

CANADA

BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING

MINISTER OF FINANCE

MEMBER FOR SHELburnE AND QUEEN'S

IN THE

HOUSE OF COMMONS

MAY 11, 1923



OTTAWA

F. A. ACLAND

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1923

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WAYS AND MEANS—THE BUDGET

Hon. W. S. FIELDING (Minister of Finance, Member for Shelburne and Queen's) moved:

That Mr. Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, the financial affairs for the fiscal year, 1921-1922, which was the last year of which we have the public accounts, call now for only a passing notice. With regard to that year, the year ended 31st March, 1922, it is worth while remembering that while the present government were in power at the time the accounts were made up at the close of the year, they had only been in power three months, and, therefore, it will not be unfair to treat that year as a Conservative year, inasmuch as the Conservative government of the day, in the discharge of their duties, prepared the estimates and voted the money, made the contracts, and practically controlled the expenditure of the year. So that I think we may count that year, practically speaking, as a Conservative year. I am going to ask at this stage, and at one of the other stages during my remarks, that the courtesy of the House be extended to me, which is usual, to enable me to put into Hansard, in the form of a summary, some figures which I may present.

INCOME AND EXPENDITURE

The revenue for the year was \$381,952,386.99 against ordinary expenditure of \$347,560,690.63. If the surplus is to be ascertained by comparing the ordinary revenue with the ordinary expenditure—and that was the time-honoured way of determining surpluses—then on that year there was a surplus of \$34,391,696.36. But there was a capital expenditure of \$16,295,332.55. If we take that into account, both ordinary expenditure and capital expenditure, there was still a surplus of \$18,096,363.81. Then there were certain special expenditures, including demobilization charges, of \$1,526,583.22. So, if we take into account ordinary expenditure, capital expenditure, and what is called special expenditure, there still was a surplus of \$16,569,780.59. So far this is a story of surpluses; but there is a further statement

to be made which quite destroys that happy picture. There were charges for advances to railways of \$97,950,645.36. If we take, then, the whole expenditure for the year, ordinary, capital, special and railways, there was a deficit in that year of \$81,380,864.77. After allowances for some deductions are made, the net result was that in that year we added to the public debt \$81,256,818.04.

We turn now to the year 1922-1923 which closed not many days ago. We have not the complete accounts before us, but there is sufficient information to enable us practically to announce the result. Ordinary revenue amounted to \$393,619,000. These are estimates, as the figures are not absolutely final. Ordinary expenditure amounted to about \$331,780,000. As between those two items, there was then a surplus of \$61,839,000. Capital expenditure, however, represents \$14,500,000; adjustment of war claims, \$6,700,000; cost of loan flotations, \$3,050,000; these representing in all \$24,250,000. There was thus a surplus over ordinary, capital and special expenditures, of \$37,589,000. But again the railways have to be taken into account. We had to advance during that year \$92,190,000 for railways, and \$6,060,720 for the Canadian Government Merchant Marine, making in all for that charge, \$98,250,720. This, of course, takes up all the surplus I have mentioned and leaves a large balance on the other side of the account. If we take everything into consideration for the year, the net result was that we added to the public debt in the year just closed \$49,293,086. The receipt of something over \$8,000,000 from the British government on exchange account helped us to keep down what otherwise would have been a larger addition to the public debt.

