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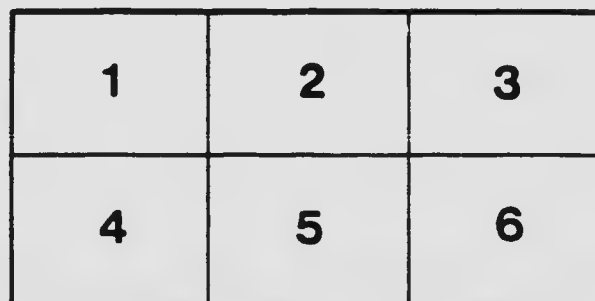
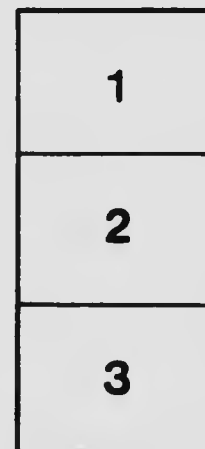
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SPEECH ON THE BUDGET

BY

THE HON. SIR GEORGE E. FOSTER, K.C.M.G.,
Minister of Trade and Commerce

In the House of Commons, Thursday, February 17, 1916

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OFFICIAL REPORT

SPEECH

OF

HON. SIR GEORGE FOSTER

MINISTER OF TRADE AND COMMERCE

ON

THE BUDGET

In the House of Commons, Ottawa, on Thursday, February 17, 1916.

Hon. Sir GEORGE FOSTER (Minister of Trade and Commerce): Mr. Speaker, I have listened with a great deal of interest to the moderate and somewhat careful review made by my hon. friend (Mr. A. K. Maclean) of the proposals which were submitted by the Minister of Finance on Tuesday last. In some things that he has stated, I agree with him; as regards others, I would express a mild dissent. There may even be some points in reference to which I would be inclined to make a rather decided and emphatic protest, but that does not take away from my first remark that I have appreciated and been interested in his line of thought as expressed in his remarks on the Budget.

In the first place, and before going further, I think I may take it upon myself to say that, in so far as I can judge, the spirit with which the Canadian people have met the taxation proposals of last year and of this year is in eminent accord with the spirit in which they have supported enlistment with the colours, and the prosecution of the war. Taxation, whenever it comes, is apt to hit someone harder than another; it is a thing which most people would rather not encounter, but I am convinced that, in so far as the prosecution of this war is concerned, either by the active one hundred thousand, or the two hundred thousand, or the ultimate three or four hundred thousand that go to the front, the seven million five hundred

thousand who remain at home are prepared to cheerfully pay what is necessary in order that the men at the front may do their work.

My hon. friend took up, first, the balance of trade, and he rather belittled the statement that the balance of trade in this country in the last two years, and notably in the last year, has been so changed that from a large adverse balance of trade, as shown by the imports and exports, we have to-day a large and gratifying favourable balance of trade. It does not depreciate that result in the least to cite the invisible imports and exports, and to endeavour to detract from the favourable nature of the present balance of trade by declaring that it does not express the true state of the exchanges between Canada and outside countries. These invisible imports and exports have been factors in these interchanges during every year that we have existed as a country; they have been increasing factors in these interchanges during the last fifteen or twenty years, and they have been rapidly increasing factors owing to causes which we all understand. But what we can feel thankful for is that, along with the existence of about equal factors of invisible imports and exports, the situation has so far improved that we have a favourable balance of the imports and exports as shown by the customs returns, and that we have reversed the old situation. Therefore, if there is

any advantage in a favourable balance of trade, that advantage has accrued to Canada during this year.

Mr. GRAHAM: That 'if' is the point.

Sir GEORGE FOSTER: My hon. friend (Mr. A. K. Maclean) made some remarks in reference to borrowings in Canada. I apprehend that he favours the people of Canada and the resources of Canada being called upon to give an equitable amount towards the present support of the war, and towards the diminution of that great borrowed sum that shall remain as a burden on our successors; but he seems to think that the loan which the Minister of Finance took from the people during the last few months was not advisable for two reasons: in the first place, because it perhaps went so far as to diminish the resources of the country which are required for carrying on our normal and present current business, and in the second place because it was not a popular loan, and therefore took rather from those possessed of accumulated funds than from the general savings of the less wealthy classes. My hon. friend is scarcely correct in his views. If he will look into the particulars of that loan he will find that there were 25,000 subscribers, which is a very large percentage of the population of Canada. Another fact he will find is that if the original limit of the loan had been adhered to, the banks and the insurance companies, and the other large accumulators of the deposits of the people, would not have received a single scrip, because the loan would have all gone into the hands of the smaller investors. He will also find that of the \$100,000,000 that were ultimately accepted, \$75,000,000 came from the lesser investors and only \$25,000,000 from the banks, the insurance companies, and the larger investors of accumulated funds. I think the desires of my hon. friend have really been met in that loan, and if not in that loan, they are met in the provision of the proposed legislation for the issue of debentures, in small sums, in order that the person who has one hundred dollars saved out of his earnings can put it into the war fund and thus help to carry on the activities of the war, and, at the same time, make an investment for himself which will bring a fair interest return. The prosecution of this plan with energy and discretion, throughout the length and breadth of Canada I regard as being an eminently fair way, and I hope it will prove a successful way, of interesting the people of small sav-

ings to take their part in the support of the war and at the same time to make wise provision for their own future.

