

CANADA.

BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M.P.
MINISTER OF FINANCE

IN THE

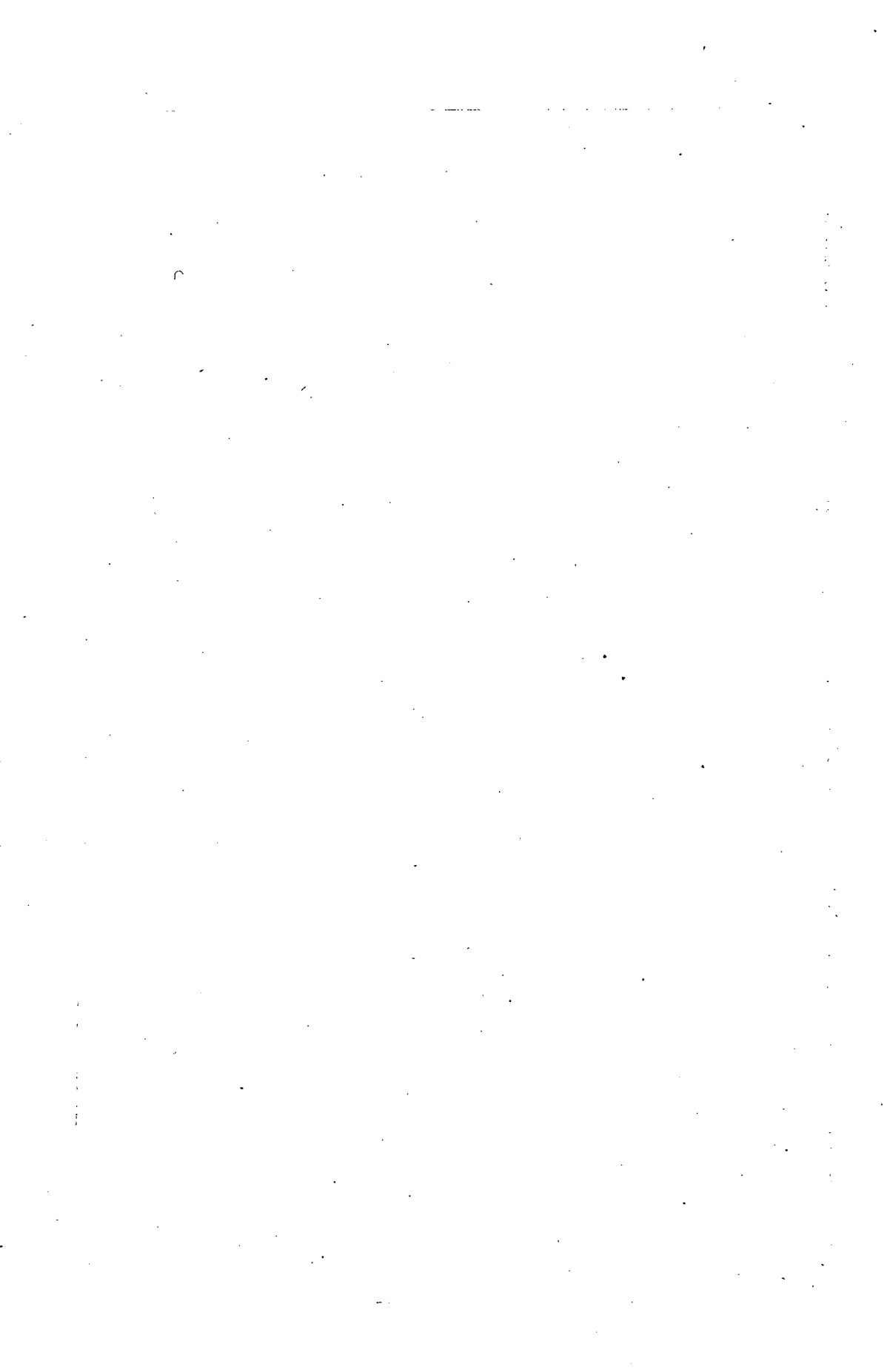
HOUSE OF COMMONS

TUESDAY, APRIL 4

1911



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SUPPLY---THE BUDGET

Hon. W. S. FIELDING (Minister of Finance) moved that the House go into Committee of Supply. He said: I am sure, Mr. Speaker, that we shall all rejoice that the facts and figures which it may be my duty to submit to the House to-day will help to tell the continued story of that progress and prosperity which Canada has now happily enjoyed for a long period. Possibly at some previous times there have been some doubts on occasion as to whether or not there was that progress and prosperity which has been claimed, but if there ever was any difference of that kind it certainly does not exist now, for on all hands we have the testimony that the condition of Canada is a very prosperous and satisfactory one.

