The Budget

Fifty Million Increased Taxation — Higher Taxes on Large Incomes — Exemptions for Children — Increase on Tobaccos — Taxes on Tea, Coffee and Automobiles.

In the House of Commons at Ottawa on Tuesday last Hon. A. K. Maclean, delivered the budget speech in the absence of Sir Thomas White, Minister of Finance. After expressing regret for the absence of Sir Thomas and intimating that the Minister was expected to return to duty shortly, Mr. Maclean reviewed the financial situation. Mr. Maclean said that for the fiscal year ending March 31st, the revenue will reach, when all accounts are closed, $258,000,000, exceeding the revenue of the preceding year by $26,000,000, and that of the first year of the war by $123,000,000. Customs will yield $146,000,000, and excise $27,000,000, while other taxations will bring in $25,000,000. Of this latter amount the business profits war tax yield $21,271,283; banks, $836,724; insurance companies, $283,127; trust and loan companies, $267,917; inland revenue from railways, steamships, telegraph and cable companies, stamps, etc., $2,229,932; a grand total of almost $25,000,000.

Ordinary expenditure for the fiscal year 1917-18 Mr. Maclean estimated at $173,000,000, inclusive of $45,000,000 for interest, and $7,000,000 for pensions, or $52,000,000 altogether. Prior to the war, the outlay on interest was but $12,000,000, and the expenditure for pensions had not yet begun. The ordinary expenditure also included the sums of $25,000,000 and $7,500,000 voted on account of the C. N. R. and G. T. P. railways. For capital outlays an expenditure of $30,000,000 is estimated, making the outlay of Canada for all purposes apart from the war, during the past fiscal year, $203,000,000. With a revenue of $258,000,000, the Government had a favorable balance or surplus of about $55,000,000 to apply to war expenditures.

PRESENT FISCAL YEAR.

Coming to the present fiscal year, Mr. Maclean said that apart from increased interest caused by our war borrowing and the amount required for pensions, substantial reductions have been made in the estimates of practically all the services.

"I anticipate," said Mr. Maclean, "that actual expenditures will be well below the amounts voted. These deductions, however, are more than offset by the additional sums needed for interest and pensions for the current year over the past year, and which excess I estimate at $25,000,000, so that ordinary expenditure will increase materially over that of the previous year. Substantial disbursements will be necessary in connection with the soldiers' land settlement programme, and in connection with the Halifax disaster. The capital expenditure vote has been materially cut. It is estimated that for the present fiscal year, we shall be able to pay our ordinary and capital expenditure out of our revenue and have, as in the past two years, an appreciable sum over which we can apply to war purposes. The unexpected balance of the Victory Loan will finance our war expenditures and advances to the Imperial Government until July next, when treasury bills will be temporarily negotiated until the proceeds of the next public loan are available."

Mr. Maclean announced that in the fourth year of the war, Canada's expenditure on war account will approximate $345,000,000, of which $167,000,000 was expended in Canada, while the balance, $178,000,000, represents our war expenditure overseas. Up to March 1st, 1917, we had expended for war purposes $533,437,036, so that on March 31st, 1918, our total outlay for war was approximately $878,000,000. The amount does not include any pay due but not yet paid to the troops overseas. During the past few years the Government has applied to war expenditure surpluses of revenue over ordinary and capital outlays amounting to $113,000,000, and interest and pension payments attributable to war and covering the entire war period approximately about $75,000,000.

NET DEBT OVER BILLION.

Mr. Maclean then stated that the net debt of Canada, which before the war stood at about $336,000,000, has now passed the billion dollar mark, and when the accounts for the past fiscal year are closed it will reach approximately $1,200,000,000. The increase, he said, is almost entirely attributable to war expenditure.

TRADE FIGURES.

Coming to trade, the Minister said that our exports as the war progressed are showing a greater increase over our imports. In 1913 imports exceeded exports by nearly $300,000,000. This condition has been so completely reversed that the exports exceed the imports by about $625,000,000, and our total trade, which passed the billion mark in 1913, exceeded the 2½ billion mark in 1918. The increase, he said, is largely attributable to war conditions. Last year our exports to Great Britain were about $860,000,000, while our imports amounted to $81,000,000. Our exports to the United States reached the sum of $440,000,000, while our imports amounted to $790,000,000.

IMMIGRATION.

Mr. Maclean informed the House that in the past three years, immigration had reached a total of 202,985, despite the war. Of this total number, 96,640 came from the United States and 20,124 from the British Isles. An important factor in connection with this immigration is that it is very largely composed of experienced farmers.

EXCHANGE SITUATION.

Referring to the question of exchange, Mr. Maclean said that this had become an acute problem in Canada. The high rate which has prevailed on remittances of funds to the United States has imposed a severe tax upon importers and the public, and if it continues, must diminish imports or add to their cost. Were we able to sell securities in the United States the rates of exchange might have been adjusted or normalized, but Canadians were not permitted to do so. The Government did not require, during the present year, to borrow in the United States, even if it were permitted to do so, and consequently by such an operation to correct the exchange situation.

