GOVERNMENT'S BUDGET PROPOSALS REVEAL SWEEPING REDUCTIONS MADE IN PRE-WAR RATES ON NECESSARY FARM MACHINERY AND WAGONS

(Continued from page 1)

Five Main Features.

There are five outstanding features in the 1919-20 budget:

1—The British preference is restored to its pre-war basis, and the 7 1-2 per cent extra war duties added to the general tariff in 1915 are removed from more essential articles.

2—There is an average net reduction of about 4 per cent. in the prewar duties on all agricultural implements.

3—The Canadian income tax is broadened and deepened to a point almost as severe as that which exists in Britain and the United States.

4—Our business war profits tax—as severe an excess profits tax as was ever imposed in any country—is retained, this despite the fact that the British war profits tax has been reduced by Mr. Chamberlain to forty per cent.

5—The figures of projected necessary expenditure and of available revenue to meet it which reveal the seriousness of the financial situation.

As for the reductions (net) on agricultural implements, western low tariff men should have no complaint in regard to them. They are the precise reductions provided for under Mr. Fielding's reciprocity act, Sir Thomas White having apparently taken the famous 1911 proposals as his 1919 model.

The same thing can be said of wheat, wheat flour, and potatoes. They are made free, just as was provided for by reciprocity, with the added step toward Cobdenism, however, that they are made free, not alone to the United States, but to any coutnry which makes them free to us. In addition, moreover, there are other reductions from the pre-war tariff, including the cutting of five cents a pound off the preferential intermediate and general rate on coffee, three cents on British-grown tea and a substantial reduction on soda ash.

Revenue Loss $25,000,000.

Taken all in all, the loss of revenue resulting from the tariff reductions is estimated (with a reduced purchasing power considered at twenty-five million dollars, a very considerable amount considering the gap to be bridged between contracted expenditure and visible revenue to meet it.

To make up this loss Sir Thomas White has had recourse to two lines of action; he has deepened income taxation, and he has, quite unexpectedly, retained the excess war profits tax. Under the new income taxation corporations are to pay ten per cent. an all income in excess of two thousand dollars, dividends of shareholders being given credit for this in the normal tax they have to pay. Unmarried persons are to pay four per cent. on incomes from one to six thousand, and married persons must pay the same rate from two to six thousand. A surtax will commence at five thousand instead of at six thousand, as under the old tax, and the percentage taken of incomes increases with their size.

New Incme Tax.

The proposed new income tax is considerably greater than the present tax, as the following comparative figures show:

Income.	Present. tax.	Proposed tax.
$ 3,000	$ 20	$ 40
4,000	60	80
5,000	100	120
6,000	140	170
8,000	266	370
10,000	392	590
20,000	1,382	1,990
20,000	2,702	3,890
20,000	2,702	3,890
39,000	2,702	9,190
75,000	17,607	31,190
200,000	50,957	93,190
500,000	195,407	303,190

The new tax is almost precisely the equal of the United States levy, the 1918 tax, now being collected across the border, and which reached the peak of income taxation, having been reduced for this year. It is not, however, as great as the British income tax, nor does it appear to be as heavy as similar taxation in New Zealand and Australia.

For example, while the proposed Canadian tax is not expected to bring in more than $25,000,000 a year (the amount that is expected t be lost by tariff reductions) little New Zealand, with about one-seventh of Canada's population, last year collected from incomes $21,000,000.

On the basis of New Zealand's contribution, Canada would pay $150,000,000. In Australia in 1917-18 the amount collected by income taxation was $37,000,000, and this year the Commonwealth Government expects $56,000,000 from the same source. If Canadians paid in the same proportion they would have contributed $60,000,000 in 1917-18 and $95,000,000 this year. So that, everything considered, the new tax, while probably severe, is by no means oppressive.

The retention of the business profits war tax was a surprise, but the minister justified his action by pointing out that, considering demobilization expenditures, 1919-20 may be regarded as a war year, calling for extra-normal taxation measures. Sir Thomas issued a warning, however, that this tax cannot be continued much longer without injury to the country, as the taxation of Canadian industry beyond that to which the industries of other countries are subjected must ultimately have the result of keeping capital outside of the Dominion.