My hon. friend (Mr. Maclean) then spoke of the tabulation of expenditures. He believes that as the expenditures all come out of the one pocket, and all go to the carrying on of the affairs of the country through the different branches of administration, it is simply vexatious and unnecessary, and perhaps misleading as well, if all are not grouped under one head. If this were done, he says, we should have no disputes about surpluses and deficits. Well, I imagine that there was a reason why, in the denomination of expenditures in our early history, a system was inaugurated which made a distinction between capital expenditure and ordinary expenditure. This was a young country, with almost unlimited area, but with very sparse population. It was agreed on all hands that the men of the existing generation were not able to bear the burden of all the expense of opening up the country, and that posterity, which would enjoy the improvements that were made, might well be called upon to pay their proportion of the expense of making these improvements. The effect was to show a little in detail and to keep before the people what I do not think is a very bad thing looked at in that light—that there are differences of expenditure, that some expenditures are for the present day and others are for the future, and that it was fair and desirable that it should be known how these were distributed. Let us look at the war expenditure for example. The people of the future will read our public accounts, and they will find under our method of summation that in the years 1914, 1915, 1916—maybe 1917, we do not know—there was a vast increase in expenditure that the expenditure ran up from tens of millions of dollars to hundreds of millions of dollars, making, in the aggregate, many hundreds of millions. If there were but one summation of expenditure, the men of the future would scarcely know how to rate and judge the people of these three or four years in their expenditure of these extraordinary sums. I think it eminently fair to have such a summation of expenditures as shall show that in these years a sparsely populated country tackled the problem of defence of liberty and justice for themselves and for the Empire, and that the interests of posterity justified the expenditure of these hundreds of millions of dollars and the

entering of that expenditure as a capital charge upon the country. So far I am not disposed to quarrel with this distribution of expenditures under different heads. But I will tell you where the moth and the rust do corrupt in a distribution like that. You do not have always a well-defined line to guide you as to what is ordinary expenditure and what is capital expenditure. And, in the diversion and change from one side to the other that has taken place in the history of our country many and many a time, you are led into error, and there is great temptation to keep the ordinary expenditure down by transferring to the side of capital expenditure, what ought, in right and in conscience, to be put down on the side of ordinary expenditure. I say that, so far as normal capital expenditure and ordinary expenditure are now concerned in this country, I, for my own part, would welcome the merging of both into one. This country has passed through its main period of capital expenditure. It has passed through it with sparse population. It is now at a state of advancement where it might very well place in one column all its expenditure and so prevent our continual juggling and dispute as to surplus and expenditures, and proper surplus and improper surplus.

The hon. member (Mr. A. K. Maclean) went on to speak of the expenditure and debt. He says the expenditures go up and have been going up, that the debt is increasing and will increase. That is true, and if the debt increases the payments for interest must increase. But what would the hon. gentleman have? The people of this country have made their decision. There is no wavering in it from Pacific to Atlantic. There never was a case in which unanimity was more complete. The few small and discordant voices that we hear now and then protesting, only serve to bring out the remarkable completeness of that unanimity, and to call it more prominently to attention. The people of this country are behind this war, and underneath this war and the prosecution of it. Expenditures may go up, debt may increase, interest expenditures may grow larger, yet it is the determination of our people to make this expenditure, to bear this burden, until victory is won and the cause for which we are fighting is triumphant. But there never was a time in the history of Canada; there never was a time in the history of any Administration, when the call came more clearly to those administer-

ing the affairs of the country to be careful in the matter of expenditures; to direct them properly and to administer them with absolute honesty; to be strong enough and brave enough to refuse unnecessary demands. When the trenches call for munitions and supplies; when the blood of the country is flowing from its veins in the struggle to preserve its ideals and its liberties; when those who are at home are contributing with generous self-sacrifice, and without murmur or repining, I say that to me as a member of the Government, to you as supporters of the Government, and to you gentlemen opposite, as a part of the great body which represents the people of this Dominion, the call comes to cut off every unnecessary expenditure, to refuse every unnecessary demand. It is our business to administer the funds of the people with perfect economy and to devote ourselves in so far as human beings are capable of doing it, to the sole purpose of prosecuting this war to its successful and final conclusion.

At six o'clock, the House took recess.

House resumed at eight o'clock.

Sir GEORGE FOSTER: Mr. Speaker, my hon. friend from Halifax (Mr. A. K. Maclean) made some observations by way of criticism in respect to charges made by the different departments to war account. He thought that, in the case of small amounts, that practice was "small potatoes" so to speak, and that in the case of larger amounts it should be charged up to the different departments. What is desirable, it seems to me, if we are going to put war expenditure in a column by itself, is that we should know our total war expenditure, so that we may realize exactly what the country has to bear on account of it. It is a fair proposition that all amounts expended, whether by the Militia Department or by any other department, the purpose of which was immediately to support and carry on the war, should be charged to the war. Otherwise it is unfair to the departments, by way of comparison. Our statistics run from Confederation to the present time. We compare administrations, and we also compare, year after year, expenditures in the same administration. It would be unfair, I think, if large expenditures are made by the different departments on war account, to have these charged up to the department as ordinary and necessary

expenditures of the department. It would be unfair to the department, during the term of these expenditures, and it would disturb the comparison, and indeed make comparison absolutely valueless in respect to criticism of expenditures.

