductions have been made in the estimates of practically all the services, and I anticipate that actual expenditure will be well below the amounts voted. These reductions, however, are more than offset by the additional sums needed for interest and pensions for the current year over the past year, and which excess I estimate at \$25,000,000, so that ordinary expenditure for 1918-19 will increase materially over that of the previous year. Outside of interest and pension account, ordinary expenditures should not exceed those of last year. Substantial disbursements this year will be necessary in connection with the soldiers' land settlement programme, and a substantial liability has been assumed for the year in connection with the Halifax disaster. The capital expenditure vote has been materially cut. It is estimated that for the fiscal year 1918-19 we shall be able to pay our ordinary and capital expenditure out of our revenue and have, as in the past two years, an appreciable sum over, which we can apply to war

purposes. The unexpended balance of the Victory Loan will finance our war expenditures and advances to the Imperial Government until July next, when Treasury bills will be temporarily negotiated, until the proceeds of the next public loan are available.

WAR EXPENDITURES.

Canada is now in the fourth year of the war. Our expenditure on war account for the year 1917-18 will approximate \$345,000,000, of which amount \$167,000,000 was expended in Canada, the balance, \$178,000,000, represents our war expenditure overseas. Up to March 31, 1917, we had expended for war purposes \$533,437,036.11, so that on March 31, 1918, our total outlay for war will be approximately \$878,000,000. This amount includes all expenditures in Canada, Great Britain and France, and is also inclusive of the upkeep of our troops overseas. The amount does not, however, include any pay due but not yet paid to the troops overseas. During the past two fiscal years we have applied to war expenditure surpluses of revenue over ordinary and capital outlays the sum of \$113,000,000, and our interest and pension payments attributable to war and covering the entire war period would approximate about \$75,000,000.

NET DEBT.

The net debt of Canada, which before the war stood at about \$336,000,000 has now passed the billion-dollar mark, and it is estimated that when the accounts for the year 1917-18 are closed it will reach, approximately, \$1,200,000,000. The increase is almost entirely attributable to war expenditures. To provide funds for our war necessities, apart from the amounts we were able to spare from the ordinary revenues of the country, we have had recourse to public loans, and from time to time to temporary loans from our banks, which were subsequently liquidated from the proceeds of loans.

TRADE.

The statistics of our trade indicate that our exports, year by year as the war progresses, are showing a greater and greater increase over our imports. The year before the war the imports exceeded the exports by nearly \$300,000,000. In 1917-18 this condition had been so completely reversed that the exports exceeded the imports by almost \$625,000,000, and our total trade, which passed the billion mark in

1913, exceeded the two and a half billion mark in 1918.

It must be borne in mind, however, that this increase in our total trade is very largely attributable to war conditions, and as well the very favourable trade balance. It might be informing to the House to briefly state that in 1917-18 our exports to Great Britain were about \$860,000,000, while our imports amounted to \$81,000,000. Our exports to the United States reached the sum of \$440,000,000, while our imports were \$790,000,000.

IMMIGRATION.

The general impression I fear prevails that we have had practically no immigration into Canada since the beginning of the war. While of course it is proportionately much less than in years just prior to the war, still it is not a negligible quantity. In 1915-16 our immigration was 48,537; in 1916-17 it was 75,374, and in 1917-18, 79,074; a total of 202,985 in the past three fiscal years. Of this total number 169,640 came from the United States and 20,124 from the British Isles. An important fact in connection with this immigration is that it comprised a large proportion of agriculturalists. The Minister of Immigration and Colonization informs me that everything clearly indicates a very large immigration into Canada, commencing shortly after the conclusion of the war and so soon as transportation facilities are available. A factor to be kept prominently in mind is that the employment of women and girls in occupations heretofore filled by men will continue in all the belligerent countries for many years at least, thus limiting the avenues of employment ordinarily open to men, and leaving a surplus for emigration, notwithstanding the heavy toll upon life exacted by the war.

EXCHANGE.

Owing to the inability of Great Britain to settle in the usual way her trade balances, and to which I propose referring later, we are experiencing an acute exchange problem in Canada. During the past few months a very high rate has prevailed on remittances of funds to the United States, which has imposed a severe tax upon importers and the public, and, if it continues, must diminish imports or add to their cost. This high rate is due to the fact that we have to remit more to, than we receive from, the United States, and consequently the demand for United States funds is greater than the supply. Were we

able to sell securities in the United States the rates of exchange might easily have been adjusted or normalized, but Canadians were not permitted to do so. The Government did not require during the present year to borrow in the United States, even if we had been permitted, and consequently by such an operation it was not convenient or practical to correct the exchange.