Fiscal Year 1909-10 Revenue.

The Public Accounts submitted to parliament at the present session were for the fiscal year ending March 31, 1910, a period which expired a little more than a year ago. I shall not at this day occupy much time in commenting upon the operations of that year, but there are a few striking points in

connection with them of which we may well take note in passing. The estimated revenue for that year, 1909-10 was \$97,500,000, accompanied, however, by a hope that under favourable conditions the revenue might reach the round mark of \$100,000,000. These favourable conditions did occur, and the revenue reached the hundred million dollar mark and passed it. The actual revenue for that year was \$101,503,710.93, being a little more than \$4,000,000 in excess of the estimate, \$16,000,000 and more in excess of the previous year and nearly \$5,500,000 in excess of the revenue of the record year of 1907-8. Thus, so far as the revenue was concerned, the operations of the year were eminently satisfactory.

Expenditure, 1909-10.

If we turn to the expenditure side, we shall find an equally satisfactory state of affairs. When our revenues have been buoyant we have felt justified in making liberal provisions for the public service, but when a check comes upon the revenue, then, although it may be only for a time, it is well that we should apply the brakes

to expenditure. In the year 1908-9 such a check did come upon our revenue and there was a substantial reduction; our revenue fell off about \$11,000,000. In consequence of that, it was thought well to apply the brake somewhat severely to the expenditure of the following year. Happily the check on our revenue proved only temporary. After a short time the revenue continued to grow again, but in the meantime we had endeavoured to check the expenditure with, I think, satisfactory results. The estimated expenditure chargeable to income for 1909-10 was \$81,000,000. The actual expenditure of the year was \$79,411,747, or \$1,588,252 less than the estimates, and \$4,652,435 less than the expenditure chargeable to income during the preceding year. In these figures we have the evidence that when the check came upon the revenue; we were able to put the check upon the expenditure too, and there was a very substantial reduction of expenditure in that year.

Surplus, 1909-10.

The surplus estimated for the year was a generous one, \$16,500,000; but with a large increase of revenue and a substantial diminution of expenditure, the surplus naturally grew to a larger figure, and instead of it being the sum counted on, the actual surplus of the year was \$22,091,963, which was a record surplus for this Dominion.

Mr. FOSTER. Was that after the payment of the sinking fund?

Mr. FIELDING. Yes, sinking fund is always chargeable to income.

Mr. FOSTER. That was over and above that?

Mr. FIELDING. Yes, that is my understanding.

Capital and Special Charges, 1909-10, and Transcontinental Railway.

We have to consider now the capital and special charges for the year 1909-10. In that year we expended \$35,971,911.94, a pretty large sum, on what is called capital and special account. Nearly two-thirds of that we provided out of the revenue for the year. The balance added to the debt was \$12,338,267.16. Note that

in that year we paid out of our revenue all the ordinary expenses of what we call consolidated fund, all the charges for railways and canals on capital account, all the charges for public works on capital account, all the charges for railway subsidies, all the charges for Dominion lands, all the charges for militia on capital account, all the charges for bounties, and also \$7,600,000 towards the cost of the Transcontinental railway. In that year we spent on the Transcontinental railway \$19,968,000; but we added to the public debt only \$12,338,267. In this hurried glance at the accounts of the year 1909-10 we shall see that the year was a very prosperous one: first, in the matter of liberal revenue; second, in the fact that the expenditure chargeable to consolidated fund showed a substantial reduction; and, third, in the fact that although we spent a very large sum on capital account, we were able to provide for nearly the whole of it out of our revenue, making an addition to the public debt which, having regard to the large outlay of the year, was a very moderate one.

Fiscal Year 1910-11.

