

# The Monetary Times

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### DIRECT TAXES FOR PROVINCIAL PURPOSES.

When they entered into a confederation, the several provinces agreed to a distinct limitation of their powers of taxation. Each province was insured a subsidy from the Federal Government, the amount of which would not increase with population and increasing expenditure. There was besides, the revenue from Crown Lands and timber license duties, and direct taxation. Between the subsidies and the expenditure, the gap would every year get wider. The revenue from crown lands would depend upon the progress of settlement, in the old provinces, and it might be much affected by the competition of new provinces to be carved out of the North West; it was not an amount which could be increased by the fiat of a local legislature. The revenue from timber was equally incapable of arbitrary expansion. To license fees the limit would soon be reached; public sentiment would not tolerate an extension of licenses for the sale of liquor, and the amount of the duty on licenses could not be greatly increased.

Beyond these means of revenue, the local governments had the resource of direct taxation. All the other sources of revenue except direct taxation, were limited by the conditions of their existence, and when these limits were reached, the total revenue might be unequal to the necessary and practically unavoidable expenditure. Direct taxation was not controlled by the same injurious limitations like the other sources of revenue. Though it had its limitation in the ability and willingness of the taxpayers to pay, for all reasonable needs, it was sufficiently elastic. But while direct taxation was capable of being made the most prolific source of provincial revenue, it is the one that has been systematically neglected by all the provinces. Every other mine that could be made to yield revenue has been industriously worked; the richest of all has not been exploited; rather than attempt to work it, the Dominion Treasury has been drawn upon to an extent never contemplated by the framers of the Act of Confederation. Why is this?

M. Chapleau, speaking for the Province of Quebec, when the railway subsidies were before Parliament, argued that direct taxes would destroy the autonomy of his Province. With him it is a matter of sentiment; of that sentiment which forms part of the national character of the French Canadians.

"Direct taxes," his words are, "are opposed to the sentiments of the inhabitants of the Province." This dislike, he adds, arose from the bitter experience of the past, first under the French Governors, with whom came the principles of absolute monarchy, from France, and afterwards under a military regime, half constitutional and half absolute, which bore away till 1841. On a previous occasion, (March 27th and 28th, 1882,) M. Chapleau had, as premier of Quebec, taken the same line, in the local legislature. At that time, he gave as a reason for selling the Quebec, Montreal, Ottawa and Occidental railway, the existence of a deficit in the revenue, which could otherwise only be remedied by a resort to direct taxation. "The population," said M. Chapleau, "which forms three-fourths of the whole in the Province, the French population, has one fault, it clings to its feudal and monarchic tradition, and is always too ready to look to the power of the government to accomplish what ought to be left to individual effort. Would it be good policy for the government to favor this *penchant*, or ought it not rather to attempt to enforce its disappearance? This disposition would comport well with a centralizing power and direct taxes; with our institutions, this tendency is a menacing danger to the government that would yield to it."

Such are the reasons given, and given it must be said with great frankness, by M. Chapleau, why direct taxes are not levied by the local legislature of Quebec. But M. Chapleau forgets that the treaty of confederation, as it has been called and as ex-judge Loranger delights to consider it, was not a matter of sentiment. It was a solemn compact, binding on all the parties concerned. In a conceivable state of the facts, it might be sufficient to reply that the sentiment of some other province was opposed to indirect taxes, as a means of forming a provincial revenue; and that if such taxes were collected by the Federal government, they might be made a means of centralization that would be dangerous, if not fatal, to the autonomy of the provinces. Besides, experience shows that he who has the power of the purse, in his hand, will ultimately become master. If it is a fault in the French Canadians to look to the government for what individuals ought to accomplish, it is not less a fault in them to look to the Federal government for revenue which their own government has the right to raise? Surely this is the greatest danger. And if, as M. Chapleau admits, this looking to the government for favors, would furnish a dangerous opportunity for a centralizing power armed with direct taxes, the danger is the greatest when the Federal is the government looked to. The local governments could centralize only as against the municipalities; and the municipalities may well be trusted to take care of themselves. The central government is at least charged with showing a centralizing tendency, and it can, at any time, arm itself with the power of direct taxation. It could levy in direct taxes, on the province of Quebec and every other province, the amount it has undertaken to pay in additional subsidies—call them by what name you will—to those secured by the Confederation Act. And a very effectual

way of putting an end to demands for "better terms," this stratagem would be; indeed it seems to be the only way of guarding against a very serious danger. M. Chapleau encourages his compatriots in looking to the more centralizing of the two governments for revenue; for revenue which the local governments have the right and which it is their duty to raise.

In this habit, it seems to us, lies the greatest danger to provincial autonomy. Why has the House of Commons in England, always insisted on the right of initiative in money bills? Why has it shown itself jealous of the encroachments of the Lords on its prerogative? Is the right of deciding on the incidence of taxation, for local purposes, of no value? Is it a thing that any province may safely leave to the Federal legislature? The mode of taxation which the Federal Parliament may use, for this purpose, may be contrary to the views of any one province, as represented in parliament; and in that case, we should find ourselves in presence of one of the worst anti-confederation difficulties, and with no possible shield of protection from the operation of the double majority, now no longer practicable. If it were not for the bribe of better terms—the sale of one of the attributes of provincial autonomy—the last thing the provinces would have tolerated would have been that the Federal parliament should decide in what way a part of their revenue be raised. When a province begs for the "thirty pieces of silver" the danger of the operation may not much disturb its conscience; but the surrender of autonomy is not the less certain, and its consequences are not likely to be less injurious or lasting.

### FIRE INSURANCE IN CANADA.

We gave not long since a tabulated statement of the fire insurance business done by each of the nineteen British, seven Canadian and four American companies licensed to do business in the Dominion. This statement is by no means a favorable one from an insurance standpoint. There is no doubt whatever that the rates of premium received were totally inadequate to the risks incurred. No general conflagration took place during the past year, abnormally to increase the loss record, which must be accounted for in some other way. The lessons to be learned from this fact should induce greater care on the part of insurance managers in their selection of risks.

They should keep the ratio of the amount insured, to the value of the property submitted for insurance, within such a limit as to reduce the moral hazard to a minimum. A person is not likely to set fire to a building worth \$3,000 in order to realize on an insurance policy of \$2,000. It is a wise maxim, in insurance, that the assured should carry a portion of the risk. Over-insurance is a prolific source of many fires, and is one of the causes which careful management will in a great measure prevent. Loose and hasty settlements of fire claims may safely be reckoned as one of the factors that go to swell the volume of losses. Companies cannot be too careful in this respect. We find a great difference in the cost of management under