

enue were mainly increases in the Customs. There was a general increase in the rate of duties as you will remember, of seven and a half per cent and five per cent. For the benefit of the hon. member for Brome (Mr. McMaster), who has been labouring here this evening to create the impression that agricultural implements were always unfavourably treated, I would like to have him read in the statutes of that year the express provision by which there was made exempt from the additional tariff the following items: 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, newsprint paper, and a few other articles. It was recognized by the Government of the day, and at a time when there was no infusion of Liberal members in its ranks, that while additional tariff rates were to be placed upon all other articles, the articles which helped the fishermen to catch more fish and the farmer to grow more crops were not to have their rates advanced. The measure advancing the rate of customs

10 p.m. taxation introduced in February, 1915, yielded considerable revenue. I would like to have my friends realize that this was not a measure of protection; at least it was not enacted with that intention in view. It was a measure intended to increase the revenue, and it did increase the revenue as was expected and desired. That special taxation which took the form of an advance in customs rates gave us an increased revenue in 1915-16 of \$25,000,000; in 1916-17 of \$37,800,000; and in 1917-18 of \$45,000,000. The alterations that were made in the tariff at that time have since yielded us about \$108,000,000, and are still going strong, yielding \$40,000,000 and upwards each year.

Up to that time the Federal Government had indulged in indirect taxation only. A few measures were now introduced directly taxing certain corporations. The banks were taxed upon their note circulation, which tax has been yielding about \$1,000,000 a year. The incomes of trust and loan companies and the premiums of insurance companies were brought under taxation that year, and that tax has been yielding \$1,500,000 a year. Railway and other tickets were taxed, and that tax has been bringing us about \$1,000,000 a year. Stamp duties on bottles and packages have brought in \$1,000,000 a year; and the advance in the postage rate from

[Sir H. Ames.]

two to three cents has provided us with from \$5,000,000 to \$6,000,000 a year. So that when the Minister of Finance found himself faced with requirements amounting to \$150,000,000, he brought in new measures and managed to pull up his revenues from \$135,000,000 to \$172,000,000, and, of course, the balance had to be borrowed. But that year we borrowed only the cost of the war.

The third War Parliament met and found the war still continuing. We found the expenditure going up, the demands increasing. The War Appropriations Bill called for \$250,000,000. That, added to the other expenditures, capital and current, made the total expenditure that had to be provided for in 1916-17, \$415,000,000. Still further taxation had to be imposed. By the spring of 1916, conditions in Canada had changed for the better. Business was improving. The crops in 1915 had been extremely good and prices were high. The munition factories had accommodated themselves to the new order of things and were able to manufacture at a profit. The trade balance, which had been adverse, gradually swung around to the other side, and became favourable. Canada was in a ripe condition for taxation, and the Government took a strong forward step and brought in the first real measure of direct taxation that we have ever known. That was the business profits war tax. That was presented and defended on the principle that those who during the war were making extra profits, either directly or indirectly because the State was at war, should be called upon to yield in whole or in part those profits for the defence of the State. The principle being sound, Parliament passed that measure. The result is that the Government takes one dollar out of four on earnings above seven per cent by every corporation and above ten per cent by every individual. This measure exempted businesses under \$50,000, but to-day we learn from the Acting Finance Minister that the Government has decided to make that exemption \$25,000, a provision which, I think we all agree, is much more satisfactory. That business war profits tax has yielded large revenue, as it was expected to do. It produced in the first year \$12,500,000, and in the second year, \$21,271,000. The revenue for the third year is not yet reported, but it will probably be about \$25,000,000, because the rate has been increased. In 1916-17, with a total expenditure of \$485,000,000, \$233,000,000 was met out of revenue. The minister had pulled the revenue up from \$172,000,000 in