Turning now to the year 1910-11, which has just closed, we ought to be able to estimate a little more closely than usual. But it should be remembered that with our vast territory, and with the business of our country scattered over such a wide area, it becomes necessary to allow some time to pass for the collection of the accounts. Some weeks will still elapse before we shall be able to close the accounts of the year, so that the figures which I am able to give at the moment will differ materially from the figures which will ultimately be included in our blue-books; but we can form a fairly close estimate.

Estimated Revenue, 1910-11.

I have here a statement of the actual revenue for the year 1909-10 and a corresponding statement of the estimated revenue for the year 1910-11, just closed, which it will be understood is necessarily incomplete and is subject to later revision. This statement is as follows:

	1909-10 Actual Revenue	1910-11 Incomplete. Revenue
Customs	\$60,156,133 98	\$72,704,010 34
Excise	15,253,352 65	16,651,118 06
Post Office ..	7,958,547 72	8,642,090 19
Dominion Lands	2,885,999 67	3,023,872 83
Railways	9,647,550 69	10,368,596 30
Miscellaneous.	5,602,126 22	3,276,538 08
Total	\$101,503,710 93	\$114,666,225 80

We estimate that when the accounts are closed the revenue for the year 1910-11 will reach \$117,500,000.

Estimated Expenditure, 1910-11.

The expenditure chargeable to consolidated fund to the 31st of March is \$75,590,195.74; but of course many accounts have yet to come in, and that sum will be largely exceeded. We estimate that when the accounts are closed the expenditure of the year chargeable to consolidated fund will be \$87,000,000. This will be an increase over the previous year of \$7,500,000; but there are one or two facts which must be taken into account before we regard that as an actual increase. It may be remembered that in the last session of parliament I spoke of the intention of the government to make a change with regard to certain items which had been charged to capital account. It was, I informed the House, our intention that certain charges for the militia which had generally appeared chargeable to capital, should be charged to income account; also, that the item of Dominion lands, which from time immemorial had been charged to capital account, should be transferred to income. Then, the naval service might properly also, be charged to income. On these accounts we have for the militia \$1,289,644, and for the Dominion lands \$936,171.75. These two items, formerly chargeable to capital, are included in the charges against income. There is also included the naval service on which we expended \$1,369,211.94. If then we take these things into account, the transfers from capital to income and the new item for the naval service, we will find that the actual expenditure of the year has not been increased by \$7,500,000, but may be roundly stated at \$4,000,000.

Estimated Surplus, 1910-11.

The estimated revenue for the year ending March 31, 1911, I place at \$117,500,000. The estimated expenditure chargeable to Consolidated Fund will be \$87,000,000, and this will give us a surplus of revenue over the ordinary expenditure of the government of \$30,500,000.

There might be circumstances under which a large surplus of that character would be open to criticism. If it were the result of increased rates of taxation, or of burdensome taxation, it would be. But when, as a matter of fact, our rates of taxation are lower than before, although, owing to the flourishing condition of the country the amount collected is much larger; when, as a matter of fact, the rates of customs taxation are lower, and substantially lower; than they were in former years; and when this surplus comes to us from a system of taxation which is not open to the charge of being generally burdensome, I think we do well to take the surplus obtained in this way and use it in paying some portion of our capital and special charges, which otherwise would have to be represented by additions to the public debt. By this liberal surplus we are able to provide, as I have already shown, for very large expenditures which, in the ordinary course of events might properly be charged to capital and added to the debt.

Capital and Special Expenditure 1910-11, and Transcontinental Railway.

I have spoken of the revenue, the expenditure and the surplus of the year. This is a surplus on the expenditure that is chargeable to income. Let me say a word or two with regard to that form of expenditure which is known as capital and special expenditure. We voted for the year just closed, for the Transcontinental railway, \$27,000,000. Our estimate is that the actual amount of expenditure for that service for the year will be \$24,000,000. We shall expend, as closely as we can estimate it, on public works, railways and canals chargeable to capital, railway subsidies, bounties and other minor charges of capital and special character, \$11,500,000. Add that to the \$24,000,000 for the Transcontinental, and we have an expenditure on capital

and special account of \$35,500,000. If we set that against the surplus of \$30,500,000 and the payments into the sinking fund of \$1,100,000, we find the amount which, as the result of the year's operations, has been added to the public debt. These figures show that we have provided for all the ordinary services of the government on a liberal scale, we have provided for public works and railways, railway subsidies, and bounties and various services chargeable to capital account, and have provided even for the Transcontinental railway almost as much as was expended in the year, making a total of \$35,500,000 spent on capital and special account, and yet we have added to the public debt of the Dominion only \$3,900,000.