Take for instance the large amount which was debited to my department, \$3,000,000. That was not an expenditure chargeable to the Department of Trade and Commerce in any way at all. The \$3,000,000 odd were expended upon the million sacks of flour which we donated to the British Government. Whether that should have been charged to war expenditure, or whether it should have been charged to ordinary account, and made a gift outside of war expenditure is a question open to discussion; but the Government thought that as such an expenditure would never have been made but for the war and in support of the war, and was a gift to the British Government which had the heavy burden of the war on its shoulders, it should therefore be charged to war account. Therefore, I do not think that my hon. friend's criticisms with reference to the war accounts are maintainable. Again, if a number of employees of a department enlist and take part in the war, they have to be replaced. The department pays the salaries, or a portion of the salaries, of these officers while they are engaged in the war, and yet has to put other officials in their places and pay them while the enlisted employees are absent. It seems to me that it would not be fair to charge these salaries to the ordinary expenditure of the department, but that it would be fair to charge them to war account. However, we will let that go for what it is worth.

Then my hon. friend found fault with capital expenditures in a general way. He referred to capital expenditures amounting to some millions of dollars this year, which he thought might well be dispensed with, so that the money could be saved for the present. He mentioned one in particular, the Hudson Bay railway, and his opinion was that as that work was not under contract, the same argument could not be made with reference to it as could be made with reference to the Welland canal improvements, which are under contract and where therefore it was a difficult thing to break contracts, as damage would be involved if the contracts were delayed or broken. His information is not quite correct with reference to that work, however. The Hudson Bay railway is not being built by

the Government by day work, or by its own gangs. The Hudson Bay railway contract, for the first 200 miles, was let by the late Government, and the contract for the other 200 miles was let directly after we came into power, in order to carry the railway up to the bay, so as to secure, as soon as possible, access to the waters of Hudson bay and to effect economies in respect to the necessary expenditures for docks and improvements. So that that contract is in the same position as others.

Mr. GRAHAM: How about the harbour works?

Sir GEORGE FOSTER: They are carried on by the Government, and might be subject to suspension, but the Hudson Bay railway certainly is not. Again, my hon. friend spoke with reference to the character of expenditures generally and as to the evils of patronage, and he instanced a class of expenditures which he thought might well be dispensed with. These were the expenditures upon harbours and rivers, and upon improvements along the coasts, and my hon. friend's characterization with reference to these was, as I understood it, that they were not very important at the best, that many of them were questionable at least, and, during the present time, might well be dispensed with, and the money saved devoted to the war. He also declared that those expenditures were mainly on account of patronage, and he made a rather vehement attack upon patronage as a practice—I will not call it a principle—in the Dominion of Canada. I am disposed to be perfectly frank with respect to both of these points. I am disposed to agree with my hon. friend in some of his strictures upon both of them, but his protest would have had far greater weight with me, and with the House, and with the country, if the practice of himself and his party, when that party were in power, had accorded with his professions at the present moment. That, however, is not the kind of argument which slays an opponent entirely. He might plead what was pleaded by my hon. friend from Assiniboia (Mr. Turriff) with reference to the argument which was offered here the other night as to the 50 cents imposition on flour that was to bonus the miller. My hon. friend from Assiniboia found no fault with that proposal some few years ago; therefore he supported it, and he rather intimated that he supported it then on principle. Now he opposes it equally of course on principle.

The same remark applies to the question of patronage. I said I was disposed to be perfectly frank on both of these points. There are expenditures now—there have been expenditures from Confederation up—which have been put into the Estimates—passed and carried out in the country, that were neither useful nor expedient. There is no doubt about that; it has been done under all Governments; it probably is being done under this Government. My opinion is that until a different method is pursued with respect to our expenditures upon public works, in their authorization, we shall be open to these troubles and to that criticism. My view is that every application for a public work, or a public improvement, should go before a competent board of engineers and business men, should be reported upon by them for the information of the Government, and that every application should have to show some cause of necessity, of public benefit, or of future usefulness before it was passed and put into the Estimates. I do not believe that we will ever get down to a proper system of husbanding the resources of our country, as we are bound to do as trustees for it, or of confining ourselves to useful and necessary public works until we get some machinery of that kind.

Now, as to patronage, I have been thirty-four years in public life; I have been a pretty close student of political parties and political history in this country, and I have simply this to say—I give it as my individual opinion—I have long felt it and I feel it now—that in the whole course of my political life I cannot point to a single instance where political patronage ever raised the status of the bench, ever promoted the efficiency of the Civil Service, ever helped to economy in administration or enhanced the status of public administrators, whatever what functions they performed, ever helped a member of Parliament in reality, or ever strengthened a Government in reality. On the contrary it almost always causes the dry rot and disintegration that break up government after government and party after party, and I wish now, in the white heat and light of this great contest and struggle and the self-sacrifice that we are called upon to make, that we might speak from the heart out, and make an agreement in this country between both parties, that hereafter patronage shall not be applied by political parties in the administration of our public services. Now, that is a frank admission. Some may

say to me that I have no right to make it. I presume upon my grey beard and thirty-four years in public life, and I make that statement for what it is worth. I will just append to that one single sentence, and it is this: that if there is any laxity in the public virtue of this country to-day, if there is any canker of public corruption, in ninety-nine cases out of a hundred you can trace it to the baleful effect of political party patronage.