"To redress the adverse rate of exchange with the United States," said Mr. Maclean, "we must lessen our imports from that country, or the United States must buy more from us, or we must sell securities across the border to the extent of a very substantial proportion of our adverse trade balance. The Government has been very diligent in its endeavors to bring about such financial arrangements with the governments of Great Britain and the United States as would materially relieve our people of the burden of the present high rates of exchange. I hope that very shortly we shall be in a position to announce the successful conclusion of negotiations which have in view this end. In connection with the exchange problem, it might be of interest to state that for the first three months of this calendar year, our imports from the United States have decreased below that of the corresponding period of last year by over $36,000,000, while our exports have increased in the same comparative period by about $20,000,000."

$980,000,000 NEEDED FOR PRESENT YEAR.

After dealing at length with the Victory War Loan and trade conditions, the Minister referred to the commitments of the Government for the present year. There would be required, he said, for civil budget $230,000,000; for war expenditure $425,000,000; for advances to the Imperial Government for financing in part our export trade with Great Britain, $325,000,000. In all $980,000,000 would be required. To discharge this there will be revenue $270,000,000, advances by Great Britain to pay for maintenance of Canadian troops overseas, about $300,000,000, unexpended balance of Victory Loan $130,000,000; making a total of $700,000,000. This would leave a probable balance of $280,000,000 to be provided from loans in Canada or elsewhere, if possible. This is not inclusive of commitments for expenditure on account of the purchase of railway equipment and Canadian Northern securities. "The latter," said Mr. Maclean, "we hope to extend upon small payments of principal under powers which we are seeking of Parliament this year; and the railway equipment, it is expected will be financed largely by the issue and sale of equipment securities."

Mr. Maclean urged the necessity of the cutting out of luxuries and the exercise of saving in order that the people might be able to purchase further issues of Government bonds which would have to be made at no distant day.

FINANCING WAR AND TRADE.

In considering more in detail the matter of financing the war and trade, the Minister said that there is a very direct connection between our domestic loans and the financing of our war operations, and also with our productions and our overseas export trade. All are acquainted with the fact, he said, that the war has disturbed the natural currents of trade, rendering impossible the settlement of international trading accounts in the normal manner. Prior to the war, Canada had a favorable trade balance with Great Britain, but this had changed. Circumstances had compelled Great Britain to purchase heavily of war supplies and foodstuffs on this side of the Atlantic. Great Britain has become chiefly a purchasing nation and is no longer a loaning, but a borrowing country. In 1917-18 we had a favorable merchandise trade with Great Britain of about $790,000,000; while with the United States it was unfavorable to the extent of $350,000,000. Normally, we would settle our unfavorable American trade balances with the monies receivable from Great Britain for her liberal purchases of our high-priced commodities. However, owing to the enormous purchases Great Britain was obliged to make for herself, and some of her Allies, and so great had been the drain upon her liquid resources in the first three years of the war, that in July last she was obliged to secure loans or dollar credits, for her Canadian purchases, otherwise she would be obliged to practically cease purchasing here. In that event, commercial disaster would have overtaken Canada, and we would have had difficulty in financing our war expenditures.

It was therefore important, said Mr. Maclean, that immediate action be taken to meet this new condition of affairs in order that our industries and our artisans might be employed, that our agriculturists be afforded an export market, and encouraged to produce, and that all our people might be paid for their exportable productions, which was, of course, of vital importance to all classes of people. Arrangements were consummated whereby the Government of Canada agreed to make advances to Great Britain at the rate of $25,000,000 per month, in order that she might purchase, in Canada, such of our products as she needed, and which we had to sell. In fact, advances for cheese and meat products in excess of the agreement were made last week. In addition, and for the same purposes, the Canadian banks agreed to make advances to the British Government, and altogether, up to this date, have advanced $200,000,000 on the security of Imperial Treasury bills. Further, the Government of the United States last year agreed to establish credits for British purposes in Canada. These arrangements are still effective, and are likely to continue throughout the year. In a word, the Government of Canada and the Canadian banks have been granting credits for Great Britain's purchases in Canada in substantial amounts since midsummer of 1917. Otherwise, our overseas trade would have been seriously handicapped. I must point out, however, that while the British Government has thus been making advances to assist in the payment of British purchases in Canada, Great Britain has been paying for Canada the upkeep of her troops in Great Britain and France, and sundry Government accounts. These payments by the Imperial Government for Canada have been to date $100,000,000 less than the payments made for Great Britain by the Canadian Government, and there is that amount to our credit in this open account to-day. This is strictly the Government's financial position in respect to war and trade for this year.

DIFFICULTIES TO BE MET.

The exact position of the people of the country, apart from the Government, is surrounded with difficulties. They must meet an adverse balance of merchandise trade with the United States and also the principal and interest of maturities there. They must, as well, pay for imports from Great Britain, which last year amounted to $81,000,000, notwithstanding we are the creditor company, and we must pay the interest owed by our people to people in Great Britain, and which amounts to about $135,000,000 annually. The combined commitments of the Government and the people are therefore abnormal, and substantial, by reason of the conditions I have outlined. Relatively, our position during the whole of the last fiscal year was less onerous than it is at present. In the early part of 1917, Great Britain was able to pay for some of her purchases, and, in addition, Canada was permitted to borrow money from the United States to the extent of $185,000,000, which assisted in reducing our advise balance with that country. In 1918, as far as one knows at present, we are prohibited from selling securities of any kind in the United States, and to that extent we are at a disadvantage this year in the settlement of our American purchases, and, of course, Great Britain is unable to pay directly for any importation of her Canadian purchases.

The experience of all nations during the war teaches us that all problems later change as we approach them. We may yet, during the present year, be per-

(Continued on Page 10.)