

"PRONOUNCED STIMULATION AND ACTIVITY"

Canada's Finance Minister Says There are Many Bright Spots in the Situation—Special Budget Speech.

"TO many of our industries, and notably to agriculture, there should be pronounced stimulation and quickening of activity. Trade between Canada and the Motherland will undoubtedly receive an impetus, the importance of which to our future relations it would be difficult to overstate. If I have any general advice to offer, it is that the people of Canada will, as I am sure they will, continue to maintain the

Canada's first war budget in a hundred years has made the finance minister's speech at Ottawa last week an historic utterance. In introducing the special fiscal measures, Mr. White made a brief statement of the financial position of the Dominion and of the new situation as it presented itself to him. Not the least interesting was his appeal to the country, quoted above, for a maintenance of their confidence in their country's strength.

"Owing to widespread financial and economic conditions, to which I referred at length in my budget speech of April," said Mr. White, "our revenues since September last have shown a marked decline. During the first four months of the present fiscal year, April, May, June and July, we have experienced a reduction, as compared with the same four months of the previous year, of over ten million dollars.

"In consequence of a general increase in commercial activity, due to easier money conditions, a marked improvement became perceptible about the end of July. The extent of this improvement is reflected in the returns of the first ten days of August, the loss of revenue being \$500,000, or at the rate of say \$1,500,000 for the month, as compared with an average decline of \$2,700,000 for each of the four preceding months.

"As the decline in revenue for the last fiscal year had begun in October, we had calculated that during the remainder of the calendar year we would gradually overtake the revenues of the corresponding months of the previous year and could look forward to gains in January, February and March which would have recouped in some measure our earlier losses. This outlook has been wholly changed by the war.

"Before the outbreak of war we had calculated upon a revenue of \$145,000,000 and an expenditure of about \$175,000,000, of which \$135,000,000 would have been upon Consolidated Fund Account and \$40,000,000 upon capital, special and investment accounts.

"In June last we floated a loan of £5,000,000, the proceeds of which with our expected revenues would have carried us into next fall when a further loan of say £3,000,000 would have sufficed for our requirements until the end of the fiscal year, including the retirement of £1,700,000 treasury bills maturing in November next. Our present cash position is normal, our bank balances both in Canada and in London having been well maintained.

"I proceed now to deal with the situation as changed by the war. As to revenues for the remainder of the year it is with much hesitation that I venture upon an estimate. For some time past I have had the tariff experts of my department and of the customs department considering the question. That we shall experience a sharp decline in customs revenue due to decreased importations seems certain.

"The war itself shuts off automatically our trade with the enemy. The increased risk of ocean traffic must have a most serious effect upon our seaborne commerce. Above all the temporary cessation of the stream of our borrowings in Great Britain will diminish our capital and other expenditures and express itself in a marked diminution in our imports. On the other hand we shall probably increase our imports from the United States, through whose ports goods from Europe will no doubt find their way. The enhanced prices of our grain, food and other products will give us greater buying power than we should have otherwise possessed from this source. After careful consideration of all these aspects of the question we are of the view that our revenues from pre-

calm, sane judgment for which they have always been noted. Above all, confidence is a supreme patriotic duty—confidence in one another, confidence in our country and its institutions, in the Empire, in the righteousness of our cause, and, under Providence, in the certain ultimate triumph of our arms."—Hon. W. T. White, minister of finance, in the course of his special budget speech at Ottawa.

sent sources for the year should reach from \$130,000,000 to \$135,000,000.

"With regard to expenditures it will be the policy of the government so far as possible to maintain the existing programme of public works under construction. New works will not, however, be undertaken until the financial situation clears, and in this connection we must ask the forbearance and co-operation of members of both sides of the House. On the one hand we do not desire to shut down construction now under way with the consequent resulting unemployment, and on the other we must have in mind existing financial conditions and embark upon new expenditure only when we have in view the source of funds with which it may be defrayed. Under this policy I estimate that our revenue will just about suffice to meet our ordinary running expenditure; at least I am hopeful that it will do so.

"This leaves to be otherwise provided for capital, special and investment expenditure a sum totalling probably \$30,000,000, together with such special expenditure as we may make for the common defence of Canada and the empire. We are asking parliament for a vote of \$50,000,000. What portion of this may be expended during the remainder of the fiscal year is problematical, but we must assume at least the greater part. With the world at war and our national existence at stake, it is not the part of patriotism to spare either blood or treasure, and the government may be depended upon to continue to uphold to the utmost of its power the arm of Britain in the fateful contest in which she is now engaged for the preservation of the empire and the freedom of the world.

"Assuming a capital and special war expenditure of, say, \$60,000,000, we must further provide \$8,500,000 for the retirement of treasury bills maturing in November, making a total of \$68,500,000, which must be met by the proceeds of borrowing or special taxation. We have already borrowed \$25,000,000 by the issue of June. This leaves a balance of \$43,500,000 which we must now devise ways and means to meet.

"To partially meet the special war expenditure I have to propose certain increases in customs and excise duties upon articles and commodities to the taxation of which resort is usually had in the emergency of war. The special war taxation which I have to propose to the House will affect the rates of duties of customs and of excise upon coffee, sugar, spirits and tobacco. (The duties are detailed on another page of *The Monetary Times*.)

"These special war taxes, representing only a small fraction of our increase in military and naval expenditure, due to the critical situation which has arisen, will fall upon the entire community. In paying them each citizen will feel that the amount he pays is a direct contribution to the defence of Canada and the empire.

"From these special war taxes I estimate we shall derive additional revenue of about \$7,000,000 during the remainder of the fiscal year. This leaves a sum of over \$36,000,000 to be provided by borrowing. We shall, as opportunity offers, issue further loans, but I must state to the House that the amount upon which we can rely from this source is conjectural and dependent upon the course of events.

"In these circumstances I am taking authority, by legislation amending the Dominion Notes Act, to increase the amount of notes which may be issued against a 25 per cent. margin of gold from 30 to 50 million dollars. This will give us an additional \$15,000,000 free money borrowed from our