The hon. member (Mr. A. K. MacLean) then went on to discuss the Budget which was brought down for the raising of the necessary revenues for the prosecution of the war. Well, my hon. friend criticised, but it struck me that he was rather half-hearted in his criticism. He would not take the responsibility of saying that the proposals were good and absolutely without merit. That is very good from a member of the Opposition whose duty it is to criticise and who makes his criticism and speaks for his party therein. At the best, he says, it can only be justified as a temporary expedient. Very good; this is only a temporary expedient, as I understand it; it is limited to the autumn of 1917, or thereabouts. The criticism of my hon. friend does not hurt very much. He does not believe in its being retroactive. Well, that is open to debate, but what we were after were revenues for the prosecution of the war and what we tried to do was to make the getting of these revenues coeval, or contemporary, with the duration of the war. It may be that in particular instances hardships will be found. You cannot devise any system of taxation—I do not think you can—at least I have never known of one that was devised—that would work perfectly and absolutely scientifically and do no injustice to any man in the body politic. So, there may be details of this which may very well be ameliorated when we get into Committee of the Whole.

Another point my hon. friend made was that 7 per cent was not a sufficient dividend, a sufficient profit, to encourage industrial establishments. The resolution which has been brought down does not confine it to 7 per cent. It allows the industrial establishment to make eight, nine, ten, twelve, or whatever per cent it can, and it allows it to retain that profit up to seven per cent and then the Government shares in the proportion of one out of four over and above that. If 12 per cent is earned by an industrial

company and if it is necessary, or seems to be, in order to keep it up, that it shall get 7 per cent, it gets its 7 per cent. We then take the difference between 7 per cent and 12 per cent and we give the owner of that establishment three and three-quarters per cent while we take one and one-quarter per cent, so that he can have his 10 per cent of that industrial dividend.

My hon. friend explained to the House that he thought we should have taken income as the basis of our taxation. There is a great deal to be said in favour of income taxation. There is a good deal of truth in the statement that taxes have to be paid anyway and that, if they are cumulative as between the province and the Dominion, the man pays, you get from him and he does not pay more than he ought to pay. There is something to be said in favour of that, but I am of the opinion—maybe I am not correct—that in war time, and especially in these busy times that we are passing through, to go into a large scheme of well ordered taxation, to examine into every source of taxation and to come to conclusions as to what system should be adopted and put into force, is to undertake a task which requires more leisure than ministers have to give to it. Anyway, let us be thankful that the criticisms that have been made by the hon. member for Halifax (Mr. A. K. Maclean) have been no more damaging or stronger than they have been. A democratic government is bound, and is always willing, to confer with the Opposition, and take its suggestions; and, if those suggestions are good, to embody them in its legislation. It is equally the duty of the Opposition to assist the Government with its best thought and its best conclusion, more especially in cases like this, where the cause to be sustained is so great, and where the burden of the support of that cause is also so heavy.

Other gentlemen on both sides of the House will have opportunities of speaking on the particular matter of my hon. friend's Budget in Committee of the Whole, where it will be exhaustively discussed in detail. Therefore, I do not intend to-night to occupy the attention of this House a single moment more along that line. I am going to ask the House if it will be indulgent enough to listen to me for a few moments on a subject that has not been very thoroughly discussed, which possibly has not been very well thought out or received any very great attention, but which is yet

so closely interwoven with this great contest that we are now passing through that, although we do not want to divert the energies of Parliament or of the country from our main purpose of carrying on the war successfully, yet as prudent and thoughtful men we ought to be turning over in our minds, and getting ready for when the time comes for action along these lines; and that is, with reference to the economic situation, the business situation. I take it that, if we read history through from first to last, we shall find very few contests out of which spring such issues as those which hang upon and are to come out of the all-absorbing contest in which we are engaged. If that be true, it is the duty of Parliaments—and they are undertaking that duty—and it is the duty of this Parliament and of this country, while giving all the support in its power to the actual conduct of the war, at the same time to be thinking very deeply, very strongly, and very honestly upon the condition of things which we here in Canada, and the Empire with us, and the world taken as a whole, will have to face when the war is over and peace is assured. I take it that our great and supreme struggle—that which will try us most and tax our best powers—is yet ahead of us, and yet to be met, and will begin the day our soldiers are called off from war and the tremendous work of re-adjustment commences, in our Empire, in this country, with our Allies, and with the world. And it is just upon two or three phases of this matter that I am going to ask the House to listen to me; not because I think I shall teach them much, or that there will be anything new in what I shall say, but to stir up our minds by way of remembrance, that we may not forget these very weighty things which are just in front of us, and which we cannot avoid facing.

In the first place, I affirm that every man of us on each side of this House, and every citizen of this country, has one duty to perform; it is to put his thinking cap on, to examine into, and to understand those conditions which will confront us when this war has ceased; it is equally his duty to be candid and honest in his utterance of opinion, and give to the Commonwealth and to the Government the best that is in him of suggestion and of advice. I listened to the Finance Minister telling us the other day of the pleasant side of the past year's operations; of the large crops—a two year crop in one, thank Heaven for it—that have been gathered, of the good prices to the farmers for their

