If this theory is correct, and so far as I know it has never been seriously challenged, then we need have no reluctance in borrowing to meet the expense of this war because such borrowing is for the purpose of accomplishing for future generations that which is infinitely more precious than material undertakings, viz., the preservation of our national and individual liberty and the constitutional freedom won by our forefathers during centuries of struggle.

Tariff, the Chief Source.

The chief source and mainstay of our revenue is the tariff, and it is to this we must look principally for relief of our present financial condition. Taxation imposed by increased customs duties bears upon all classes, because all are consumers, and in paying additional taxation each member of the community will feel that he is, to that extent, contributing to the cost of the war and the defence of his country. As an auxiliary means of raising revenue we shall resort to certain special taxes, the burden of which will fall more particularly upon those members of the community who are best able to sustain it.

List of Special Taxes.

To supplement our revenues to the minimum amount regarded by the Government as necessary, I shall later introduce to the House a bill entitled "The War Revenue Act, 1915." Its provisions will cover a levy of special and general taxation as follows:—

Upon all banks to which the Bank Act applies, a yearly sum equal to one per cent. upon the note circulation, to be computed and paid quarterly.

From this taxation we shall realize approximately one million dollars.

Upon every trust and loan company incorporated under any legislative authority, and carrying on business in Canada, a yearly sum equal to one per cent. of its gross income derived in Canada, payable quarterly.

Upon every insurance corporation, society, association, firm or partnership carrying on the business of insurance, other than life, fraternal, benefit and marine insurance, a sum of one per cent. upon all net premiums received by it in Canada. Payments to be made quarterly.

The provisions of the bill will apply to business of the respective banks, trust and loan and insurance companies transacted after January 1st, 1915, and the first receipts therefrom will reach consolidated revenue fund about May 1st.

Cable Messages and Railroad Tickets.

In addition, the following taxation will be provided for:—

Upon every cable and telegraph company using telegraphic cables or wires within the jurisdiction of Canada, a sum equal to one cent upon each despatch or message originating in Canada for which a charge of fifteen cents or more is imposed. Returns are to be made quarterly. The company is authorized to charge the additional toll and collect the same from the person sending the message.

Upon every purchaser of a railway or steamboat ticket in Canada for any point in Canada, Newfoundland, the West Indian Colonies or the United States, the sum of five cents in respect of a ticket costing over one dollar and not more than five dollars, and five cents for each additional five dollars or fractional part of five dollars which the ticket costs.

Parlor Car and Steamship.

Upon every purchaser of a berth in a sleeping car or seat in a parlor car, the sum of ten cents in respect of each berth bought and five cents in respect of each seat bought in Canada. The railway or steamboat company or person selling the railway, sleeping car and parlor-car tickets referred to are required to collect the taxes imposed and transmit to the Government.

Upon every person, firm or company carrying passengers by vessel to ports or places other than ports or places in Canada, Newfoundland, the British West Indian Colonies and the United States, in respect of each passenger, the sum of one dollar if the amount chargeable for the passage exceeds ten dollars, the sum of three dollars if such amount exceeds thirty dollars, and the sum of five dollars if the amount exceeds sixty dollars. The company is authorized to collect the tax from the passenger and is required to account therefor to the Government.

Many Stamp Taxes.

In addition to the above the following stamp taxes:—

Upon all cheques, receipts to banks by depositors and upon bills of exchange passing through a bank, a stamp tax of the value of two cents.

Upon all express and post office money orders a stamp tax of the value of two cents, and upon postal notes a stamp tax of one cent.

Upon every letter and postal card posted in Canada, a war stamp tax of one cent.

Upon proprietary or patent medicines and perfumery sold in Canada, the retail price for each bottle or package of which is ten cents or less, one cent; and in addition for each ten cents of retail price, one cent.

Upon wine, non-sparkling wine, sold in Canada, every bottle containing one quart or less, five cents; and for each additional quart, five cents.

Date to be Fixed.

Upon champagne and sparkling wine, sold in Canada, every bottle containing one pint or less, twenty-five cents; and for each additional pint twenty-five cents.

The special taxation to which I have referred other than that levied upon banks, trust and loan and insurance companies, will come into force at a date to be fixed in the Act. I am making an exception to this in the case of wines and champagnes, the stamp taxation upon which will become effectual at once.

From all these special taxes we expect to raise a sum approximating $8,000,000, although there is no means of accurate calculation.

Why Income Tax was Omitted.

It will be observed that I have in these special taxes omitted income tax upon individuals about which there has been discussion since the outbreak of war. The matter has had the consideration of the Government and it appears clear to us that such a tax is not expedient—at all events, for the present. Under the British North America Act, while the Dominion may impose direct or indirect taxation, the provinces are restricted to the former.

At present, under legislation existing in certain of the provinces, income is subject to taxation by municipalities, and in two instances by the provinces themselves. In other provinces, no income tax exists, although in some of these a business tax in lieu thereof is levied upon incorporated companies. In order to bring into force an income tax, the Government would be obliged to create machinery for assessment, revision and collection. This would involve a heavy expense as compared with the amount which would be realized.

