

## THE OBSERVER

HARTLAND, N. B., JUNE 2, 1921.

### BUDGET SPEECH OF T. W. CALDWELL

(Continued from page 2)

much revenue. The very fact of our immense debt makes it clear that Canada had no money to lend to a bankrupt country from which there is very little prospect of ever getting either the principal or interest. That interest was to have been paid twice a year, but already nearly a million and a half is overdue, and I don't very much if it ever will be paid. Not only have we thrown this \$23,000,000 away, but the people of Canada will have to pay interest on it until the Victory bonds through which we obtained this money to squander are redeemed. I think it would have been a good thing for this country if the revenue in the past few years had not been quite so large; the Government would not have been quite so ready to squander it in loans to bankrupt countries, nor to apply the closure in this House very recently in order to vote \$8,000,000 to build ships for the Canadian Government Merchant Marine at exorbitant prices. If I am not mistaken—the Minister of Marine (Mr. Ballantyne) will correct me if I am wrong—the price paid for the building of vessels in Canada recently has been \$191 a ton. I believe that a firm in Montreal bought a couple of vessels very recently for somewhere in the neighborhood of \$50 a ton. Of course, we realize that that does not represent the cost of building the vessels, but there are numberless ships idle today and no doubt the owners of these were in difficult financial circumstances and were glad to realize money on them at any price. I believe that a number of this firm made the statement that very soon it would be possible to buy ships in Canada at \$25 a ton, because large numbers of vessels are at present tied up and unable to get out of the harbor, and are able to get out of the harbor.

I have spoken of the loan to Roumania. At the time it was made we all wondered why the Government was so willing to lend money to anybody at that time, to say nothing of lending it to a bankrupt country. The answer to question put on the Order Paper last year by the member for Chambly-Verchères (Mr. Archambault) throw some light on why the Government authorized this loan. If I remember rightly the hon. member inquired who were the firms who supplied the goods to Roumania and Greece and what were the prices. It is my memory that the names of a number of firms were not given but that the prices were not stated. It was with more of less amazement that members of the House read the answers to those replies, and that they found that a large quantity of goods furnished to Roumania and Greece on this credit of loan was furnished by firms of which supporters of the Government were members, of which some hon. members of this House were presidents and managing directors. If an individual member of Parliament had sold any goods in this way and for this purpose, he would have to resign his seat, but the supporters of the Government were able to get away with it, due to the fact that they were members of these companies. I think, however, we will all admit, that they got very close to the edge.

In dealing with the question where the revenue was to come from I pointed out last year, when speaking on the Budget, a source of revenue that this Government had not only failed to take advantage of but had made it impossible for any succeeding government to take advantage of, namely, Victory bonds exempt from taxation, amounting in all to \$1,358,000,000. More than that, it cost the country nearly \$14,000,000 to float those loans, in the payment of commissions to agents who canvassed for the sale of the bonds and to the banks for handling the amounts as they were turned over. We have never been able and never will be able to collect one cent by way of tax on the income derived by the holders of these bonds amounting to \$1,358,000,000. I said at the time it was proposed to make this loan free from taxation that I could hardly find language strong enough to express my disapproval of that course. The Financial Minister pointed out that if the Government did not exempt the bonds from taxation they would not be able to float the loan. Well, it is a fact that the latter loan in 1919, which was made taxable, was oversubscribed just as readily as the non-taxable loans; therefore the theory of the Minister of Finance was disproved. Certainly it is harder to sell a taxable bond, once you set the precedent of not taxing, than to sell a non-taxable bond, but, as I say, the loan in 1919, which was not exempt from taxation, was largely oversubscribed. I have made an estimate of



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what the income would be by way of income tax if these loans had not been exempt from taxation. The income on \$1,358,000,000 at 5 1/2 per cent would be \$74,690,000. It is fair to suppose that \$37,345,000, or half this amount, would be taxable as income at the rate of 4 per cent, because, I think, it is true that these moneys were not all subscribed by the poorer people; it is fair to assume that half the people who subscribed to the loans would have incomes taxable at the rate of 4 per cent. This would add \$1,493,800 to the revenue of the country. I think it may be assumed also that the other half of the \$74,690,000 would be taxable at the rate of 8 per cent, which would yield a revenue of \$2,987,100. I also believe that half of this revenue from interest of Victory Bonds would be received by persons whose incomes were large enough to pay surtax at 3 per cent, and that would add another \$1,120,350 to the revenue of the country, or a total of \$5,201,750 yearly. But due to the fact that this exemption was made as part of the agreement when the bonds were issued, no government will ever be able to make these bonds taxable which I consider is very unfortunate in view of the fact that we must raise such a very large revenue, a revenue double per capita that raised in the United States. I think it has been stated that the amount which we must raise per capita in order to obtain the necessary revenue will amount to \$70 per capita or \$350 for each family of five in this country. The expenditure per capita in the United States is \$35 per head, or just half of what ours is. The Secretary of the Treasury of the United States Government that they must retrench, that the country cannot stand

the present extravagant rate of expenditure. When you compare the revenue which they raise per capita with ours, you will see that they spend one dollar per head for every two dollars per head that we spend in Canada. I do not think any member of this House, and I am sure that no elector in this country will contend that they are able to pay twice the amount of taxes per head that the citizens of the United States could pay.