What of the financial situation the minister's proposals are designed to meet? It is a financial condition which, to say the very least, challenges courage and brains. Let us begin with 1914. In 1914 the national debt stood at $335,996,850. Today it is $1,584,000,000. Our war expenditure since 1914 totalled $1,327,273,848, so that it requires but a bit of simple arithmetic to see that only a small proportion of war cost has been paid out of current revenue, and the end is not yet.

This year we shall have to expend something like $300,000,000 on demobilization, and when everything is settled, the debt (according to Sir Thomas will stand at $1,950,000,000, which will mean $220 or more for every man, woman and child in the country, and upon which we shall have to pay yearly interest to the amount of $115,000,000.

Nor does the legacy of war burden end there. Our pension bill this coming year will be in the vicinity of $30,000,000, and for the next generation it shall be not less than $35,000,000 and perhaps $40,000,000 a year.

The coming twelve months will, it would appear, apply a powerful test of our financial strength. Here is the expenditure it is estimated we shall have to make:

Ordinary expenditures (including debt interest, $270,000,000.

Capital expenditures, $50,000,000. Demobilization expenditure, $300,000,000.

Total estimated expenditure, $680,-000,000.

To meet this we have but a revenue that, at most, will hardly exceed $300,000,000, so that we are confronted with the problem of having to borrow at least $380,000,000 to make up the deficit, and, in addition, we have to meet outstanding liabilities of $148,-000,000.

Sir Thomas White proposes to get over part of this difficulty by floating a new domestic loan, but, unless it be for an unexpectedly large amount, the gap will still require some careful bridging.

Political Aspect.

As for the purely political situation created by the budget, it is, as yet, difficult to speak. The fact, however, that two such diverse fiscal apostles as Dr. Michael Clark and Mr. W. F. Cockshutt are both reported to be equally dissatisfied speaks well for its reception by more moderate men. Mr. Crerar is on a sick bed, and his precise views are not known, but it is taken for granted that he has retired from the cabinet, and that he will take with him from the Unionists—on this question at least—something like ten or a dozen western members. Extreme low tariff exponents, such as Mr. Maharg, Mr. Reid and Dr. Clark, are plainly dissatisfied, but that, of course, is not surprising, as little short of actual free trade would meet their views. Taken all in all, the overwhelming bulk of the House is almost certain to accept the budget as the best that the financial situation would permit, and, this being practically certain, the possibility of its being rejected is extremely remote.

(Canadian Press)

Ottawa, June 5.—A complete review of the financial position of the Dominion as a result of the war, with suggestions as to what Canada must do in order to successfully negotiate the next few difficult years, were the features of Sir Thomas White's annual financial statement, preceding tariff and taxation budget announcements, in the Commons this afternoon. The minister's story of Canada's present position was listened to attentively by a crowded house and galleries.

Probably the most interesting statement made by Sir Thomas was that the ultimate debt of the Dominion, when all expenditures are met, will be $1,950,000,000 or $220 per head of population, and involving an annual interest burden of $115,000,000. This is exclusive of pensions which will cost the country from thirty-five to forty million dollars per annum. While impressing upon the house the fact that the burden to be borne is heavy, Sir Thomas said Canada was in a much better position than many other countries, and there was no reason why we should be discouraged.

The cost of the war up to March 31, the close of the fiscal year, was $1,327,273,848. For the fiscal year it was $450,000,000 as compared with $60,750,475 for the first year of the war. During the war period $275,943,977 of its principal cost was paid out of revenue. With pensions and interest disbursements the amount paid out of revenue was $438,293,248.

The Finance Minister told the house that demobilization costs for the current fiscal year will be not less than $300,000,000, and total expenditure $620,000,000. Revenue on the other hand will not exceed $280,000,000 or about sufficient to cover ordinary expendture. There would have to be at least one more loan to cover demobilization and capital expenditure.

For the past fiscal year, Sir Thomas was able to announce that revenue had exceeded ordinary expenditure by seventy million dollars of which forty-eight million dollars had been devoted to war expenditure. In order to successfully cope with the financal situation the Finance Minister said there must be agricultural and industrial development. We must adopt the motto: "Produce and save."

"Leaving capital expenditure 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.