THE PUBLIC DEBT

The addition of nearly \$50,000,000 to our public debt in the past year is not a situation that should cause very much satisfaction in any quarter. During the war it was inevitable that there should be large additions to the public debt, and after the war was over there also had to be large additions to the public debt; but the war has been over for several years; we are now getting to a period of peace, so-called, and many will think it is about time that we endeavoured to balance our budget; that is to say, that we no longer have the excuse of the war for spending more money than we receive. I suppose stern economists will say that that is what should be done. I confess, as Minister of Finance, that it would be very agreeable to me if I could present such a statement, and the temptation is strong to pile on the taxes and meet the difficulty. Many people who have the critical spirit, without responsibility, will probably say that that is what a Minister of Finance should do. There is, however, another side

to the account. The people of Canada are pretty heavily taxed to-day; between Dominion, provincial and municipal taxation, the burdens of the people are very great, and I am reluctant to add to those burdens now by introducing new forms of taxation. Readjustments there will be, reductions here, changes in various ways; but I do not want at present to yield to the temptation of opening up new fields of taxation. I am going to ask the House and the country to bear patiently for a year or two, perhaps, the condition of affairs, in the hope that the betterment which, we believe, is near at hand, will enable us to bear the burdens without opening up these new fields of taxation to which I refer. I am, therefore, going to ask the House to take the result that we may have to add some little amount to the public debt even yet, rather than introduce new forms of taxation.

It is true that we are adding to the public debt each year, but I note with satisfaction that the amount of the addition is each year diminishing. The figures of our additions to the debt immediately before the war, during the war years and in the years since the armistice, are encouraging. I will now give the round millions. From 1914, the increases in the public debt are as follows:

1914	\$ 21,000,000
1915	113,000,000
1916	165,000,000
1917	264,000,000
1918	312,000,000
1919	382,000,000
1920	674,000,000

1920 seems to have been the banner year in the way of additions to the debt:

1921	\$92,000,000
1922	81,000,000
1923	49,000,000

So, while these additions to the debt are deeply to be regretted, there is a little encouragement in the thought that, year by year, we are making the additions less than they have been. I would cherish the hope that with the betterment that, I believe, is coming to Canada in various ways, we shall not have to add very much to our debt in the years to come. I think, probably, our railway situation is going to be improved; I think, probably, with the consolidation of the roads, with the vigorous management we now have, we may reasonably expect that there will be an improvement in that situation, and I have a strong hope that in another year we shall have a better statement as respects the railways, a better statement as regards our finances generally. I believe I express the wish of the House when I say that it is better that we should pursue that course

than that we should add to the burdens of the country by opening up new forms of taxation.

Coming now to the present year, 1923-1924, I will put in a statement which will show the figures in comparison with the two previous years. We are expecting an increase in Customs to the amount of \$5,600,000, an increase in the Post Office of \$250,000, an increase in Dominion Lands of \$200,000, an increase in war tax revenue, inland revenue, \$7,180,000, and other war tax revenues, \$85,000. On the other hand, we have to look forward to a decrease in Excise of \$5,600,000, a decrease in interest on investments of \$9,718,000, a decrease in inspection of staples of \$50,000, a decrease in income and business profits of \$17,797,000, and a decrease in all other revenues of \$1,251,000. The net result is that we expect on this year that our revenues will hardly come up to the figures of last year. I am assuming that the decrease on the whole will be about \$21,000,000.

The Main Estimates already submitted to parliament for all services other than railways amount to \$353,011,235.73. Advances to railways amount to \$73,000,000, advances to merchant marine, \$1,500,000, or a total for these two items of \$74,500,000. To this must be added something for Supplementary Estimates. I am putting down the figure, approximately, of the last year, of \$15,900,000, but I fondly hope that it will not be so large and I shall do my best to keep it lower.

Under the present system of taxation the revenue I estimate to be \$372,517,000. As between the consolidated fund expenditure of \$339,000,000 and the revenue of \$372,517,000 we might expect a surplus this year of \$37,517,000. Capital expenditure will reduce this by \$23,415,000 so that we may hope to provide for a surplus over ordinary and capital expenditure of about \$14,100,000. But the railways have to be taken into consideration and we estimate that they will require \$74,500,000. This, of course, will consume all of the surplus that I have mentioned and leave a balance on the other side of the account. From these figures it is evident that we must look forward to some addition to the public debt at the end of the year. There will be something saved, however, through the full amount of the estimates not being expended, and I am hopeful that if, as seems likely, at the end of the year we have some addition to the public debt it will be a very small one.

