

The Budget Speech and the State of the Nation

Sir Thomas White, Finance Minister, points out the position of Dominion finance—Heavy burdens—increasing expenditure—increasing income tax—Desirability of early withdrawing of public credit to aid industry.

The budget speech of Sr Thomas White, Finance Minister, was delivered in the House of Commons, Ottawa, on June 5th. His remarks are of intense interest this year on account of the fact that it shows the efforts of the Dominion Government to grapple with the post-war problems.

“With regard to the cost of the war to the Dominion,” Sir Thomas said, “the books of the Finance Department show as of March 31st last a total principal war expenditure of \$1,327,273,848. The portions incurred in respect of the several years during the continuance of the war are as follows:

1914-15.....	\$ 60,750,475
1915-16.....	166,197,755
1916-17.....	306,488,814
1917-18.....	343,836,801
1918-19.....	450,000,000

“Over the same fiscal period, namely, from April 1st, 1914, to March 31st, 1919, the total expenditure upon ordinary account, that is to say, the current outlays of the Dominion in respect of its various services, aggregated \$832,757,589. The expenditure upon capital and other accounts, for which, by the practise of all our governments, provisions might properly be made by borrowing, and for which assets of equivalent value were created for the permanent benefit of the people of Canada, amounted during the five years in question to \$180,277,873.

“Leaving capital expenditure aside, and applying the surplus available from our revenues over and above the amount required to meet current outlays, it will appear that we have met the principal cost of the war from taxation to a total aggregate amount of \$275,943,977. If we take into account the amount contributed during the five years for interest upon war debt and for pension charges, the total paid from revenue on account of the war to March 31st, 1919, is \$438,293,248.

“On March 31st, 1914, the net national debt was \$335,996,850. On March 31st, 1919, the net national debt was \$1,584,000,000. There remains to be considered what further increase in the national debt will be made during the present fiscal year, which will end on March 31st, 1920.

“In reality, the present year is, so far as expenditure is concerned, a war year. It is impossible to estimate accurately what our demobilization expenditure for 1919-20 will be, but we may be sure that it will not be materially less than \$300,000,000.

“Assuming that we shall not be able, in view of the magnitude of our reconstruction programme, to pay any substantial part of our demobilization expenditure from revenue, we may calculate that if no further outlays are necessary on what I may call the principal of our war expenditure, the total net debt of Canada will stand at not less than \$1,950,000,000. This contrasts with \$335,996,850, the net debt of Canada at the end of the fiscal year 1914. The increase during the five-year war period is thus shown in round figures at \$1,614,000,000.

“This, then, is the financial position, so far as relates to the national debt. While the amount is large, and averages over \$220 per head of the population of Canada, it will be remembered that Canada was in the war from the first day, and that, by comparison with the present net national debts of European governments, including Great Britain, who were similarly participants in the conflict during its entire length, our position, having regard to relation of debt to number of population and to national resources, must be regarded as distinctly more favorable.

“I do not in the least desire to minimize the gravity of so great a debt as now confronts us on the threshold of the

new era upon which we are entering. It will constitute a burden upon the people of Canada for generations to come. Fighting for the principles for which we stood, we could not, and did not, count the money cost, which is really the least part of our sacrifices in the war. The realization that, at the greatest crisis in all history, when the fate of world freedom was trembling in the scale of destiny, this gallant country of eight million people puts its all to the hazard in the mightiest of conflicts for the cause of truth and justice, will be lofty inspiration to greater effort, which will enable Canada to carry and ultimately extinguish the heavy obligation entailed by the war.

“What portion of this indebtedness and of the obligations we have incurred with respect to pensions and other services arising out of the war we shall be able, under the peace settlement, to obtain by way of indemnity from Germany and her allies, I am unable to say, but it would be imprudent to treat expectation in this regard as an asset upon which we may with certainty depend. It is better to face our debt and other war liabilities as they stand, and assume that we must be prepared to bear their full burden by our own strength and from our own resources.

“In considering the subject of our national debt, an important aspect, from the viewpoint of its bearing upon our financial standing and credit, is whether it is owed to our own people or abroad. In this respect, and bearing especially in mind the fact that before the war Canada's borrowing for federal, provincial, municipal and business purposes was principally in Britain and the United States, and not in Canada, the situation as to our national debt may be regarded with satisfaction.

“In round figures, the total outstanding securities of the Dominion Government are held as follows:

“In Great Britain, \$362,700,000.

“In the United States, \$150,873,000.

“In Canada, \$1,510,000,000.”

Sir Thomas went on to say that a gratifying feature of our finance is that the majority of our securities constitute long-date obligations.

“On account of this being, as respects expenditure, a war year, we shall have to float at least one further loan in Canada for purposes connected with the war and demobilization. Any necessary external financing to meet loans maturing outside Canada will receive timely attention.

“As the aggregate of our war issues exceeds our net war expenditure, it is to be pointed out that during the war we were enabled to make advances to Great Britain for her purchases in Canada to a greater extent than we availed ourselves of advances from the Imperial Government to meet our war expenditure in England and on the continent. The result is that there is owing to us by the Imperial Government a balance, after making the necessary set-offs, of about two hundred and thirty million dollars. This is subject to reduction by the unascertained amount which we shall pay in respect of increased charges for ammunition at the front since September 1st, 1917. An inquiry is now being made for the purpose of adjusting this charge.

“The figures which I have given show the increase in the national debt of Canada due to the war. Interest must, of course, be paid annually upon this debt, and I have had a careful estimate made as to the yearly burden which this will entail. Assuming the total debt of Canada on March 31, 1920, to be \$1,950,000,000, the estimated annual interest charge will be approximately \$115,000,000. But the added annual burden due to the war does not rest there. There is the further responsibility for pensions to our soldiers and their dependants. For the past fiscal year the amount paid on this account was \$17,460,000. For the present fiscal year it may reach \$30,000,000.

“Having indicated the extent of the financial burden which the war has imposed upon us, it seems advisable to