Public Debt.

The debt of the country, as I have had occasion to remark previously, is only a burden in proportion to the number of shoulders to bear it. And if we view the debt of Canada in that way, we shall find that there is every reason to be gratified and no reason to be alarmed. The net debt of Canada on the 31st March, 1910, was \$336,268,546.33. The estimated increase of debt for 1910-11, as I have stated, is \$3,900,000, which would make an estimated net debt at March 31, 1911, of \$340,168,546.33. Now, if we apply the net debt of Canada year by year to the population of Canada, we shall have a very clear idea of how far the debt of the country is a burden upon the public. I have here a statement beginning with the year 1891, and showing for that year and for the twenty years succeeding, the population and net debt with the net debt per capita:

NET DEBT PER CAPITA.

Year.	Population.	Net Debt.	Net Debt per Capita.
1891..	4,844,366	\$237,809,030.51	\$49.09
1892..	4,889,266	241,131,434.44	49.15
1893..	4,935,748	241,681,039.61	48.96
1894..	4,983,903	246,183,029.48	49.40
1895..	5,003,839	253,074,927.09	50.57
1896..	5,086,061	258,497,432.77	50.82
1897..	5,141,508	261,538,596.46	50.87
1898..	5,199,267	263,956,398.91	50.77
1899..	5,259,491	266,273,446.60	50.62
1900..	5,322,348	265,493,806.89	49.88
1901..	5,413,370	268,480,003.69	49.59
1902..	5,537,500	271,829,089.62	49.08
1903..	5,712,190	261,606,988.87	45.79
1904..	5,890,066	260,867,718.60	44.29

Year.	Population.	Net Debt.	Net Debt per Capita.
1905..	6,091,136	266,224,166.60	43.70
1906..	6,323,557	267,042,977.75	42.23
1907..	6,655,904	263,671,859.96	39.61
1908..	6,863,500	277,960,859.84	40.49
1909..	7,145,040	323,930,279.17	45.33
1910..	7,489,781	336,268,546.33	44.90
1911..	7,785,000	*340,168,546.33	43.69

* Estimated.

Thus it will be seen that while, in a young and growing country like Canada, there must be from time to time some additions to the public debt, the additions in our case have been very moderate, and when considered in proportion to the population of the country are seen to be still more moderate. There is another way in which to measure the proportionate diminution of our public debt. Twenty years ago it would have taken six years' revenue to pay the net debt; ten years ago it would have taken five years' revenue to pay the net debt; to-day less than three years' revenue would pay the whole net debt of Canada.

Loans Matured.

Since the date of the last Budget Speech (December, 1909), large obligations of the Dominion have matured and been dealt with. On the 1st January, 1910, the 4 per cent Reduced Loan of 1885 for £6,443,136 2s 9d., or \$31,356,595.88, matured and was dealt with as follows: \$11,915,343.35 redeemed in cash; \$8,990,771.45 converted into 3½ per cent loan 1930-50; \$9,603,597.84 held in its own sinking funds and cancelled; \$846,883.24 held in Investment Account and cancelled. It will thus be seen that of this loan a large portion was redeemed in cash, a portion converted, and a portion cancelled through the operation of the sinking funds.

There was also matured and paid off on the 1st February, 1910, £1,000,000 of Treasury Bills.

Notice had been given that on the 1st July, 1910, the 4 per cent loan of 1885 for £4,000,000 would be redeemed. This was a loan issued in the year 1885 at 4 per cent, redeemable between 1910 and 1935 on the government giving six months' notice. As this loan was bearing 4 per cent interest it was considered advisable

to replace it by a loan bearing a lower rate of interest. For this purpose a loan of £4,000,000 3½ per cent stock, redeemable, as in the case of other 3½ per cent loans, on the 1st July, 1950, with the option to redeem at par on or after the 1st July, 1930, on giving six months' notice, was issued at the issue price of 99 per cent.