Said Sir Thomas: If we take into account the amount contributed during the five year period 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. "The war, so far as actual fighting is concerned, was terminated by the armistice on November 11th, last; but the expenditures connected with the maintenance of the Canadian corps in continental Europe, their gradual return, first to England, and then to Canada, their demobilization here, and the provision made by the government by way of war gratuity to enable members of the Canadian expeditionary force to bridge over the period of their re-absorption into civil life have still continued, and will continue over the greater part of the year.

"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 program to pay any substantial part of our demobilization expenditure from revenue, we may calculate that, when demobilization is complete and 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 national debts of European governments, including Great Britain, who were similarly participants in the conflict during its entire length, our postion, having regard to relation of debt to number of population and to national resources, must be regarded as distinctly more favorable.

"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.

Tariff Changes.

Coming to his tariff proposals Sir Thomas White referred to the fact that, under the customs tariff war revenue act, 1919, a British preferential tariff rate of five per cent. and an intermediate and general tariff rate of seven and a half per cent. was imposed with certain exceptions.

We propose, he said, to wholly repeal this British tariff rate of five per cent. Further, we propose to partially repeal the intermediate and general tariff rate of seven and one half per cent. by making it no longer applicable to the following classes of articles:

Food stuffs, linen and cotton clothing, woollen clothing, boots and shoes, fur caps and fur clothing, hats, caps, hoods and bonnets gloves and mitts, collars and cuffs hides, skins, leather, harness and saddlery, agricultural implements, petroleum, oils, mining machinery and bituminous coal.

Sir Thomas announced that provision will be made for a reduction of five cents per pound in the British preferential intermediate and general tariff rates on roasted or ground coffee and three cents per pound under the British preferential tariff on British teas.

Provision will be made for the free importation into Canada of wheat, wheat flour and potatoes from countries which do not impose a custom duty on such articles grown or produced in Canada.

He announced an alteration in the rates on soda ash from five per cent. under the British preferential tariff, and seven and a half per cent. under the general tariff to a fifth of a cent a pound under the British preferential tariff, and three-tenths of a cent per pound under the general tariff.

There will be provisions for specific instead of ad valorem rates of duty on pig iron, zinc, solder and copper ingots.

With regard to agricultural implements, Sir Thomas said that but for an arrangement they had been able to make the equalization of Canadian freight rates, it would not have been practicable to make any reductions in the ordinary schedule covering these articles. At the request of the government, he said, the railway companies would give the Chicago rates on agricultural implements from producing centres in the east, west of Montreal and east of the Great Lakes, to prairie points for car lot movements loaded to a minimum of 244,000. This reduction was a substantial concession. For example, to Regina, the Canadian haul of 1,590 miles would equalize the haul from American territory of 1,069 miles, while to Medicine Hat the Canadian movement was 520 miles longer than the American movement, although the rate would become the same.

Including the seven and a half per cent. war duty reduction, Sir Thomas said the proposal would provide for a total reduction under the general tariff from 27 1-2 per cent. to 15 per cent. on cultivators, harrows, horse rakes, seed drills, manure spreaders and weeders, and from twenty-seven and a half per cent to seventeen and a half per cent. on ploughs wind mills, portable engines, traction engines for farm purposes, horse powers and threshing machine separators. All parts and appliances are included.

Provision is made for a total reduction from thirty-two and a half per cent. to twenty per cent. on hay loaders, potato diggers, fodder or food cutters, grain crushers, fanning mills, hay tedders farm, road or field rollers, post hole diggers, snaiths and farm waggons.

In the case of cement, the war customs duty will be replaced and the general tariff rate reduced to eight cents per hundred pounds, or a reduction of two cents from general tariff rate.

Revenue Loss.

The total estimated loss in revenue, Sir Thomas placed at $17,000,000, and owing to estimated reduction in the total volume of imports due to diminishing purchasing power during the current year, and probable decline in prices as well, he said, the expectation was there would be a total loss in customs revenue for the present fiscal year of at least $25,000,000. To partially offset this loss and close the gap of the deficit of $15,000,000, between revenue and current expenditure, a heavy increase in income taxation was proposed.

Sir Thomas announced that in the future all corporations shall pay a ten per cent. on their net income in excess of $2,000.