To redress the adverse rate of exchange with the United States, we must lessen our imports from that country, or the United States must buy more from us, or we must sell securities in the United States to the extent of a very substantial proportion of our adverse trade balance. Other considerations, however, are involved in this matter, to which I shall refer later, but I might be permitted to say that the Government has been diligent in its endeavours to bring about such financial arrangements with the Governments of Great Britain and the United States as would materially relieve our people of the burden of the present high rates of exchange. I hope that very shortly we shall be in a position to announce the successful conclusion of negotiations which have in view this end. In connection with the exchange problem it might be of interest to state that for the first three months of this calendar year our imports from the United States have decreased below that of the corresponding period of last year by over \$36,000,000, while our exports have increased in the same comparative period by about \$20,000,000.

THE VICTORY LOAN.

The unqualified success attending the Victory Loan of last year, as well of previous domestic loans, is of such notable importance and significance that it calls for more than a passing reference. The large investment made by our citizens in the securities issued by the Government from time to time since the beginning of the war is a matter of natural pride to all Canadians. Since December 1, 1915, domestic war loan issues aggregating \$746,000,000 have been made, and of which over \$700,000,000 was subscribed for by Canadians, a very tangible evidence of the productive powers of our people, their determination to sustain our army and our commerce by loans to the State, and their faith in the ability of Canada to honour in the future the financial obligations now so honourably incurred. That Canada possessed such a purchasing power it is needless for me to say was hardly entertained by any person, even the most optimistic.

[Mr. A. K. Maclean.]

Last November the fourth war loan was placed upon the market in Canada. In the case of the three previous loans, for their successful flotation, the Government of the time relied upon newspaper advertising methods alone to secure the required subscriptions, and no extensively organized campaign was deemed necessary. In the case of the last loan, however, it was felt that more vigorous methods should be adopted in order that a wider response to the appeal should be received from all classes of our population, so that the absorption of the loan would be rapid and that by spreading the holdings over as many people as possible, the subscribers would be more strongly protected so far as the market price was concerned.

The Minister of Finance, with the co-operation of some of the most active of the business men of the Dominion, organized a central committee called the Dominion Executive of the Victory Loan Campaign, which in turn organized associated committees in every province. These again created committees in various counties, cities and towns. By addresses, advertisement and canvass, by the united efforts of all these countrywide organizations, the results far exceeded the expectations even of those best qualified to anticipate the result of an appeal of this character. The bonds were of five, ten and twenty year maturities. The prospectus called for an amount of \$150,000,000, but the loan was an open one and the right was reserved to exceed subscriptions above this amount. In response to the appeal, subscriptions to the amount of \$408,000,000 from approximately 600,000 subscribers, a subscription from about one in every nine of our population, a subscription of over \$58 per capita, was received. This was slightly better than the results of the Liberty Loan of 1917 in the United States, where some 9,400,000 subscriptions were received, or about one in more than eleven. The subscriptions in the four western provinces were particularly gratifying, and indicate in these new provinces remarkable accumulation of wealth, which fact is pleasing to the older sections of the Dominion. The Victory Loan Committee state the subscriptions of Alberta amounted to \$16,515,150; British Columbia, \$18,814,700; Saskatchewan, \$21,777,050; and Manitoba, \$32,326,600. Opportunity was given to the overseas forces to subscribe, and we received over \$1,500,000 from soldiers who cashed in their faith in their fight and country.

The total subscription was cut down to an allotment of \$398,000,000 of new money, not counting holdings of previous war loans which were convertible and were converted into Victory Loan Bonds to the amount of over \$150,000,000. When all the charges are computed and paid, the cost of the loan will approximate $1\frac{1}{2}$ per cent, which is comparatively small in such a large operation and extending over so wide an area. The banks received $\frac{1}{4}$ of 1 per cent as remuneration for their services and to compensate them for the labour entailed in all their branches in taking the subscriptions; issuing temporary receipts; delivery of the scrip; receiving the five instalments from January to May; transmitting the cash to the Department of Finance; in delivering the bonds to subscribers in exchange for scrip; in paying at par all over Canada the coupons and interest cheques during the whole period covered by the loan.