products, and for most other products as well. I am thankful, too, that as the war had to go on and munitions had to be made, it was so brought about that when other manufacturing industries languished we had an opportunity of making a large portion of the English munitions, thereby keeping our unemployed at work and paying them wages, and filling the gap which would have been an awkward one for us if we had not had that substitution. I am glad that things have been so brought about partly in the nature of things and partly by the good management of my hon. friend the Minister of Finance, that this year we shall have a favourable balance of \$200,000,000 as between our imports and exports. I am glad for all these things; they have buoyed Canada up; they have kept us in a position of vantage; they have made it possible for us to say that, in the by and large, no country stands to-day, after the first nineteen months of war, in a better and sounder position than does this country of ours. Now, admitting all that, I am bound to be honest with myself and to say that we should make a very great mistake if we took all this just at its face value, and concluded that to-morrow would be as to-day, only much more abundant; it would be a great mistake if we put away from us all care, all investigation, all fronting of what will be the real difficulties of the future, and thus when the supreme economic struggle comes find ourselves ill prepared, light-heartedly and without thorough examination entering into the greatest contest in our history, the greatest in the history of the world. That is what I say to myself, and that is what I tell the people with whom I come in contact. I wish the whole of Canada would enter upon the same line of investigation; possibly they are doing it; I think they are, more and more. We should be preparing ourselves for the time which is to come. The courage which comes from an inflated and mischievous optimism is but Dutch courage when you meet in the final struggle the difficulties you have to front. The courage that tells, and the courage that works out the solution, is the courage which a man has who faces every difficulty, who knows exactly what is ahead of him, and then with firm resolve and energy braces to its utmost, with the full power of mind and heart says: Yes, that is what I have to overcome, and by God's grace and

my own steady work I will face it and overcome it. That is the kind of courage which I think tells. I have no love for the pessimist: the pessimist cuts right down into the hopes and confidence of the heart, and paralyses exertion and effort. I have not much more love for the over-optimist; an over-optimism I think may be more injurious to us than a tinge of pessimism. I meet with a great many people who use three common arguments. One man says to me—a friend of mine actually did say it to me: I have no compunctions or qualms of conscience, no fears at all as to the outcome of this great war in a financial and business and economic way; let the war go on; let the millions be spent; let the destruction all take place; there will be just as much money in the world at the end of it as there was in the beginning. Why, he says, take your manufacture of cotton and what is the system? Capital seeks out the raw material; gathers it together; transports it; puts it through the mill; brings it out into the finished product; sends it away to the customers and gets its pay, and then runs back again to the raw material and keeps up the round, dispensing its wages and its benefits to every class of labour concerned. So it is with the woollen industry and with every other great industry, and so it is with the manufacture of cartridges and cannon. Cartridges and cannon are being made now. Capital seeks out the raw material; brings it up to the state of perfection which is necessary for manufacturing the munition; puts it through that manufacture; carries it out to its completion; sells it to the war administration, and gets its money, and then goes back again hunting out raw material and keeping up the same round. What is the difference between the manufacture of cartridges and cannon and the manufacture of cottons and woollens? Do you not see that the money is all kept in the world and that it is all kept circulating? Why then do you have any qualms as to what is to take place when this war ceases? Well, I have just this to reply: That money is but an infinitesimal fraction of the wealth of the world, and, in so far as it is money, it is not worth shucks except for what it represents. Gold, silver, copper, bank bills, letters of credit, cheques, anything that you please, are but the expedients by which the old and clumsy methods of barter have been replaced and by which we have adaptability of ex-

change and rapidity of distribution. The wealth, the capital of the world, is that which money represents; it is what is stored up from the earnings and savings of the people for countless generations, and the manufacture of cottons and woollens is characterized as a product by the ultimate beneficent use to which it is put. The product of cannon-making and cartridge-making is also characterized by the use to which it is put, and that is a destructive use, which destroys everything that it strikes, and not satisfied with material destruction, destroys the human actor, mind, body and spirit. Therefore when munitions of war are characterized and thought of in that way, whilst the manufacture of them is necessary in a war for principles and ideals, and whilst the war must be carried on to the finish, from an economic sense it is not true to say that the manufacture of munitions is just as beneficial to the country as the manufacture of cottons and woollens. That is where the world has to count up its almost unfathomable and incalculable loss, for there never has been a war in the history of the world where more of the wealth of the world, material and human, has been destroyed than in this great contest through which we are now going.

Another man says: Oh, you need not trouble yourself overmuch; the war will be over in a year or in eighteen months, and when peace comes, we shall have a period of unexampled prosperity. I would like to think so, but I cannot. Prosperity is based upon profitable production, on the demand for consumption and the power to pay the producer in order that the consumer may have within his hand to consume what the producer has produced. Looking at the matter in that light, we cannot look forward to the end of the war and comfort ourselves until that period on the false assumption that peace will bring with it unexampled prosperity.

One more point I must touch and it is this: in a paper which came into my office there was the following tremendous headline:

Twelve to fifteen millions inhabitants in Canada three years after the war closes.

That is an exaggeration, but how mischievous it is to have that idea instilled into the minds of the people. It paralyzes any effort to secure what immigration we may be able to procure if the report is spread broadcast that willy-nilly we shall double our population in three years through immigration, and it prepares for us

an immense disappointment and consequent depression when that period comes and our hopes are not realized. Immigration is needed. Let us ask ourselves the simple question: when war ends, where shall we get that immigration? Not from the millions of men who lie buried on the battlefields of the world; not from the other millions of maimed, blind, or bruised humanity that are able, it may be, to do something, but not to do the work that we require of well-grown and well-found immigrants in a country like ours. We shall not get them from Germany, because it will be many and many a long day before the German, coming from beyond the line of Belgium and Flanders, finds it to his comfort to seek a domicile in the Dominion of Canada. The Hun spirit has revealed itself too fully; the antipathies and hatreds, the loss of sympathy, the outcome of these feelings of humanity which rebel and revolt against the inhumanity of the Hun, will lie in the hearts of our people for this generation and will be taught to our descendants for generations to come. Not from that source then can we look for very much immigration into this country. I need not follow that argument further. Do not let us be deluded by any of these things, but let us put on our thinking caps and study where we can get the right kind of immigration. Let us invite those that we want; and then let us improve on the previous chapters of this country's history and train and direct, sympathize with, and help in their endeavours in the new country, those whom we bring from other lands to become cultivators in Canada.