In the case of the individuals it is proposed that the normal rate of four per cent. shall be levied on all incomes exceeding $1,000, but not exceeding $6,000, in the case of unmarried persons and widows and widowers without dependent children, and upon all incomes exceeding $2000 but not exceeding $6,000 in the case of all other persons. A normal tax of eight per cent. will be imposed upon all incomes exceeding $6,000. The surtax will commence from $5,000 instead of $6,000, and shall increase by graduation applying firstly to incomes between $5,000 and $6,000, and to every $2,000 between $6,000 and $100,000. Upon incomes in excess of $100,000 increased rates are levied.

The business profits war tax will be renewed for the fiscal calendar year so as to make it apply to accounting periods ending on or before December 31, 1919. The rates of the business profits war tax will be as follows:

Business having a capital of $25,000 and over but less than $50,000, profits in excess of 10 per cent. to be taxable at the rate of 25 per cent. thereof; business with a capital of $50,000 and over (exemption for incorporated companies), seven per cent.; other than incorporated companies, ten per cent.; profits in excess of exemption, but not exceeding fifteen per cent., rate of taxation 25 per cent.; profits from fifteen to twenty per cent, inclusive, rate of taxation fifty per cent.; profits in excess of twenty per cent. rate of taxation seventy-five per cent.

Sir Thomas announced that, within a year, he expects conditions will have become so stabilized as to permit of a general revision of the tariff which is long, but owing to the war, unavoidably due. Preceding such a revision there will be a thorough inquiry conducted by the minister of finance and two or more of his colleagues representing the different geographical sections of Canada.

Sir Thomas said that in his opinion the tariff inquiry might well be commenced this autumn.

Before closing he said:

"I feel I should make some general observations as to economic conditions prevailing in Canada today. An outstanding feature of the business situation is the fact that a great part of our business activity is due to the continued heavy expenditure of public money. The policy of the government for the so-called reconstruction period of transition from war to peace basis as illustrated in its programme with respect to shipbuilding, better housing, railway betterments, and extensions, public works and other national undertakings, together with its contribution of war gratuities to soldiers and the creation of credits for the promotion of our external trade with Britain and other European countries is a vital factor in maintaining our commerce, domestic and foreign, keeping the wheels of Canadian industry turning and affording employment to hundreds of thousands of people.

The funds from which these activities and credits are financed, and is undoubtedly justified in the policy millions of dollars, are borrow money. This being a war, a year of dislocation and of re-adjustment of business and industrial uncertainty, of general unrest and of high prices for the necessities of life, demobilization and of re absorption into civil life and occupation of our army the government millionsof dollars are borrowed money. which it has adopted.

To have pursued a timid or hesitating course with respect to making provision so far as possible for employment and for the promotion through public finance of our export trade in agricultural and manufactured products, would have invited most serious conditions throughout Canada. During the unsettled period, following the war, governments must do many things outside their function in ordinary times, which private enterprise through lack of resources or from apprehension as to the risk involved, is not able or willing to undertake. It must, however, be pointed out that the continuation of such a policy is subject to strict limitation, and that we must look forward and prepare for a time when the artificial support of employment and public financing of trade must be greatly reduced or discontinued, and the industry and business of the country be re-established upon the normal basis of peace conditions. The sooner this can be accomplished the better it will be for the community as a whole.

In the meantime, while the government is, through the instrumentality of the public credit and otherwise, using every endeavor to alleviate conditions which have inevitably arisen out of the war, and overcome the effects of the sudden cessation of the activities which it created, it is the clear duty of all citizens to earnestly co-operate with the government and with one another to the end that, with the exercise of patience, good will and high patriotic spirit, we may tide over successfully the most trying and critical period in the national life of the Dominion.

Resources.

Sir Thomas said: Having indicated the extent of the financial burden which the war has imposed upon us, it seems advisable to pause and inquire how that burden is to be met.

What are our resources, actual and potential, from which we can carry the interest, pensions and other war charges, and gradually extinguish our indebtednes due to the war?

We have a country of almost unlimited natural assets, vast stretches of cultivable land, magnificent forests, regions abounding in mineral wealth and fisheries, the most valuable in the world. We have a highly intelligent energetic, enterprising people of great stability of character and ardent aspiration for national and individual success. To develop our natural resources there is required the application of enterprise, capital and labor. To sell our products we require markets, domestic and foreign.