The probable subscribers of the larger amounts were solicited by the agency of a special committee and upon these subscriptions no commission was paid. The local canvassers received $\frac{1}{4}$ of one per cent on all subscriptions received by them to compensate them for their time and labour; and finally, the bond dealers and brokers who co-operated most heartily and energetically in the work and who placed the services of themselves and their several staffs at the disposal of the committee were to be allowed such remuneration as was deemed reasonable by the Minister of Finance. It is estimated that the total charges will amount approximately to \$5,000,000, or about $1\frac{1}{2}$ per cent. When the issuing charges for all our other previous loans are considered, it will be found that this may be regarded as exceedingly reasonable.

I wish to acknowledge on behalf of the Minister of Finance and the Government his and their thanks and appreciation of the splendid and patriotic services of all the committees and workers whose efforts in a noble cause proved so successful; to the press, also, and to the public spirited citizens who, in an honorary capacity, gave valuable assistance in this great campaign. I desire to publicly and gratefully acknowledge their valuable services. Preparations for the next Victory Loan have already commenced, and the Government have also under advisement the matter of the sale of War Savings Stamps, a borrowing scheme very successfully employed in the United States.

FINANCING WAR AND TRADE.

There is a very direct connection not only between our domestic loans and the financing of our war operations, but also with our productions and our overseas export trade, and I think the matter well worthy of some consideration. Fundamentally trade is the exchange of products, and payment of the purchases of goods abroad must be made by the sale of goods or securities abroad. With us, gold is not a factor in international trade. All are acquainted with the fact that the war has disturbed the natural currents of trade rendering impossible the settlement of international trading accounts in the usual manner. Prior to the war, Canada had a favourable trade balance with Great Britain through the sale of her products and securities in that country, while we have always had an unfavourable trade balance in the United States. We settled the latter in London out of our available credits there, which was of course convenient to the United States because that country always had payments to meet there.

The later stages of the war, however, have materially altered Great Britain's position, and circumstances have compelled her to purchase heavily of war supplies and foodstuffs on this side of the Atlantic, while her exports have been diminishing. She has thus become chiefly a purchasing nation, and is no longer a loaning but a borrowing country. In 1917-18 we had as a matter of fact a favourable merchandise trade balance with Great Britain of about \$790,000,000 while with the United States it was unfavourable to the extent of \$350,000,000. Normally, we would settle our unfavourable American trade balance with the moneys receivable from Great Britain for her liberal purchases of our high priced commodities. However, owing to the enormous purchases Great Britain was obliged to make for herself and some of her allies, and so great had been the drain upon her liquid resources in the first three years of the war, that in July, 1917, she was obliged to secure loans or dollar credits for her Canadian purchases, otherwise, she would be obliged to practically cease purchasing here. In that event, commercial disaster would have overtaken us and we would have had difficulty in financing our war expenditures. It was therefore important that immediate action be taken to meet this new condition of affairs. In order that our industries and our artisans might be employed, that our agriculturists be afforded an export market and encouraged to pro-

duce, and that all our people might be paid for their exportable productions, which was of course of vital importance to all classes of our people, arrangements were consummated in midsummer last year whereby the Government of Canada agreed to make advances to Great Britain at the rate of \$25,000,000 per month in order that she might purchase in Canada such of our products as she needed and which we had to sell. In fact, advances for cheese and meat products in excess of the agreement were made last year. In addition, and for the same purpose, the Canadian banks agreed to make advances to the British Government, and altogether up to this date have advanced \$200,000,000 on the security of Imperial Treasury Bills. Further, the Government of the United States last year agreed to establish credits for British purchases in Canada. These arrangements are still effective and are likely to continue throughout the year. In a word, the Government of Canada and the Canadian banks have been granting credits for Great Britain's purchases in Canada in substantial amounts since midsummer of 1917, otherwise, our overseas trade would have been seriously handicapped. I must point out, however, that while the Government has thus been making advances to assist in the payment of British purchases in Canada, Great Britain has been paying for Canada the upkeep of her troops in Great Britain and France, and sundry Government accounts. These payments by the Imperial Government for Canada have been to date \$100,000,000 less than the payments made for Great Britain by the Canadian Government, and there is that amount to our credit in this open account to-day.