Taking the income tax of the United States as a basis, it would appear that Canada could hardly expect to derive from a similar tax a sum in excess of two million dollars, from which would have to be deducted the heavy expense connected with its administration.

My chief objection, however, to an income tax is the fact that the several provinces are also likely to be obliged to resort to measures for raising additional revenue, and I am of the view that the Dominion should not enter upon the domain to which they are confined to a greater degree than is necessary in the national interest.

There is another feature of the income tax which makes it unsatisfactory for the purpose of Dominion finance. I refer to the length of period which must elapse before it becomes productive.

In Britain, where the tax is the chief source of revenue to the Imperial Government, there is no municipal taxation upon incomes. There is also the important difference that in Britain taxable incomes are derived largely from investments. They have, therefore, a settled and permanent character, are ascertainable with fair accuracy, and are capable of being levied upon at their source. With us this is not the case.

How Tariff is Changed.

As our main revenue measure, we propose with certain exceptions, a general horizontal increase in the customs duties upon all goods and commodities imported into or taken out of bonded warehouses in Canada. The list includes all articles hitherto dutiable, or on the free list, and whether raw material or finished, or partly finished product.

The increase we propose is seven and a half per cent. ad valorem to the general and intermediate tariffs, and five per cent. ad valorem to the British preferential.

In the case of iron ore, for reasons I shall give in committee, the added duty is specific and not ad valorem.

In determining the list of exceptions, regard has been had to our trade convention with France, and the obligations of our agreement with certain of the British West India Colonies. By reason of the former, the increased customs duties will not apply to silk fabrics, velvets, ribbons, embroideries and certain other goods.

Exceptions to Tariff Increases.

The exceptions to the tariff increases I have mentioned include wheat, flour, tea, anthracite coal, fish from Newfoundland, salt for curing fish, lines, twines, nets and hooks for the fisheries, reapers, mowers, binders, harvesters, binder twine, traction ditching machines, sugar, tobacco (dealt with in August), news printing paper, newspaper printing presses, typesetting and typecasting machines and a number of other items of lesser consequence. The tariff on the articles exempted from the increased duties will remain as at present.

Duty Upon Raw Materials.

So far as concerns the duty upon raw materials, it is to be pointed out that in accordance with regulations made under the provisions of the Customs Act, manufacturers are entitled to a drawback of ninety-nine per cent. upon all duties paid upon imported materials used, wrought into or attached to articles manufactured in Canada and exported therefrom. In addition to making the increases mentioned for the purpose of increasing revenue, we propose to alter the existing tariff by adding squid and nicotine sulphate to the free list. Squid is used as bait by the fishermen while nicotine sulphate is a spraying material used by fruit growers for destroying insect pests. These two items have for some time past been noted for change.

The revenue obtained from the proposed tariff changes will be separately shown in the Trade and Navigation returns of the Department of Customs. By this we shall know the precise amount collected through the customs under the provisions of the War Revenue Act.

Expect to Raise $20,000,000.

Upon the basis of importations for the current year and having regard to conditions which I have described as likely to prevail during the coming year, we expect to realize from our proposed customs tariff legislation from twenty to twenty-five million dollars.

These are the proposals of the Government, having as their object the raising of additional revenue rendered necessary by the war and our participation therein as a belligerent. We are not unmindful that they will entail a considerable financial burden upon the community. We believe, however, that to adopt measures less comprehensive in their scope would be but to temporize with a situation with which it is our duty to adequately cope.

Hopeful of Results.

That the people will cheerfully respond to the demands made upon their patriotism goes without saying. At the outbreak of the war it would have been premature to have brought forward measures, which to-day have been long foreseen by public opinion to be necessary, and indeed inevitable. It would also have been most inopportune and inexpedient, by reason of the profound dislocation and disorganization of business caused by the war and the shock to financial stability which the Dominion was so suddenly called upon to withstand. We believe the tariff increases which we propose will be not only effectual in producing greater revenue, but will be strongly efficacious in stimulating Canadian industry and agriculture and in relieving unemployment.

What is the National Position?

In conclusion it may be fitting that I should say something as to general economic conditions, actual and prospective. On the whole, having regard to the vast dislocation of finance and commerce occasioned by the war, the Dominion has withstood the shock exceedingly well. When we consider the immense distance we have traversed, since August last, in improved tone, confidence and commercial and financial outlook there is abundant cause for gratification and thankfulness. Readjustment has necessarily been a painful process for many of our industries, but it must be considered as having proceeded and as proceeding satisfactorily. The consequences of the interruption of our borrowings abroad for purposes to which I have alluded in the course of my remarks have been shown in a slackening of activity in many trades.

On the other hand production in various lines has been greatly quickened and stimulated by orders on a very large scale for clothing, munitions and other equipment and material placed in Canada, not only by the Canadian Government, but by Britain and her allies as well. Expenditure for supplies of this character must appreciably assist in countering the adverse factors of which I have spoken. It will also exert a most favorable influence upon the important problem of international exchange with which is involved the question of gold export