LOAN OPERATIONS

The loan operations of the last year are partly known already to the House. I mentioned last session the New York loan of \$100,000,000. The five-year bonds at 5½ per cent, 1917 Victory Loan, amounting to \$182,834,500, matured on December 1, 1922. The holders of these bonds were given the privilege of

exchanging maturing bonds for new bonds bearing $5\frac{1}{2}$ per cent interest and taxable, as follows: Five-year bonds due November 1, 1927; Ten-year bonds due November 1, 1932. The holders of the maturing bonds took advantage of the offer to the extent of \$114,449,250, leaving a balance of \$68,385,250 to be redeemed in cash. Of course, with that large amount to provide, in addition, a very considerable sum in temporary loans was involved.

Treasury bills matured during the fiscal year as follows: \$24,605,000 due October 1, 1922; \$49,215,000 due October 15, 1922; \$35,000,000 due November 2, 1922; \$35,000,000 due November 15, 1922. Of these bills, \$49,100,000, was paid and the balance was extended for six months from the respective due dates at $5\frac{1}{2}$ per cent. Renewals for a further period of one year have been arranged, with interest at $5\frac{1}{4}$ per cent. The due dates and the amounts outstanding will therefore be as follows:

April 2, 1924	\$ 4,680,000
April 16, 1924	41,060,000
May 2, 1924	19,325,000
May 15, 1924	29,655,000

It will be seen, by the extension, that we have been carrying our treasury bills over at what I think will be admitted, under the circumstances, to be a very fair rate, namely, of $5\frac{1}{4}$ per cent.

TAX REDUCTIONS

The estimated revenue that I have referred to here has been based upon the existing system of taxation. We are proposing a considerable reduction in our customs tariff and in the excise duties. If we had no expectation of an enlargement of business this loss of revenue would of course add materially to the deficit of the year. I am hopeful, however, that the reduction of taxation which we are now proposing will not seriously affect the revenue. We are looking forward to an increased volume of business to a sufficient extent to give us results equal to those of our present system of taxation. An increased business should give us the revenue and offset the loss from the reduction in the duties. A large proportion of the revenue comes from what is called the sales tax. Last year we were obliged to increase the amount of the tax considerably. We must admit that the tax is a burden; and apart from the amount of it the form in which it has been imposed has given rise to very much discontent. There are varying rates of taxes at the different stages of business enterprises,—6 per cent, $4\frac{1}{2}$ per cent, $3\frac{3}{4}$ per cent, and $2\frac{1}{4}$ per cent. Many a good citizen who recognizes that the government needs money and who is willing to pay his fair share of the taxes, objects to the complexity of the sales tax. We are proposing to change it in the hope that we shall improve the situa-

tion. Our aim is now to impose this tax at its source, at the first stage of business operations, at which the tax is properly applicable. We propose that the tax shall be 6 per cent and that it shall apply on the duty-paid value both of home-made and of imported goods. Stated in this way the proposal seems a very simple one, and its purpose I believe will have widespread public approval. The working of the system, however, has its difficulties and I hope we have been able to overcome them in the resolutions which I shall lay on the Table.

We are adding to the list of exemptions in the sales tax, five items, raw furs, wool, drain tiles for farm purposes, manuscripts and newsprint. Some new taxes were imposed last year experimental in their character; some of them proved satisfactory while others have not; and I suppose the best thing we can do is to admit that we were mistaken in our judgment and correct the error.

Very much complaint has been made about the receipt tax. Now, I am persuaded that this is a thoroughly sound tax. It has been imposed in Great Britain for many years and no Chancellor of the Exchequer dreams of dropping it. All new taxes are annoying at first; they are irritating. But I think that the worst is over now and I am firmly convinced that the receipt tax is a sound one. I am therefore going to ask the country to adhere to it, for I believe it will be a large means of obtaining revenue, and in the end the people will be quite satisfied.