The next point I wish to touch is this. I am not sure that we have not taken too restricted a view of this great conflict in which we are engaged. Is it or is it not true that we have been inclined to judge of this contest by the struggle of armies on land, fleets on the sea, submarines under water, and Zeppelins and aeroplanes above? Is it not possible that we have so regarded these phases of the struggle as to have lost sight of the fact that there is another side to it all? My belief is that there has been and long will be another side to this conflict. The war which broke out in flame and thunder on the first of August, 1914, was but one symptom of conditions which had long existed and which had long been nurtured. This contest began forty or fifty years ago when Prussia came out from the Mark of Brandenburg and began to impose itself upon the several states of Germany. The preludes were in Prussia's wars

against Denmark and Austria by which she added to her possessions. The first great act was in 1870, in that swift, marvellous campaign against France, when she subdued her enemy and took toll in money and territory. Thereafter was carried on the system of what I may call peaceful penetration which, carefully designed, elaborately organized and tirelessly prosecuted with infinite skill and tact, has been Germany's way of pushing forward to the ultimate dominion and hegemony of the world. Let me make that a little stronger. Germany lay contiguous to Belgium, to Holland, and to other countries on those seas, a dominating power, scientific, easily master in chemical research, pushing ahead in school, in college, and in university. In these and many other ways she began to penetrate the territories which lay nearest to her, and driving her lines farther and farther she at length ringed the world with her influence. Not until the war broke out did the revelation come to the minds of the people of other lands. Then, little by little, the eyes of the world's people opened—and are still opening and are not wide open yet—and they realized the relentless campaign along the line of peaceful penetration that Germany had waged against mankind with the intention of ultimately dominating the economic and political situation of the world. That economic war has been going on, and is still going on, and when this war of battalions and fleets is ended that economic war will still be continued. When you have finished with the military part of it you commence with the economic part, which must be prosecuted to its fulfilment.

Let me give you one or two instances. Germany spread herself into East, West, and Central Africa, along the borders of friendly countries. And every hour that she so spread herself she was preparing treason and revolt for those friendly countries. When the rebellion took place in South Africa, after the outbreak of this war, we found that treason had been hatched, that revolt had been consummated by the German authorities in Africa. It was found that throughout the Pacific in island after island there were the bases of Germany's operations—the wireless stations of the Germans, the pervasive agencies of the Germans. Theologically, scientifically, socially, politically, financially, every advantage that they could take in this way of peaceful penetration they had taken, until their influence

ringed the world, strong and sinister. And this has been to them in this great contest of incalculable value as a support and help. Let me give you another instance. In 1914 the British Association for the Advancement of Science held its great world-meeting in Australia. To that meeting four prominent German professors were sent. They came as the accredited delegations of great scientific associations, and as such they took part in the proceedings. The association's meetings ended. War broke out. These four men, accredited in that way, made representations to the Australian Government that they were scientists who had come to take part in this great association and ought to be given passports to their homes. That looked reasonable to an unsuspecting people, and the Australians gave them the asked-for liberty. Two of them availed themselves of that liberty and left very quickly. The others wanted to stay longer and raised some cavil as to the time. Suspicion was engendered; the baggage and possessions of these two men were seized and it was found that they were absolutely German spies, that they had then in their possession military maps of all points of strategy and advantage in Australia. Immediately, the Australian authorities sought to apprehend the two who had left. One got away through Java, but the other was caught up with by a British cruiser, and when his baggage was examined it was found that he had the complete paraphernalia of the spying work he had done in Australia. These are two instances which show you the relentless, far-seeing, far-reaching and effective way in which this work of peaceful penetration on economic and political lines was carried on.

In things commercial and financial they acted similarly, until they acquired abnormal powers in different countries, and used them for the advancement of their own ends. To-day it is well understood in all the allied countries that this economic warfare will have to be finished as well as the warfare upon land and sea. To-day France is taking action, making investigation, laying plans. What is the first thing that will take place? Old treaties have gone; new treaties and new tariffs will have to be made. In Russia, Italy and Great Britain preparation is being made on the same lines. Do you suppose that Belgium, whose industries have been destroyed by the war, will be disposed to allow German trade to come uninter-

edly, as formerly, into her country, to complete the ruin which the armies of Germany have begun within her bounds? No, that will not take place in Belgium; nor will it take place in France, in Russia, in any country of the Allies. So that, with the war on land and sea finished, there commences at once an economic campaign to develop within the allied powers what is best within them, first, for their own respective countries, then for the Allies in general, then for the neutral world; and to protect themselves against the economic onslaughts of the Germans of the future.

