

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. Its startlingly sudden outbreak between Austria-Hungary and Servia and the appalling rapidity of its extension to Russia, Germany, France, Belgium and Great Britain threw the civilized world into a panic such as was never known before. The shock to international finance was immense. In the general loss of confidence there arose an instantaneous and universal demand for gold. Huge volumes of securities were thrown upon the market and sold for what they would realize. Liquidation proceeded upon a colossal scale until the prodigious losses of individuals and the vast drainage of gold from all great financial centres compelled the closing of the bourses and exchanges of the world. The demand for gold still continuing in the financial world, and general hoarding having begun on the part of the general public, a widespread suspension of specie payment inevitably resulted. In consequence of such suspension, accompanied in Great Britain and elsewhere in Europe by moratory proclamations whereby the payment of maturing obligations was postponed, and by reason of the fact that gold could no longer be shipped across the Atlantic owing to the menace of hostile cruisers, the exchange system of the world at once experienced collapse. In the meantime international trade was prostrated by the blow which severed at once all intercourse between belligerents and caused immediate cessation of commerce between Europe and America.

All these cataclysmic events have been compressed within the period of two or three weeks; and yet such is the flexibility of the financial organization of the world that already order is emerging out of what seemed hopeless chaos, and the vast and complicated machinery of commerce and finance is with hourly-increasing efficiency resuming its normal functions.

For the purposes of this presentation it remains for me to estimate so far as possible our expenditures for the year, indicate

[Mr. W. T. White.]

my view as to revenue and submit the measures proposed by the Government to meet the altered conditions with which we are confronted. I should not be frank if I did not at once say that I put forth my view as to both revenue and expenditure with the utmost diffidence, because it is not possible for any one to forecast with any measurable degree of certainty what lies ahead of us under either of these headings.

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 any £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 present sources for the year should reach from \$130,000,000 to \$135,000,000.

With regard to expenditures, it will be