With regard to the cheque tax, we introduced last year graduated taxes on cheques with a maximum of \$2. There has been some complaint with reference to this. It is represented that there are transactions in which several cheques have to be given but which really relate practically to the one business deal, so that in that way the tax operates as a burden. It is also represented to us, and I think with some force, that on the boundary line this tax induces men who have an opportunity to do so to keep their accounts across the border on the other side. There is probably some force in all these criticisms. We do not feel, however, that we are free to give up the tax; it is a valuable source of revenue and we intend to retain it. We propose however that the maximum instead of being \$2 shall be \$1 only. This reduction will apply also to notes and bills of exchange.

In the course of the discussion of the French Treaty I suggested that the reductions therein made might necessitate some readjustment of other duties. One of the questions raised in that debate had reference to the excise tax on light Canadian wines. The tax has been for some years 30 cents per gallon we propose now to reduce the duty to $7\frac{1}{2}$ cents per gallon. Canadian wine manufacturers are beginning to make a sparkling

wine. The excise tax on this is \$3 per gallon. The wine manufacturers represent that this is almost prohibitive and that only a reduction of the duties will permit the industry to expand. We propose to meet this point by reducing the excise tax on Canadian-made sparkling wine from \$3 to \$1.50 a gallon. Any disadvantage that might otherwise accrue to the wine industry through the French Treaty will be fully met, I am sure, by this readjustment.

Another item concerning which there was a discussion was French brandy. There is a provision in the treaty that there shall be a discount of 10 per cent. It was represented that probably that would operate to the disadvantage of Canadian spirits. I think perhaps that we had better wait a little while before forming a conclusion on that question. In the first place, the reduction does not apply to all brandies; it applies only to certain specified articles described in the treaty as Cognac and Armagnac brandies. These are specialties of France; they are high-class liqueurs and are expensive. I do not think it is reasonable to suppose that any one will give up drinking Canadian spirits of any kind and turn to French brandies costing very much more than is paid now for the Canadian liquor. I believe that in all probability we shall do well to await the development of events and see how the matter operates. In the meantime it is worth noting that the French Treaty will not be in operation for some weeks. The formalities in closing a treaty generally take time, and we need not be alarmed at any immediate danger in that respect. With regard to the excise duty on wines, as this reduction is intended to offset the provisions of the French Treaty, it will only be brought into operation by proclamation at the same time as the treaty comes into force.

In the observations I have made to-day it will be noticed that I am not touching the Income tax. If there be necessary changes in this respect they will be dealt with later in a separate bill.

Among the taxes imposed last year was an increase in the duty on cigarettes. Ministers of Finance always look upon tobacco and cigarettes as easy marks—if you ever want a few million dollars just clap an extra duty on tobacco and cigarettes. There was a time when whiskey bore this burden, but additional revenue is no longer possible from this source. I confess I thought last year we might get more money by increasing the duty on cigarettes by \$1.50 per thousand. However, the figures seem to show there is a falling off in the consumption of cigarettes. My own judgment is that there is no falling off in the consumption, the only falling off is in that portion of the commodity which pays duty. Along the boundary line, I am informed, it is a very easy matter to smuggle cigarettes. There

are articles which cannot well be smuggled, and there are articles which may be smuggled very easily. Unfortunately, cigarettes come within the latter class. However, our expectations in regard to this tax have not been realized, and we propose now to strike off the extra \$1.50 duty and revert to the old rate.

There were other disappointments. We thought we might get some money from an excise tax on beetroot sugar, but nothing has come of that. The trade interested has complained very much; no revenue has come to us; and, as I am proposing some readjustment of the sugar duties in other directions, we have concluded to abolish the tax on beetroot sugar.