That is strictly the Government's financial position in respect to war and trade for this year. It might be interesting to consider the economic position of the people outside of the Government. The exact position of the people of the country, apart from the Government, is surrounded with additional difficulties. They must meet an adverse balance of merchandise trade with the United States and also the principal and interest of maturities there. They must as well pay for imports from Great Britain, which last year amounted to \$81,000,000, notwithstanding we are the creditor country, and they must pay the interest owed by our people to people in Great Britain, and which amounts to about \$135,000,000 annually. The combined commitments of the Government and the people are, therefore, abnormal and

substantial by reason of the conditions I have outlined.

Relatively, our position during the whole of the last fiscal year was less onerous than it is at present. In the early part of 1917 Great Britain was able to pay for some of her purchases, and, in addition, Canada was permitted to borrow money from the United States to the extent of \$185,000,000, which assisted in reducing our adverse balance with that country. In 1918, as far as one knows at present, we are prohibited from selling securities of any kind in the United States, and to that extent we are at a disadvantage this year in the settlement of our American purchases, and, of course, Great Britain is unable to pay directly for any portion of her Canadian purchases.

The experience of all nations during the war teaches us that all problems change as we approach them. We may yet, during the present year, be permitted to sell in a restricted way securities in the United States. The United States may buy more from us during this year on account of war and other purposes than she did last year. I believe she will. We may, during the year, and should, as a people, buy less of the United States of non-essential articles. Great Britain may arrange with us to pay in pounds sterling for what merchandise our people buy from her, and what Canadians owe her people for interest, the Government collecting here under suitable arrangements the interest and merchandise accounts due the people of Great Britain by our people, and with it buying additional Canadian products and shipping them overseas. At any rate, there, in rough outline, is the problem of the Canadian people to-day in carrying on our part of the war, and in part our trade and commerce, and making possible the productions and activities of the manufacturer, farmer, fisherman and lumberman, and such in part is the method employed in bringing about that end.

With these facts before the House, it might be interesting to consider what directly and indirectly are the commitments of the Government for this year. Approximately we must provide:

For Civil Budget ..	\$230,000,000	
For War Expenditure ..	425,000,000	
For advances to the Imperial Government for financing in part our export trade with Great Britain ..	325,000,000	
In all ..	\$980,000,000	\$980,000,000

To discharge this there will be:

Revenue.. . . .	\$270,000,000	
Advances by Great Britain to pay for maintenance of Canadian troops overseas, about.. . .	300,000,000	
Unexpended balance of Victory Loan, as of March 31, 1918.	130,000,000	
	<u>\$700,000,000</u>	<u>\$700,000,000</u>
leaving a probable balance for 1918-19 of..		\$280,000,000

to be provided from loans in Canada or elsewhere if possible. This is not inclusive of our commitments for expenditure on account of the purchase of railway equipment and Canadian Northern Railway maturities. The latter we hope to extend upon small payments of principal under powers which we are asking of Parliament this year, and the railway equipment, it is expected, will be financed largely by the issue and sale of equipment securities. The figures which I have given are probably not exhaustive of either income or outgo; I merely wished to show by a few figures, approximately only, the dimensions of the Budget of this country.

I have detained the House perhaps at too great a length in a statement as to how our war and in part our trade is financed. I wanted to make clear that if we are to continue our part in the war, and maintain our overseas trade at its present dimensions, the people of Canada must loan to the Government the money to accomplish that end. That is, they must, year after year, purchase Victory Bonds. There is no other way of accomplishing it. It cannot be obtained elsewhere. We must rely on our own capital and labour, so far as one can see, to carry on our present war and trade programme. I cannot too strongly state the imperative necessity of the Government borrowing from our own people, and the imperative duty of our people to loan to the Government. No person can too strongly impress this view upon our country. This obligation rests upon all classes and upon every citizen. To enable our people to do this, it is necessary that they continue to produce wealth. The production of wealth means an excess of production above our own wants. We must continue to produce, and if possible in greater quantities, by a more effective mobilization and utilization of our man and woman power, notwithstanding the fresh requirements of our army for man-power, and the many other difficulties confronting