My next point is this: When the war is finished, we shall face a new world; or, rather, we shall face an old world under very greatly changed conditions. When the recall is sounded and the armies stop their fighting; when the white-winged dove of peace poises over the blood-drenched plains of Flanders, of Europe and of the world, there will have to be faced a set of conditions demanding closest examination and the most earnest thought of all the peoples who have been engaged in this What changes will have been wrought, speaking from a territorial and a national standpoint? If we are victorious, as we intend to be, we shall join in the world's work with one most important element largely eliminated. The Germany of that time will not be the Germany of 1912, 13 and 1914. She will be a Germany chastened and restricted. She will be a Germany without a single possession in the world outside of her own limits. She will be a Germany with no outside posts of observation, no naval bases, no wireless stations, no system of spies and agencies to sow sedition, to raise rebellion and to give information to the country at home. She will be a Germany with a navy depleted, with a commercial tonnage dislocated and dispersed. She will be a Germany separated from business with the whole outside world, having arrayed against her loss of sympathy, positive hatreds and hostile tariffs, as potent and as powerful as the guns of the

9 p.m. Allies have been against her material forces by land and by sea. That will make a tremendous difference in the world. In Belgium, in Poland, in the Balkan States, and in all the countries of the Allies, the old treaties will have gone and new arrangements will have to be made. We shall have to face a set of conditions absolutely different from those that were encountered at the beginning of the war.

But that is not the main change that we shall perceive. Economic conditions will be vastly altered. Up to March 31 of this year £5,200,000,000 will have been expended by the Entente Allies in the war. On the part of the Central Powers, £3,370,000,000, will have been expended. These sums amount to the amazing, incomprehensible total of \$43,000,000,000. What does this fact signify to us? Mostly these large sums are in the form of debt which will have to be borne by these nations and by the world for generations yet to come. But that is only a small part of this aspect of the war. How many millions of human beings, the best of the physical and mental power of the peoples engaged in this terrible war, have been laid low and abstracted entirely from the producing power of the world? How many millions have been diverted from productive pursuits during these two or three years and debarred from adding anything to the wealth of the world or re-enforcing its earnings or its savings? What arithmetic is capable of calculating the value of the destruction of capital and property that has taken place during this war, all of which will have to be replaced? Whether it be in respect of the capital or the working power of the world; whether it be in connection with matters educational, moral or spiritual, the extent of the reconstruction that will have to take place almost passes the comprehension of man. It is so vast that we sit down before it, paralysed and confused in the attempt to get at its real significance. But that is not all. Look at the wreckage of humanity that must be taken care of: the pensions for soldiers, the hospitals for their treatment and cure, the homes in which they shall have to be treated and trained. Look at that still greater expense in the private homes of those who have been maimed and hurt in the war, which though a proud burden—a burden which the mingling of heroism and love helps to make supportable—is no less an economic burden. Then there is the rebuilding and rehabilitation of all that has been destroyed in the terrible conflagration of war. Last, but by no means least, there is the depleted physical, moral and mental force of the world which every great war, and this more than any other, inevitably leaves behind it. How many generations will pass before we recover this inestimable loss! These are the conditions which we shall have to face. One man says: Oh, as soon as peace comes we shall go about our businesses as usual. Shall we? There is a period of readjustment,

when the warring powers come to the point when they feel that it is best to stop war and to confer about the terms of peace. What happens then? An armistice is agreed upon, but an armistice as long as it lasts, is war in all its expenditure, except the loss of human life and of shrapnel and shell in the prosecution of active hostilities. The whole paraphernalia, men, munitions and all the great train of subsidiary services, is yet in the field, and must be kept there, for no one knows when an armistice may be ended by disagreement amongst the powers that are parties to it, and when hostilities may commence anew. Suppose that the armistice results in negotiations for peace. Then follows a long period of negotiation, a long period of the demobilization of troops, of millions of men, of incalculable tons of material that have to be gathered up from all the war fields of the world. There are millions of prisoners in every country engaged in the war to be carried and deposited in the country from whence they came. All these things will take long periods of time. International balances arrested by the war will have to be settled; the question of exchanges will have to be met. The long and somewhat tedious process of leading countries, which have made extraordinary paper issues, back to the gold basis, with all the disturbance that takes place meantime, will have to be faced.

Summing these certainties up, thoughtful men say that the year which comes with the introduction of conferences for peace will possibly be the most strenuous, the most dangerous, and the most fatal year of the whole period from a business point of view. So, we cannot look for anything less than those burdens, and those dislocations, and those difficulties of trade. We must make up our minds to face them, and we must frame measures which will enable us to face them. Then there will be the social changes that have taken place. In this war prince and peasant, rich and poor, have fought side by side, have eaten side by side, and have died side by side. Masses and classes have coalesced; naked, virile manhood has been the basis of valuation; old prejudices and rancours have passed away; old shibboleths of class distinctions have been forgotten, and you will have a different world in Great Britain, and in almost every other country that is engaged in this war, because of changes in social conditions.

Then there will be the settlement of lands, and the readjustment of methods of production. After the lessons that have been learned in regard to the mobilization of forces, economic and otherwise, it can hardly be expected that when peace comes those lessons will not be turned to advantage in the economic field. So we have before us a period of readjustment, of unrest, of dislocation, which we have to face and worry through as best we can, and we will face and worry through it all the better if we have our plans prepared beforehand. One last word. I think I have already tired the House too much.

Some hon. MEMBERS: No, no.