There were several taxes which caused a good deal of irritation, among others the soft-drink taxes. We propose to change the form of these, and instead of 5 cents per gallon and 5 per cent, we propose to strike that business at its source by imposing a tax of one cent per pound on carbonic acid gas. We think we will get our money to the same extent and with less trouble.

CUSTOMS TARIFF CHANGES

We are not making many changes in the details of the Customs tariff. I will mention some, others will be found in the resolutions by those who study them carefully. Nearly every item I shall mention is in the direction of reduction. It is a rare thing in this budget to have any proposal to increase taxation, but there is an exception in the item I am about to mention. We are proposing to increase the duty on raisins and dried currants so they will be free from Great Britain and pay 3 cents a pound under both the other tariffs. My hon. friend the Minister of Trade and Commerce (Mr. Robb) recently made a trip to Australia in the hope of coming to a commercial arrangement with the Australian Commonwealth. As we know, while he made some progress which gave him some encouragement, he was not able to conclude an agreement. We are advised that in addition to our British preference which we offer to the Australians they are particularly interested in raisins and dried currants, and if we change our tariff so as to offer some inducement to them on these items it will go far to make them content with our scheme and bring about an agreement. In the hope that that may be the case, we are going to provide that the duty on raisins and dried currants shall be increased to 3 cents a pound under the intermediate and under the general tariff, but that they shall be free under the British preference. If Australia makes an agreement, and thus comes under the benefit of the British preference, this will be the rate which will be imposed upon the things that she is most anxious to send us. There is a small duty on raisins and dried currants now.

Sir HENRY DRAXTON: Two-thirds of a cent.

Mr. FIELDING: Yes. The Customs Department has had some trouble during the past year with regard to the kind of petroleum which was imported at the Pacific coast, the importers claiming that it was crude petroleum and should be admitted as such. The Customs Department ruled that it was a commodity in which some advancement had been made in manufacture and that it could not be admitted as crude. We are proposing now to fix a small duty upon it of 3/10, 4/10, and 6/10 of a cent per gallon. This we think will enable this petroleum still to be brought in; but as it is a half-manufactured product it is not in a position to claim freedom from duty.

Iron or steel scrap per ton is now dutiable at 50 cents, 90 cents, and \$1. We propose to reduce it to 25 cents, 45 cents, and 50 cents.

Boots or other appliances for deformities of the feet are placed on the free list.

Casual donations are allowed to come in free now to the amount of fifty cents' duty. We propose to make the item one dollar.

We propose to insert a special item for machinery of a class or kind not made in Canada, designed to manufacture goods not made in Canada; in other words, new industries which will come in. We are not making the machinery free, but we are proposing to give it a drawback which will make it practically 40 per cent of the ordinary duty.

Another article in the way of machinery is also dealt with. It is represented to us that vast quantities of fish waste are destroyed in Canada which could be converted into useful material, such as fertilizers, poultry feed, and so forth, and we propose that machinery of a class or kind not made in Canada, designed for that purpose, shall be admitted free.

We are proposing that hemp seed be put on the free list.

There is an item in the tariff now by which well-drilling machinery for the prosecution of the oil industry is free within certain limitations. It has been represented, however, that the item is rather narrow. We are broadening it out so that it will include practically the whole equipment for well-drilling except motive power.

The duty on stumping machines is reduced and provision is made for a drawback.

Malt flour which is used by bakers is reduced one cent per pound.

The item of printing machinery is broadened out to include some articles which are not mentioned in the present tariff.

A new industry is promised us for the manufacture of artificial silk. It is represented to us that this industry will employ

a large amount of labour and we have every reason to believe that if we can make encouraging terms a great industry will be established. We propose to make a classification in which it will be treated largely as silk, and we have every reason to hope this will lead to a very important industry being established.