On the 1st October, 1910, the £1,500,000 of the 4 per cent loan of 1875-8 guaranteed by the imperial government fell due. To provide for this maturity, and also for the purpose of meeting £3,500,000 of treasury bills, due 1st July, 1910, an issue of £5,000,000 3½ per cent stock, redeemable on the 1st July, 1950, with option to redeem at par on or after the 1st July, 1930, on giving six months' notice, was effected at 99½ per cent on the 5th May last.

The next maturity to be dealt with is the balance outstanding of the 4 per cent loan of 1874. This was a loan of £4,000,000 issued in 1874. A part of it was paid off, and the balance, £2,500,000, was extended to the 1st May, 1907. In April, 1907, a further offer to extend the balance outstanding for four years, or to the 1st May, 1911, was given with the option to convert into 3 per cent stock. This option expires on the 30th April, 1911. The amount of the loan so far not converted is £1,635,958. This outstanding amount will be paid off in cash on the 1st May next.

We have thus cleared off all the heavy maturities of the year 1910. Provision is practically made for the payment in cash on the 1st May next of the loan already referred to maturing that date.

There is to-day no temporary loan of any kind outstanding.

Sinking Funds.

In this connection I may say a word on the subject of sinking funds. In the earlier history of the Dominion it was the practice to attach sinking funds to all the loans, and, with the exception of one small loan there was a sinking fund attached to all loans in these earlier years. But after the year 1885 that policy was changed; sinking funds were abolished, and from that time on for many years no sinking funds were attached to the loans. As these old loans matured the

sinking fund attached to each was found a most convenient and advantageous thing, and as a result of our consideration of the question of re-establishing the sinking fund system, sinking funds are attached to our recent loans. In the olden times the sinking fund was one-half of one per cent, except in the case of the imperial guarantee loan, when it was 1 per cent. In July, 1909, we issued a loan of £6,500,000, 3½ per cent stock, and to that we attached a sinking fund of one-half of one per cent. We also extended that sinking fund to two previous issues of the same class; one of £3,000,000 issued February, 1908, and another of £5,000,000 issued October, 1908; both of these being of the same class as the loan of 1909, 3½ per cent stock redeemable 1930-50. We have thus fourteen and a half million pounds sterling of recent loans which have been brought under the operation of sinking funds, and the additional amount we have put into the sinking fund by reason of this change now stands at \$695,024. There was no particular demand for this from the money market. I have no doubt we could still have obtained our loans without sinking funds, but I am of opinion that even from the money market point of view it was well we should restore the policy of earlier years and attach sinking funds to our loans. We propose, therefore, that as respects loans which may hereafter arise, unless something shall occur to change the policy, that we shall attach sinking funds to them as was done in the earlier history of the Dominion.

Expenditures which should be defrayed by Borrowing.

In a previous budget speech, I think the last one, I discussed the question of what I thought was a proper subject for borrowing: the things which we might reasonably borrow for, and the things for which we should not borrow. Speaking generally one may say that the things which are chargeable to capital account are usually considered the things for which a government may properly borrow. I think, however, that we might accept that principle only with a modification. I laid it down, not as a rule, but as an object at which we should aim, that we should only borrow

for great and important public works such as the National Transcontinental railway. I do not mean to say that under no circumstances would we be justified in borrowing for other purposes, but my idea was that we should endeavour to pay out of revenue not only our ordinary expenditure, but other expenditures which had formerly been charged to capital or special accounts, such as our Public Works, Railways and Canals capital account, bounties, &c. I thought we should endeavour to confine our borrowing to a great national work like the Transcontinental railway and pay all the rest out of our revenue. I am glad to be able to say that has been done, and that we have accomplished more than I set out to accomplish in that way. As I have pointed out, in 1909-10 we spent on the National Transcontinental railway \$19,968,064.31, but we only added to the public debt in that time \$12,338,267, and in the year just closing we spent \$24,000,000 on the National Transcontinental railway, but we shall only add to the public debt \$3,900,000. I have already mentioned that we have made a change with regard to certain items being charged to capital account. The expenditure for Dominion lands for a great many years was chargeable to capital account though the revenue from Dominion lands appeared in the ordinary income. We announced last session that we would charge Dominion lands hereafter to income account, also, that portion of the militia expenditure which for some years had been charged to capital account, and also, that we would take the new Naval Service under our care as chargeable to income, and not to capital.