us. And we must economize in every way. Primarily, saving is not a question of money. It is rather a question of saving the things that money will buy. The less we consume of that which we produce the greater the surplus we shall have to sell abroad. The more we save of our productions and of our services the better able shall we be to meet our increasing taxation, and the greater the power of our people to purchase Government bonds. Of our imports from the United States, there is a great volume of non-essential commodities, and luxuries. If we all ceased to buy of these, our adverse trade balance with the United States would be partially redressed, the cost of remittances for our essential imports from the United States would be less, the cost of these essentials would be that much less to our importers and consumers, and a greater surplus would be available for payment of taxation and loans to the Government. We must learn to dispense with luxuries, and possibly with some of the things which we have hitherto regarded as necessities. In order to reduce this class of imports, it may become necessary to control the same by the licensing system. I am merely pointing out that which should be the aim and the purpose of the state and its citizens and which becomes more clear as the war is prolonged. I do not think it can be justly said that the Canadian people have altogether failed in this respect, notwithstanding the many temptations which a war prosperity has brought to us. An investment of over \$700,000,000 in Canadian Government securities by Canadians is indisputable evidence of production and thrift, but better still, a token of stability, law and order in the days to come. The increase in our bank deposits is likewise an evidence of economy on the part of our people. I feel I am not subjecting myself to sound criticism when I say we can do better, and in very fact we must. In other respects are our people to be commended. In our expanding trade and commerce one might well have looked for a period of speculation that would have later spelled disaster, but there has been no speculation in lands or stocks, municipalities have curtailed expenditures as they all should do, building operations have been restricted to our wants, our financial institutions occupy a strong position, our currency is upon a sound basis, and the expansion of our industries can hardly be said to be unsound.

TAXATION.

I now approach a consideration of the matter of taxation. It is the function of Government to secure from the people, from time to time, such revenue as will meet ordinary expenditure and as much more as necessity and wisdom dictate. It will always, I presume, be a debatable question what portion of war expenditures should be paid from current taxation, but any principle is subject to variation according to the period over which the war is prolonged, the volume of expenditure, and the population and resources of a country. Again, inevitably there must be wide differences of opinion as to the form and degree of taxation that shall prevail. One might safely say that no system of taxation should be in force which has a repressive effect on production and trade, or as some one has said, no tax should paralyse industry of any kind, hamper enterprise, or breed discontent among our people, but that none should be avoided which are essential to provide the revenue required and that will distribute the incidence of taxation as equitably as conditions and experience dictate. Again, it is claimed and with considerable force that excessive taxation will deplete the source for investment in Government War Bonds which we must possess. It is comparatively easy to enunciate such principles as applicable to taxation, but in the trying circumstances and conditions which confront us it is a difficult task to provide any general scheme of taxation which shall completely fall within the rules I have just outlined. We are confronted by conditions, not theories. Many accepted economic principles of trade and taxation are by force of conditions impossible of application to-day. It is further to be observed about taxation that whether you increase or decrease any taxation it is becoming exceedingly difficult to determine whether the purposes of revenue shall be accomplished or not. With the limitations and restrictions in export and import trade, and even upon production, throughout the entire world; with embargoes, licenses and fixation of prices; with the transportation agencies of most countries largely under governmental control, and subject to traffic priorities; with increasing production costs, increasing wages, and contracting labour markets; with the tremendous demand for raw materials for war purposes, and with problems of exchange, one would be bold indeed to prophesy the course of the currents of our trade and commerce from day to

[Mr. A. K. Maclean.]

day, or the net results and effects of any taxation proposals.

For the reasons which I have just stated, and others, I should not be surprised to find at the end of the fiscal year a considerable reduction in revenue from Customs and Excise as compared with the last year and upon the present rates. The prohibition of the importation of spirits and beer during the war will alone entail an annual loss to revenue of over \$15,000,000. With increasing interest and pension charges, due to war, we must, of necessity, from time to time impose fresh taxation to supplement our revenues.

Since Parliament last met and during the recess two taxation measures were enacted by Order in Council. These relate to the Canadian Pacific railway and to the meat-packing and cold-storage industry. Copies of these Orders in Council have been laid upon the table of the House, but I might be permitted, in fact it is perhaps my duty, to state to the House the effect of these taxation measures.

By an Order in Council, which is effective during the war from January 1, 1918, we shall receive from the Canadian Pacific Railway one-half of the net earnings of that company from its railway operations after payment of fixed charges and dividends, and as well the income tax on the company's special income received from sources outside of railway earnings. It is further provided that the total amount to be paid each year shall not be less than the amount which the net earnings exceed the earnings for the year ending December 31, 1917, due to the increase in freight and passenger rates granted by the Order in Council of December 26, 1917, and further, it shall not be less than the company's net earnings in any year from railway operations, in excess of ten per cent on its common stock up to \$7,000,000. We estimate a revenue of \$7,000,000 and possibly more from this source this year. In respect of the Order in Council relating to the packing industry, it is provided that the packers shall retain in addition to 7 per cent per annum upon the invested capital one-half of any excess up to fifteen per cent, the balance being payable to the Receiver General. The revenue to be derived from this source, is of course dependable on the volume of business carried on during the year by the industry and the profit, which is hardly capable of estimate at the moment.