We propose to adhere to and extend the British preferential tariff. Our proposal is that on whatever duty may be payable according to the varying rates of the British preferential tariff a discount of 10 per cent shall be allowed. This, of course, does not mean a 10 per cent reduction of the tariff rate. Where the tariff rate is 30 per cent the discount of 10 per cent will reduce it to 27 per cent; where the tariff rate is 25 per cent, the discount rate will reduce it to 22½ per cent, and so forth. To these reductions we attach two qualifications, the first of which is that they shall not apply in the case of any article where the duty is not above 15 per cent. A duty of 15 per cent will not be regarded as a high one, and it will hardly be expected that we ought to apply these reductions to items which stand at 15 per cent or less. That is one important qualification. There is another one, however, which I am sure the House will receive with satisfaction; we say that this 10 per cent discount shall only apply when the goods are brought direct to the ports of Canada. With Montreal and Quebec in summer, Halifax, St. John, Victoria, Vancouver, and Prince Rupert all the year round, Canada has abundant opportunity to bring her goods into her own ports. We think this is an important step in the direction of the encouragement that many people in our ports have long desired. In this part of our programme we believe we are doing three things which are worthy of commendation. In the first place, there is a comprehensive reduction of duties—and that will be agreeable to those who regard the tariff as a tax. Then, there is an emphasis given to the British preference, which has always found favour among the people of Canada, and then at the end we have this effort to do something for the encouragement of our own ports. We hope the proposal made in this respect will meet with the satisfaction of the House; I am sure it will.

I mentioned that we were having some revision or readjustment of sugar duties. Increases of taxes on commodities are quick to reach the consumer; reductions of taxation on like articles are slower in their operation. The reductions which I have already mentioned will in due time represent a substantial diminution of the burden of taxation.

SUGAR DUTIES

There is another item on another article of commerce to which I now wish to invite the attention of the House. If there is one article of almost universal use among our people, it is

sugar. Taxation on sugar is a burden on the whole people, and a reduction of the duty on sugar is one of the most direct methods of granting relief. During the war sugar advanced to very high prices. After the war there was for some time reduction until prices became somewhat normal. Quite recently, however, we seem to be returning to wartime conditions with respect to the cost of sugar. Just what may be the cause of this advance is perhaps a matter of controversy. In some quarters it is alleged that speculators in the United States have obtained control of the market and that this is the cause of the rapid increase of prices. But one thing that the consumers distinctly know is that they are again called upon to pay very high prices for this very necessary article of household use. In the United States the feeling is so strong that householders in many places are organizing boycott campaigns against the use of sugar. Nothing of the kind has yet occurred with us, but the consumer is everywhere feeling keenly the burden of the high cost. If, then, we would make some very substantial reduction of taxation, something having a direct bearing on the cost of living, what article is so suitable for the purpose, under present conditions, as the article of sugar? We propose a reduction of 50 cents per 100 pounds on refined sugar and a proportionate reduction on the raw sugar from which the refined article is made. I estimate that in this item we relieve the consumers of sugar of taxation to the extent of \$2,500,000.

There is another point I should mention in connection with sugar duties. You know that we have in our tariff what is called the dumping duty, which is designed to apply where illegitimate competition is taking place. There are some lines of trade in which it has not been deemed necessary to apply it; the dumping duty does not apply to refined sugar imported from the United Kingdom. So long as sugar is at a moderate price, that may be all right; the dumping duty would be applied in the case of importations from other countries. But if sugar is going to be at a very high price, as it is now, with the prospect of going higher, then we think a restriction of the dumping duty should apply, and we propose that wherever sugar costs at the point of shipment more than 8 cents per pound, the dumping duty shall hereafter not apply—that is, there will be freedom of purchase irrespective of dumping duty.

