

NEW ESTIMATES VIOLATE PUBLIC OPINION.—

The estimates are objectionable and inexcusable in that they do not show sufficient reduction. Ordinary expenditure is estimated at \$158,958,000, the largest in our history. There is an increase of \$16,000,000 in interest on public debt, and there are other increases and miscellaneous reductions leaving an estimated net increase for ordinary expenditure of over \$8,250,000 for the year. The Government suggests that much of the money voted will not actually be spent. If that is the intention, such votes have no right place in the Budget. The Government have no right to ask Parliament to vote money which they will not likely spend. The Minister of Finance estimates actual ordinary expenditure at \$135,000,000. Even this is excessive.

GOVERNMENT SHOULD PRACTISE ECONOMY IT PREACHES.—

The estimates are indefensible and Parliament should not be asked to vote them. Only ten years ago our ordinary expenditure was only \$67,000,000 for a year. Why not get back to something like that basis. If we did, our estimates could be something like \$100,000,000 instead of \$158,000,000, after making ample provision for an increase of \$28,000,000 in the interest and pension accounts since that date. This could be brought about by rigid economy in civil expenditures, the elimination altogether of unnecessary capital expenditures and the prevention of waste in war expenditure. In this time of war, as never before, there is the opportunity for such reforms. But instead past practices are followed, and the revotes in the estimates, catering only to the demoralizing system of party patronage, are the best proof that the Government fears to face its duty.

WASTEFUL EXTRAVAGANCE IN ADMINISTRATION.

The Post Office department presents a notoriously discreditable record for the past two or three years and has turned a handsome yearly surplus in years previous to 1914 into a deficit so great that a strict accounting would undoubtedly show a loss of \$5,000,000 in its operations for the year ending March, 1916. The only apparent reason is that patronage has increased operating expenses, because revenue has not decreased. The Dominion Lands branch of the Interior Department shows a deficit of \$800,000, the second deficit since 1885, and this in spite of lessened work due to falling immigration. The vote of \$3,304,000 for this department for 1916-17 should be a million dollars less. The Immigration Department shows a similar record, with a vote of \$1,574,000 with practically no immigration during war time, while the cost of the department in 1912-13, when 300,000 immigrants were received, was practically the same. The Department of Public Works shows an even worse record, because this is one department that could most easily show retrenchment. Public Works expenditures, apart altogether from capital outlay for permanent work, increased from \$8,621,431 in 1910-11 to an estimated total expenditure of \$16,000,000 for 1915-16 and for 1916-17 a vote of \$18,685,000 is asked for. These are but samples of the reckless extravagance which pervades all the departments.

TAXATION OF BUSINESS PROFITS.—

The great objection to the taxation of profits, as proposed, is that it is a tax upon business and not upon accumulated wealth or the income proceeding from accumulated wealth. At best it can be but a temporary expedient, and the country might as well settle down now as later and work out some comprehensive system of taxation which will afford the additional revenue required. The application of the proposed taxation, as outlined by the Minister of Finance, is open to grave criticism. The principle that it should be retroactive, dating back to the time of the commencement of War is dangerous and may work grave injustices to those who may have paid out the profits to be taxed. The basis of taxation also threatens serious inequalities. If the capital stock of a company is to be taken as the basis on which taxation is to be applied, many companies with small paid up capital but large turnover would be

hard hit, while others with large capitalization, much of which might represent pure inflation and not actual capital used in business, would have little taxation to pay or might escape taxation altogether. In this respect the new taxation proposal is in effect a premium upon improper methods of industrial finance and industrial inefficiency. Also the proposal to take away from War contractors a large portion of their profits on War business is really a confession that they have been allowed to make undue and unfair profits. Instead of resorting to so doubtful a method of exacting restitution by taxation, the Government should never have allowed these unjust profits. Let us pay just prices for War supplies. Canadian business has had to look to the United States recently for capital for necessary business extensions; it is to be feared that a tax on business such as this will discourage the flow of capital from the United States.

Criticism met by some amendments.

In the course of the ensuing debate a number of new points of weakness in the Budget proposals were uncovered by Opposition speakers and on March 3rd, Sir Thomas White announced a number of important amendments which, while not altering the broad basis of his proposals, met many of the criticisms levelled at the proposed application of the new taxes. Thus, Sir Thomas announced that the retroactive provision would be altered so that taxation of profits would date from January 1, 1915, instead of the day of the outbreak of the War; that provision would be made to prevent "watered-stock" corporations escaping their just share of taxation by giving the Minister of Finance discretionary power to decide what actual capital was employed in actual business, while corporations and partnerships doing large business on small original capital would be protected from undue or unfair taxation by treating their unimpaired reserves or capitalized profits as actual capital for the purpose of taxation.

Mining companies are to be treated as a distinct class, owing to the obvious fact that any mine has a certain limited amount of ore and therefore its capital diminishes as the ore is taken out. Special provision is therefore made for mining companies, whereby the Minister of Finance shall have discretion to determine what proportion of yearly profits may be subject to the war tax.

The amendments to the original proposals of the Minister of Finance lend added weight to one of the chief criticisms of the whole budget scheme, which is that it leaves altogether too much to the discretion and the judgment of the Minister and the officials charged with the machinery of levying the tax. A clear cut, legal and unescapable basis of taxation must always be preferred and must necessarily be more acceptable to the people at large than one where the application of the tax must be subject to the decisions of men who may or may not be subject to the pressure of special pleading or the exigencies of party affiliations. In the same way, weight is added to the criticism that the collection of the new taxes will necessarily mean the employment of an army of new tax collectors, each of whom will automatically become a new civil servant, working and "pulling strings" in every direction to make his new job a permanency. The experience of the past three or four years indicates that they may become a permanent addition to the civil service list.