Mr. MURPHY: That Order in Council was not retroactive?

Mr. A. K. MACLEAN: I do not think that Order in Council was retroactive.

The Business Profits War Tax Act, 1916, is not applicable to this calendar year unless clause three of the Act is revived, which we propose doing. From this tax we received of revenue \$12,506,516 the first year, and \$21,271,283 the second year. For the third accounting period of 1917, the returns are only receivable on or before the first of July, 1918. A safe estimate of revenue for that period is \$25,000,000, which if realized will make a total of \$58,771,799 received from the Business Profits War Tax for the three accounting periods. It is proposed to amend clause five of the Act, which limits the business to be taxed to those employing capital to the amount of \$50,000 and over. The amendment will provide that businesses employing capital of \$25,000 and up to \$50,000 shall be subject to taxation, but at a lower rate. The rate of taxation shall be twenty-five per cent of the amount by which the profits exceed ten per cent, the rate being applicable alike to incorporated companies and any other business employing the stated amounts of capital.

Important amendments to the Income Tax Act are proposed. The exemption in the case of unmarried persons is to be reduced from \$1,500 to \$1,000 and for married persons from \$3,000 to \$2,000, the rate to be two per cent from \$1,000 and up to \$1,500 in the case of unmarried persons and widows, or widowers without dependent children, and two per cent from \$2,000 and up to \$3,000 in the case of all other persons.

The present super tax is to be continued as at present up to incomes of \$50,000, at which point a new classification and rate is proposed, and which is as follows: From \$50,000 and up to \$75,000, fifteen per cent; from \$75,000 and up to \$100,000, twenty per cent; from \$100,000 and up to \$200,000, twenty-five per cent; from \$200,000 and up to \$400,000, thirty per cent; from \$400,000 and up to \$600,000, thirty-five per cent; from \$600,000 and up to \$800,000, forty per cent; from \$800,000 and up to \$1,000,000, forty-five per cent; and all over \$1,000,000, fifty per cent.

In addition to the normal tax and super-tax, it is proposed during the war to enact a war surtax assessable up to and inclusive of the calendar year in which the war ends, upon the tax payable, as follows: On incomes from \$6,000 to \$10,000, five per cent; on incomes in excess of \$10,000 and not exceeding \$100,000, ten per cent; on incomes in excess of \$100,000 and not exceeding

\$200,000, fifteen per cent, and upon all incomes in excess of \$200,000, thirty-five per cent.

At the last session of Parliament the Minister of Finance was strongly urged to provide an exemption for each child in the family of a married person liable under the Income Tax Act. During the recess and before he left Ottawa in January last, he had given careful consideration to these representations, and he concluded that some exemption in such cases should be made. Accordingly, an amendment to the Act is to be submitted providing for an exemption of \$200 for each child under the age of sixteen years. This amendment is not retroactive, and is not applicable to the Income tax payable for the year 1917.

The Corporation Income Tax, now four per cent, is to be increased to six per cent. Other minor amendments are proposed, but I need not detain the House with them at this time.

The computation of the Income tax is difficult, and in order that the House may clearly understand the effect of the proposed amendments, I shall illustrate the same by a statement showing the present and proposed tax payable in the case of a married person. The first figure I shall read shall be the income, next the present taxation, and lastly the proposed taxation.

Income.	Married Persons. Present Tax.	Married Persons. Proposed Tax.
3,000	Nil	20
6,000	120	140
10,000	360	392
20,000	1,260	1,382
30,000	2,460	2,702
50,000	5,260	5,782
75,000	10,010	11,007
100,000	14,760	17,607
200,000	43,760	50,957
400,000	101,760	142,757
500,000	130,760	195,407
600,000	159,760	248,057
800,000	217,760	366,857
1,000,000	275,760	499,157
2,000,000	565,760	1,228,157

We propose to increase the excise duties payable on manufactured tobacco from 10 cents to 20 cents per pound; on cigars from \$3 to \$6 per thousand; on cigarettes from \$3 to \$6 per thousand; on foreign raw leaf tobacco from 28 cents to 40 cents per pound; on foreign raw leaf tobacco, stemmed, from 42 cents to 60 cents per pound. We also propose to establish an excise duty of 5 cents per pound on raw leaf tobacco grown in Canada, allowing the Canadian grower a sufficient quantity for his own use without payment of duty thereon.