Bounties to be Charged to Income.

I propose now, in view of the fact that the bounties are pretty well running out, that that which will remain will not be a very heavy charge on the public treasury. I think that from this time forward we may adopt the rule that all these charges for bounties shall hereafter be charged to income and not charged to capital or special account.

Bounty Statistics.

With regard to these bounties, as they have been the subject of very much dis-

cussion of late in one form or another, I may give the House some information concerning them. I think that the bounty system dates back as far as 1833. In the session of 1833 the first bounty legislation with regard to iron and steel was passed. At one time we granted bounties for the encouragement of the beet sugar industry, but they ceased a good many years ago, and were not renewed. In 1884 we began paying bounties for the production of manufacturing industries, and we have thus for 28 years been assisting in one form or other the iron and steel industry by way of bounties. The following table gives the amount paid for bounties during the year 1910, and the year 1910-11 to 31st March, which however is incomplete:

	Bounties. paid during 1910.	1910-11 to 31st Mar. (Incom- plete.)
Pig iron.	\$573,999	\$261,434
Steel	695,722	350,456
Manufactures of steel	538,812	468,461
Lead.	340,542	138,913
Manila fibre.	61,507	37,288
Crude petroleum	203,589	147,814
Total	\$2,414,171	\$1,404,366

In the case of the bounties on pig iron, steel and puddled bars, the bounties expired on the 31st December. There is an exception to that, however, in the case of iron produced from Canadian ore by the process of electric smelting. It was provided when the last extension of bounties occurred, that as respects that particular form of industry the bounty should be extended to the 31st of December, 1912. So far as I am aware, however, no operations have been carried on under that provision. The bounty on rolled round wire rods which has been carried on expires on the 1st July, 1911. The provisions of the present statute giving a bounty of 75 cents per 100 pounds on lead contained in lead-bearing ores mined in Canada were extended to the 30th June, 1913, the amount of the bounty being limited to \$500,000 in each calendar year. That bounty, therefore, has some time to run. There is a bounty of three-eighths of a cent per pound on manila fibre used in the manufacture of binder twine, due to a discrimination by the United States in the Philippine Islands by which the manufacturers of manila fibre in Canada were

obliged to pay a duty which their American competitors were not obliged to pay. That bounty is not limited as to date. There is also a bounty of 1½ cents per gallon on crude petroleum which was established on the revision of the petroleum duties some years ago, and there is no limitation as to date. Since the inception of the bounty system in 1884 to the 31st March last the total sum paid in bounties has amounted to \$21,031,700, as follows:

TOTAL BOUNTIES PAID—1884 to 1911.

Pig iron	\$7,707,648
Puddled iron bars	113,674
Steel	6,706,990
Manufactures of steel—	
Wire rods	2,541,711
Angle beams &c.	101,264
Lead	1,610,733
Manila fibre	243,254
Crude petroleum	1,911,075
Beet root sugar	93,234
Law costs	2,067
Total	\$21,031,700

Trade Statistics.

I do not desire to present any elaborate system of statistics at the present time, yet, I think it would be well that I should, in a few striking figures, indicate the great progress which we are still able to note in the trade and financial affairs of Canada. I propose to give you figures briefly only for three periods—1900, 1905, 1910—so that we may at a glance see something of the great progress which has been made. I, therefore, beg to present the following statement:

TOTAL TRADE OF CANADA.

Year.	Total Imports into Canada.	Total Exports from Canada.	Total Trade.
	\$	\$	\$
1900	189,622,513	191,894,723	381,517,236
1905	266,834,417	203,316,872	470,151,289
1910	413,730,764	309,682,431	723,413,195

Mr. FOSTER. Does that statement include coin and bullion?

Mr. FIELDING. The statement of the total imports includes everything. I propose to present a few figures now with

regard to trade with Great Britain and these will not include coin and bullion.

Mr. FOSTER. Merchandise only.

Mr. FIELDING. Yes.

TOTAL TRADE WITH GREAT BRITAIN.

