# THE BUDGET

The Budget for the fiscal year 1916-17 was brought down in the Commons on February 15th, by Hon. Sir Thomas White, Minister of Finance. The Minister estimated expenditure for the year at $165,000,000 of which $135,000,000 would be "ordinary" and $30,000,000 on capital account, in addition to estimated war expenditure of $250,000,000. Revenue for the year he estimated at $170,000,000. The new taxation proposed may be summarized briefly:

A tax of 25% on profits in excess of 7% on the capital stock of incorporated companies; this tax not to apply to insurance companies or companies engaged in agricultural enterprises; exemption from this tax for all companies with a capital stock of less than $50,000, except companies making war munitions or war materials.

A tax of 25% on profits in excess of 10% on the capitalization of firms, individuals, partnerships and associations.

These taxes to take effect on all profits from August 4th, 1914, and to remain in force until August 3rd, 1917. Companies with head offices outside Canada to pay tax on their profits in Canada. Companies already paying special war taxes under the new taxation of 1915 to be exempt from the 1916 taxes to the extent of the war taxes so paid.

Only two changes were made in the Customs Tariff—an increase of 50 cents per barrel in the duty on apples, from 40 cents to 90 cents, and a duty of a half cent per gallon on refined petroleum and oils other than illuminating or lubricating oils. This tax on oil, the Minister estimates, should produce an added revenue of $500,000.

The new budget has been vigorously criticized on several important points, not only by Liberal Speakers in Parliament, but by the press generally and by leading business men of the Dominion. This criticism has proved so well grounded that it has resulted in important amendments to the formal Bill providing for the new taxation, when it was brought in to the House of Commons.

Mr. A. K. Maclean (Halifax), the first Liberal speaker in the Budget debate, stated the Opposition criticism of salient details of the new proposals of the Minister of Finance, as well as of the general financial policy of the Government during the year. His case can be given here only in brief summary:

### FAVORABLE BALANCE OF TRADE.—

The excess of exports over imports, estimated to amount to $200,000,000 for the fiscal year 1915-16, and which is the first favorable balance in the history of Canada, must not be regarded as normal or likely to continue. It was produced by two outstanding causes, the enormous export of war materials to the Allies in Europe and the unprecedented grain crop of Canada in 1915. It is generally conceded that the exportable grain crop for 1916 cannot equal in proportions that of 1915; neither should we rely too much upon the continuance of war supply exports. The abnormal conditions of 1915 are liable to rapid change, and soon we may be confronted with changed conditions.

### DOMESTIC WAR LOAN.—

All Canada is proud of the success of the War Loan of $100,000,000 even if the conditions were unusually favorable because of the enormous crop and the favorable trade balance. It is subject, however, to the criticism that too much of this loan was subscribed by the banks and large financial institutions and too little by the people themselves from their savings. This was the first opportunity that ever came to Canada to encourage national thrift and investment among people of small means, but these were not properly encouraged to subscribe. The uniform basis of the subscriptions by the banks gave them the appearance of having been made involuntarily. It was not in the real sense a popular loan and no proper effort was made to make it so.

### THE ALLEGED SURPLUS.—

The Finance Minister's statement that the year 1915-16 shows a surplus of $45,000,000 of revenue over ordinary expenditure must be taken in the light that if all domestic or civil expenditures, including capital, are considered, there is a nominal surplus of only $5,000,000; when war expenditure is considered there is really a deficit of $125,000,000. The surplus of $45,000,000 is a fallacy and a delusion. Ordinary expenditure was not reduced, the added revenue came from the pockets of the people and not from the Government. The gross revenue was the highest in the history of Canada, but unfortunately our total ordinary expenditure also almost reached the highest mark. If a so-called surplus of $45,000,000 was gratifying, how much more gratifying would be a surplus of $75,000,000 or $80,000,000, which would have been quite possible had the Government practised such economy in expenditure as war conditions called for.

### THE WAR TAXES (Tariff) OF 1915.—

Undoubtedly the War Tariff produced considerable revenue. It is regrettable that we have such scanty information in respect to its actual results. We were promised by the Minister of Finance in his last Budget speech that the Trade and Navigation returns would contain the result of the War Tariff rates, but no such information has been suplied. However, it may be said that the 7½% tax ON ARTICLES FORMERLY FREE produced probably three-fourths of the additional revenue. The effect of the surtax of 7½% upon the general tariff rates gave little if any gain to revenue, AND IT UNDOUBTEDLY RESTRICTED TRADE.

### REAL NET GAIN PROBABLY VERY SMALL.—

On account of the high prices ruling on almost all commodities, the increased tariff rates added much to the cost of importations. Thus the cost of raw materials, largely imported for the manufacture of war materials, was greatly increased. It added to the cost of war materials we purchase for use in Canada as well as to the amount we must pay to Great Britain for our proportion of materials used by Canadian troops overseas. So, while we received some additional customs revenue it was paid out again, and more perhaps, and consequently we were little better off. In this respect the statistics do not disclose the full facts, and it is difficult to estimate the net results. There were drawbacks (refunds of duty when materials were re-exported) which will probably amount to six or seven million dollars. Therefore it is fair to say that the added 7½% to the general tariff yielded practically no revenue, while it restricted trade.

### CANADA'S FINANCIAL POSITION.—

The total deficit for the year ending March, 1915, was $104,647,520, including some $60,000,000 of war expenditure; for 1916 the year just ending, it is figured by the Minister of Finance that the deficit will be $125,000,000 caused altogether by war expenditure, while for the year 1916-17 he estimates a deficit of $245,000,000 also caused by an estimated war expenditure of $250,000,000. This means an addition to the public debt for these three years of $485,000,000. The total public debt would thus be $825,000,000 at the end of March, 1917. This means an increase in the interest charges on the debt from $12,893,000 in 1914 to the estimated amount of $39,649,000 in 1917. The interest charge, if expended next year, will be about 40% of our total receipts from customs and excise in 1915.