We also deem it expedient to place a Customs tax of ten cents per pound upon tea. The importations of tea for consumption in Canada amount to about thirty million pounds per year, a per capita consumption of a little more than four pounds per annum. An excise duty of 10 cents per pound shall also be imposed on all tea held by importers and dealers, on the 30th day of April, instant, and on that day unsold, in excess of one thousand pounds. The importations of tea during the past three months have been equal to half the importations for the year 1917.

The imposition of a specific duty of 10 cents per pound on tea, necessitates changes in the Customs duties upon coffee and chicory, in order to place the taxation upon these articles on a parity with the taxation upon tea. The principal change in the taxation upon coffee relates to green coffee. The Customs tariff upon green coffee is, British Preferential Tariff, 2½ cents per pound, and General Tariff, 3 cents per pound. It is proposed that the British Preferential Tariff be 5 cents and the General Tariff 7 cents, per pound. The coffee tariff items are covered by the West Indies Agreement and the Preferential rate for coffee from the West India Islands, which were parties to the agreement, must be at least 20 per cent below the General Tariff rate. This has been provided for in the several tariff changes in respect of coffee. Changes in the Customs rate of duty payable on tobacco, cigars and cigarettes compensating for the increases in the excise tax upon these articles will be submitted.

It is also proposed to increase the duties payable on beverages which require malt, rice or corn in their manufacture and when containing not more than 2½ per cent of proof spirit. The present rate of duty upon this commodity is 17½ per cent, plus the War Tariff Rate of 7½ per cent, or about 25 per cent ad valorem, and it is proposed to raise the rate of duty to 40 per cent ad valorem.

The resolutions which I shall submit at the close of my remarks will provide for the repeal of the special war tax rates on sleeping car berths, and shall substitute the rate of 10 per cent of the price paid for each berth, with a minimum rate of 25 cents; and for the increase from 5 cents to 10 cents of the tax on parlour car seats; they shall provide for an excise tax of 1 cent per hundred on matches, or fractional parts thereof; an excise tax of 8 cents on each pack of playing cards; and a specific

rate of Customs duty of 5 cents per lineal foot upon moving picture films.

The resolutions shall also provide for a special war excise tax of 10 per cent upon the selling value of automobiles, jewellery, gramophones, graphophones, phonographs, talking machines, mechanical piano and organ players and records, when imported into or manufactured in Canada. The tax upon automobiles is applicable to all imported into or manufactured in Canada and unsold this day. Such are the taxation proposals, and other than I have stated no tariff changes are proposed.

In conclusion, let me say that we may safely look to the future with courage and fortitude. Happy are our conditions in comparison with those of the belligerent countries of Europe. Armies do not contend for mastery upon our soil. Our undeveloped resources are tremendous. Immigration has been temporarily arrested, but shortly after the war we shall resume our growth of pre-war days and our financial burdens shall not then appear so onerous. We have assumed enormous responsibilities and we shall discharge them in the manner befitting our country, our cause and our race. The future of our country as well as the fate of civilization and democratic institutions will depend upon the result of this war, and no price is too high to pay for victory. We have already played a distinguished and noble part in the titanic struggle of the warring nations, and it shall not diminish for the lack of resources to be furnished by our people. We shall face coming events not without anxiety, not without a clear realization of our task, but with a strong resolve to use our strength to the utmost, confident that our Canadian people will patriotically and cheerfully provide for our expenditures, and the ways and means to support and sustain our gallant army in its stand for the political institutions which we cherish and which we pray shall not perish from the earth.

RESOLUTIONS.

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

1. Resolved, that it is expedient to amend Schedule A to The Customs Tariff, 1907, as amended by Chapter 5 of the Acts of 1914, second session, and by Chapter 3 of the Acts of 1915, and to strike thereout tariff items:—

24, 25, 25a, 26, 27, 28, 28a, 29, 29a, 143, 144, 145, the several enumerations of goods respectively and the several rates of duties of Customs, if any, set opposite each of the said items, and to provide that the following items, enumerations and rates of duties be inserted in said Schedule A:—