Year.	Imports (Home Consumption, Coin and Bullion excluded).	Exports (Produce of Canada, Coin and Bullion excluded).	Total Trade with Great Britain (Imports Home Consumption and Exports produce of Canada, Coin and Bullion excluded).
	\$	\$	\$
1900	44,279,983	96,562,875	140,842,858
1905	60,342,704	97,114,867	157,457,571
1910	101,068,534	145,505,186	246,573,720

These figures of our trade with the world and our trade with Great Britain give us at a glance some idea of the tremendous expansion of our business. For the year 1910-11, to the 28th February, an incomplete return representing only eleven months, our total trade was \$687,376,352. For the corresponding period of the previous year it was \$610,577,981, showing, on a statement for eleven months, an increase of \$76,798,000. So, it will be seen that the figures which I have given for the periods 1900, 1905 and 1910, may still be reasonably applied to the trade currents of the year; we have every evidence that they are still increasing.

Fiscal Year, 1911-12.

For the year 1911-12, upon which we have just entered, one can only speak generally. It is impossible to make estimates with any degree of accuracy and in all my experience in budget speeches I have thought it better to be general in this respect. Let me say, however, that we have no reason to fear that this year will not be in every respect a satisfactory one. The estimates now before the House call for a liberal expenditure and we shall still have supplementary estimates to come which no doubt will add materially to the bill of fare. But, we have every reason to believe that the revenue will be abundant and that we will find it sufficient to meet all our ordinary expenditures and also a share of

the expenditures of a capital and special character.

Conclusion.

We know that in a country which is so largely agricultural as Canada very much depends upon the condition of the crops, and no man can at this date foresee what that condition may be, but we have no reason to doubt that the blessings of Providence in respect to generous crops will be extended to us in this year as in the past. We think that the outlook in every respect is one that should give us much hope. Desirable immigrants are coming in. I emphasize the word 'desirable'. We have surely reached that stage in our affairs now when it is quality rather than quantity that we want in regard to immigration, and we have good reason to believe that the Department of the Interior is using every legitimate effort to see that the immigrants who are coming into the country are of the best class. We are getting capital in abundance. Population and capital are the two things that a new and growing country need, and the country has every reason to be satisfied with its condition in this respect. With every prospect for business activity, with every ground for hoping for good crops, with trade and commerce flourishing, with the outlook so good generally, we have every reason to look with confidence to the future. There are those who will say: That being the case, let well enough alone.

Some hon. MEMBER. Hear, hear.

Mr. FIELDING. I say that is not a sound motto for any country in this progressive age. The business man never accepts the motto to let well enough alone. In the time of his greatest activity and his greatest prosperity he is looking for opportunities to open up new fields of business, and as it is with the individual so it should be with the nation. 'Let well enough alone' has never been the

motto of the Dominion of Canada. In all times past, when we have had a prosperous condition of affairs, when my predecessors in office were able to make statements perhaps hardly so rosy as that which it is my pleasure to make to-day, but nevertheless hopeful and encouraging statements, they were not content to let well enough alone, and why should they preach that doctrine to us to-day? If we are to adopt that policy let us cease building railways, abolish our subsidies to steamship lines and cease to send trade agents to foreign countries. We are seeking new markets everywhere; our steamships run to all countries, many of them heavily subsidized; we are sending our trade agents over the civilized world; we are doing everything that is inconsistent with the policy of 'let well enough alone' because when things are going favourably that is not a reason for doing nothing, it is rather a reason for being alert to avail ourselves of other opportunities. We need new markets in all directions. We need them for the surplus products of Canada as it is to-day, and we shall need them in even greater degree for the vaster surplus of Canadian products to come to us from the great west in the near future. For these reasons we have endeavoured to enlarge our markets in all directions and it did not seem to be wise, while we were sending agents to Africa and China and the distant parts of the world, to close our eyes to the opportunities lying much nearer home. Into that I do not wish to enter to-day.

Every prospect for Canada to-day is bright and hopeful. With peace and progress and prosperity at home, with the friendliest relations with the great republic lying alongside of us, with the warmest attachment to the great empire of which we are so proud to form a part, the Canadian people can look forward to the future with every hope and every confidence.

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