As evidencing what can be done by Canada in the way of national saving, Sir Thomas quoted figures showing that deposits in Canadian banks have increased from $998,191,367 on March 31, 1915, to $1,604,649,034 on March 31, 1919, remarking that there should also be taken into account the subscription by the Canadian people to the war loans floated in Canada and paid for by withdrawal of their deposits in our chartered banks and other financial institutions.

As a great food producing country, Canada is bound always to enjoy agricultural prosperity. It must be many years before Europe is able to recover agriculturally from the effects of the war. In the meantime, the hungry millions must be fed and it would seem certain that Canada's agriculture will not lack for profitable markets for all it can produce.

One most important asset, which we possess as a result of the war is the increased capability of industrial production which was turned during the war to such remarkable purpose in the manufacture of munitions and other materials. This higher capability among all classes should prove of the greatest value in enabling us to deal with our after-war problems and burdens.

As illustrating the vast strides made by our foreign trade during the war, the following statistical information is submitted:

In 1913, the balance of trade against us was $300,000,000. In 1914 our total international trade was $1,073,000,000 of whichh $618,000,000 was in imports and $445,000,000 in exports. For 1918 the total was $2,550,000,000, of which $962,000,000 was imports, and $1,586,000,000 exports. For 1919 the unrevised figures show a total of $2,169,000,000 of which $916,000,000 was imports and $1,253,000,000 exports. It will thus appear that, from an adverse balance of $300,000,000 in 1913 and of $160,000,000 in 1914, we had attained a favorable balance of over $600,000,000 in 1918 and of $340,000,000 in 1919 At the end of the five year period from 1914 to 1919 our total trade had doubled, while for the year 1918, which marked the highest point, it aggregated 2½ times the trade of 1914.

It must be kept in mind respecting these figures that the higher prices of our grain, foodstuffs and other exports [...]

fact, the national debt is materially reduced and pensions gradually run their course. The estimated expenditure on capital account for the year. we place at $50,000,000.

Demobilization Cost.

This is a war year and it is necessary also to add the estimated expenditure which has been and will be incurred on account of demobilization. This will aggregate the large sum of $300,000,000, including $92,000,000 for war gratuity. The entire estimated expenditure, therefore, of the year on ordinary account, capital account and for demobilization will reach the large total of $620,000,000.

Assuming that we maintained, without change, existing fiscal legislation, and that the yield of the various services would be upon the same basis as for 1918-19, our estimate of revenue for the present year would be as follows:

Customs	$145,000,000
Excise	30,000,000
Post Office	18,000,000
Business profits war tax	33,000,000
Income tax	20,000,000
Other war taxation	14,000,000
Miscellaneous sources	18,000,000
Total	$280,000,000

While from the statement which I have just made it will appear that our total estimated expenditure, ordinary and capital accounts and for demobilization, will amount to $620,000,000 our estimated revenue, on the present basis, will reach only $280,000,000. Putting it in another way, our revenue would enable us to pay only our ordinary expenditure and leave a small amount to be applied to other purposes.

The question which now arises is what shall be our policy in the matter of taxation for the present year. It is a year of great industrial instability and business uncertainty. If te war were still continuing it would be necessary to recommend heavily increased taxation in order that we might pay a substantial portion of the principal of our war expenditures. If it were not for special circumstances, arising out of this transitional period from war to peace, that course should be adopted, notwithstanding the ending of the war, because we shall have this year so heavy a volume of what is really war expenditure, that is to say, our outlay for demobilization and all that it involves."

Sir Thomas then annouced his tariff and taxation proposals.

Carleton Club Leading League

Last Evening in Seven Inning Game the West Enders Trimmed Y. M. C. I. by Score of 9 to 8.

The Carleton club nine scored another victory over the Y. M. C. I. team last night after a game marked by some rather loose play. Sterling ofg the Ctrlitons was shifted twice times, playing three positions and Garnett and Joyce, of the same team, also had the privilege of holding down two positions. The feature of the game was the three bagger swatted by Callaghan in the seventh, which assisted in bringing in two runs for the Y. M. C. I.

Big League Baseball Games

BELIEF MINISTER OF AGRICULTURE HAS RESIGNED

THE GLEE CLUB MADE IMPRESSION

THE WEATHER

Lukewarmness of City Council

SOLDIERS ARRIVE FROM FREDERICTON

BE SUSPICIOUS OF TENDER GUMS