I think it was a very unwise thing to abolish the luxury tax, having regard to the facts concerning our expenditure. The sound way to raise revenue is by taxing a man on what he is worth, not on what he consumes. The fact that the luxury tax was a good revenue getter was another reason why it should not have been abolished. During the six months that it was in operation it produced somewhere in the neighborhood of \$4,000,000 more than the sales tax has produced in ten months. The luxury tax fell upon people who were better able to pay than the majority of those who will be called upon to contribute to the revenue through the medium of the sales tax which is to take the place of the luxury tax. In my opinion the business profits tax should also have been continued. The people would be interested to know, I am sure, just what was behind the abolition of the luxury tax and the business profits tax, and I propose, before I conclude my remarks, to give them just a little information in regard to this matter.

Mr. Speaker, when the House rose at six o'clock, I had just arrived at that point in my remarks where I was saying that I believed that the consuming public of Canada would be anxious to know what influences were behind the Government to induce them to abolish the luxury and business profits taxes which were such good revenue getters. I said that I hoped to be able to enlighten the House and possibly the country as to just what influences were that induced the Government to do this very unbusinesslike act. I wish to quote from an article that was printed in the Montreal Gazette of May 12, 1921.

"Million Dollar Fund for Propaganda." Then in somewhat smaller headlines were the words, "Canadian Manufacturers' Association Insistent Upon Tariff Commission of Specialists." The article goes on:

"A million dollar fund for the propaganda of the Canadian Manufacturers' Association was foreshadowed tonight at the annual dinner of the Montreal Branch. Among the guests were Col. W. Grant Morden, Sir James MacKie, head of the Vickers firm of England, and many of the business leaders of the province."

"T. P. Howard, as President of the Dominion Manufacturers' Association, said that they had approached the Government with the proposal for a scientific tariff board for Canada and stated that it would be considered with the support of 1,600 labor unions of Canada as well as the manufacturers, and in a voice of great industrial mergers both here and in England."

With regard to this demand of the Canadian Manufacturers' Association for a scientific tariff board for Canada, I understand that their wishes was to have a tariff commission appointed that would deal with the tariff in the same way that the present Board of Railway Commissioners deals with freight and passenger rates—a board that would have absolute control over what the tariff on all imports should be, and a board that would not be responsible to the electors. I wish to congratulate the Government on withstanding the Canadian Manufacturers' Association in this demand. To appoint such a board would be very un-

constitutional, and I am pleased that that the Government did not do it. The Canadian Manufacturers' Association, not being able to accomplish this object, evidently turned their attention to the matter of outlining a plan of taxation for Canada, for in the Montreal Gazette of a later date, I find the following:

"March 29, 1921.—The question of Federal taxation will be discussed here this week by representatives of the Canadian Manufacturers' Association, the Retail Merchants' Association of Canada, and the Wholesale Merchants' Association, as a result of an intimation from Sir Henry Drayton, Minister of Finance, that he wishes to obtain the collective judgment of the business interests in Canada as to the most desirable plan to raise revenue for Federal requirements."

It is quite evident that these people had raised their million dollar fund, and had assured the Government that they could deliver them the support of 1,600 labor unions. Here we find the Minister of Finance telling them: "All right, if you can deliver me this support, get together and tell us what you want, and we will see if we can meet your requirements." I think most people will agree on looking over the Budget that all of the requests made by the big interests of Canada have been granted except one. I believe they wanted in addition to the abolition of the business profits tax and the balance of the luxury tax, the income tax on corporations abolished. I want to congratulate the Minister of Finance on not acceding to this last request, but it is just possible that he is coming to that by easy stages, and that that tax may be the next thing to go. I hope not, however.

During the war, the slogan in Canada was: "The last man and the last dollar." We got the required men all right, but I am sorry to say that the Government did not begin to get the first dollar of big profits made on war contracts during the war. I think the Government and the Minister of Finance were about two if not three years too late in starting to tax the excess profits of the business interests of Canada. I think it would be unsound to abolish the tax at the present time.

I wish to quote a few extracts from the Montreal Star of May 12, 1921, which prove conclusively, if proof were needed, that the Canadian Manufacturers' Association and the other interests allied with them were the instigators of the present taxation scheme for Canada:

"It appears to me that the Finance Minister has worked out the matter in a very clear and concise way," said F. W. Stewart, Chairman of the Montreal Branch of the Canadian Manufacturers' Association. "It appears to have been very carefully designed, and the changes made are in the best interests of business. The sales tax is really the basis on which taxation will affect the consumer the least. The manufacturer does not absorb it, and by showing it separately on his invoice no advance is added to it. The sales tax was working very satisfactorily indeed, and its continuation will be satisfactory to wholesalers and manufacturers."

I cannot for the life of me see how

(Continued on page 7)

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