Sir GEORGE FOSTER: We have learned two lessons in this war. We have learned the lesson of unpreparedness in military matters. When one begins to think of what the British Empire means, of what its flag floats over, of what its boundaries encircle—one-quarter of the inhabitants of the world, wards without citizenship, dominions which are equal in citizenship, dependencies spread over the whole universe—one begins to realize the awful responsibility of the trusteeship of the British Government over that immense area, filled with such precious possibilities, and crowded with such mighty interests. Today, and for nineteen months past, Britain has been mourning the fact that she was unprepared for the defence of those sterling and incalculably vital interests. That lesson of unpreparedness has been learned by every one of the Allies. The only country which did not have to learn it was Germany herself; she was not guilty of unpreparedness, so far as this war is concerned. She had prepared her weapons and chosen her time.

Another lesson of incalculable value that has been learned is the lesson of co-ordination and co-operation of all the parts of the British Empire, co-operation and co-ordination on the battlefield, at sea and on land; co-ordination and co-operation in the matter of supplies, of raw material, and of everything which tends towards the embarrassment of the enemy, and towards the support of Britain and her Allies. The ordeal of war through which we have passed and are passing has taught us that it is possible for an Empire so vast and stupendous as the British Empire to co-ordinate and co-operate, each part with every other, towards the general good and general benefit. That is a lesson of incalculable value, and that lesson will be turned

to account in the economic field, as well as in the field of military and naval exploits.

One word, not by way of full description, but simply to keep before our minds what is at present going on. The first thing that will take place will be a revision of the treaties and tariffs which govern trade. The old treaties have passed away with the war. The treaty of Frankfort, concluded after the Franco-German war, bound France, in some respects, hand and foot to German commerce and German trade. In 1869 the imports of Great Britain into France were 47 per cent of the total imports. The Frankfort treaty intervened, and in 1913 the imports of Great Britain into France had dwindled to 13 per cent. The commercial treaties and commercial methods of Germany won their way into Austria, into Russia, into Italy, and into the Balkans, and pressed upon every co-terminous country. That condition has passed away. The slate is clean, and the Allies, which have mingled their blood in the contest to defeat the Hun in his attempt to usurp the place of dominator and master of the world, will be disposed to unite their economic forces in order to protect their own peoples. And the last and least source of supply for manufactured goods, and the last and least point of destination for our raw materials—I am not a prophet, but I take it upon myself to hazard the conjecture—will be Germany until the German people have renounced their mad, wild dream of the superman, of the superstate, of the super-race, which has been their ideal and their delusion through this war.

The British Empire, I think, will get itself together. Australia woke up early after the war broke out, and, in its desire to make use of its metals, found that the German metal trust had its strong hand around every metal-producing industry in Australia, and had these industries tied up with long contracts. The Australian Parliament took its power into its own hands, broke off that iron grip, and to-day they are manufacturing and utilizing their own metals. The raw materials of the world were largely corralled by the Germans; German syndicates, German financiers, German commercial houses, had their hands upon much and sought control of all. That condition will never occur again. The Empire, I think, will see that its own raw materials, in all parts of the Empire, are utilized and developed, first, for the purposes of the Empire, and, afterwards, for

the purposes of its Allies and of the neutral nations of the world. And so in this wise, without one single idea of the individuality, freedom, and independence of the overseas dominions being relinquished or trenched upon, the necessities and the example of the war will have brought about such a sentiment and blazoned such a path that it will be possible for the Empire to mobilize its economic forces for the good of all its parts, and the British Empire as a whole be able to join a league of good will with its Allies for their mutual advantage and development.

Canada herself must wake up and in many ways seek to strengthen her position. We must strive as far as possible to eliminate all waste, to stimulate thrift and combine our savings for investments which beside contributing to the support of the war may at the same time make a profitable investment for the people themselves.

We must also learn to practice economy in all expenditures, public or private, to improve the production of the country both in quality and in quantity, to invite and direct immigration on sound and discriminating principles, and to reinforce efficiency in production by technical education and thus combine as far as possible the factory and the laboratory.

Canada herself has learned something from this war. Canada to-day is a self-reliant country many degrees higher than when this war commenced. Somehow or other, since we have put our shoulders under the Empire's burdens, we have developed greater confidence and greater strength. The sacrifices that we have made have melted out many of our parochial trivialities and unimportant differences, our minds work in an atmosphere of wider and broader problems of Empire possibilities in which Canada shall share as a part of the Empire, within it and of it. To-day the lesson of the struggle and of its sacrifice is finding its way into, and imprinting itself upon, every Canadian heart, and making of us a more self-reliant and resolute people. What we have done is an earnest of what we may do. But the thing that we especially need to do now in this country is to throw old shibboleths aside, forget—many of us—the theories and prejudices of our earlier days, face conditions as they are in this country, and work together, both parties and all the people, for a sane and systematic mobilization of the best products and the best forces of Canada which in the future shall give us

prosperity, development, peace, and happiness.

I am glad, Sir, to-night that Canada stands high and proud in the galaxy of nations and dependencies that make up the British Empire. Sacrifices have been made and burdens taken up for liberty, for justice, and for the best ideals of the world. Hereafter Canadians will not let fall so lightly and unthinkingly from their tongues the words justice and liberty, liberty and justice. They will come from the hearts of Canadians henceforth, and I doubt not that in our civic duties, in our provincial

duties, in our Dominion duties, in our Empire duties, we will come to the work with purified hearts and enlightened minds, with higher resolves and with a great purpose, determined to make of ourselves citizens worthy of the reputation that our soldiers have made for us at the front, worthy of the reputation that our mothers, our sisters and our daughters have made for us here at the home base of operations, and worthy of the place that we have aspired to take as one of the potent, virile forces in the progress and development of the world.