COPPER BOUNTY

We have been asked from time to time to do something to encourage industries of various kinds. Where these applications take the form of a request for higher duties, the problem is not an easy one. One of the difficulties of such a situation is that there are many items in the tariff which cannot stand

alone for consideration; they are closely related to one another. The article which is the finished product of one man is practically the raw material of another, perhaps of several others. If you increase duties to assist the first man, you disturb the whole scale and all the others will expect compensatory increases. Industrial aid of this kind naturally meets with widespread objection. There is another form in which it may be possible to assist industry without the disturbing results I have mentioned. The granting of a bounty simplifies the case. Many people, willing to see industry aided, would prefer the bounty rather than protective duties, especially if the bounty be of a temporary character and placed on a sliding scale. One merit of the bounty system is that you know precisely what you are paying and can compare the cost with the results. We have given careful consideration to requests made to us on behalf of the copper interests of Canada. Canada is a copper-producing country. Our far western province, British Columbia, is rich in this respect. Yet the copper industry has made but moderate progress. There is a duty of $1\frac{1}{2}$ cents per pound on copper in the form of ingots. A very large enterprise has been established in British Columbia which is encouraged by this duty. The next stage of the copper business is the production of bars and rods, which become the raw material of other manufactures, such as the making of wire. Copper bars and rods are the raw material of wire manufacturers. To assist them, these bars and rods were some years ago placed on the free list for the use of manufacturers in their own factories. All these bars and rods are thus imported free. Neither of these copper products is produced in Canada for the reason that our producers are unable to compete with large manufacturing enterprises in the United States. We sympathize very warmly with the desire to have a larger development of the copper industry in the Dominion. Since a duty on bars and rods would probably necessitate increased duties on a number of articles made from copper, we are unwilling to grant aid in that form. We have concluded that if the copper industry is to be encouraged as we would desire, it will be better to deal with it directly in the way of a bounty than by higher duties on that which is the raw material for other factories. I said that a bounty will be regarded by many as a better form of aid than any increase of protective duties. But even a bounty would be objected to with much reason if it were not of a temporary character. Much has been heard in times past of the importance of assisting infant industries. Most folk will be kindly disposed towards the industries while they are in their infancy. But experience has shown that the infant grows up, and when he has attained to all the strength of manhood he is still found clinging to protective duties and claiming that he cannot live

without them. A new industry which is to have that kind of experience is not a very desirable one for the country. An industry based upon the natural resources of the Dominion which wants a helping hand at the beginning and is prepared later to rely on its own strength and character is worthy of consideration. We propose to afford a measure of help to the copper industry of Canada on the condition that that help shall take the form of a bounty, that the amount of the bounty shall be held within proper limits and that it shall be reduced from year to year until it is extinguished. We propose to allow a bounty for a period of five years beginning at $1\frac{1}{2}$ cents per pound and diminishing from year to year until the end of the five-year term. The bounty will apply to copper bars and copper rods manufactured in Canada, from copper produced in Canada, and sold for consumption in Canada, and not to include exports. The privilege now granted to manufacturers to import copper rods and bars for their purposes free of duty will continue. What we desire is that the aid we are giving will enable the Canadian producers to compete as they have not been able to compete before with their American rivals and that they will get a reasonable command of the market. We are placing a limitation of \$200,000 per annum upon this bounty. At the beginning the industry will not earn anything like that. As the time rolls on it will probably earn that much, but when it gets to its highest point it cannot get more than \$200,000 in any one year.

BOUNTY ON HEMP

There is another industry to which we are going to extend similar aid. We have been working together to encourage the cultivation of hemp, for which article we are assured the soil of parts of our country is particularly adapted. It is believed that with some encouragement a large manufacturing plant can be established in Manitoba, drawing its raw material from the crop to be raised in the immediate vicinity. Here again is a case where the helping hand may only have to be extended at the beginning. There is a large market in Canada for products manufactured from hemp, and other articles of similar character. If we can economically produce the hemp ourselves and turn it into manufactured products in factories within easy reach of the fields in which it grows, surely that is an industry which may be well worthy of the helping hand. We therefore propose to apply in this case substantially the same rule as in the case of the copper industry. Under the aid we are affording, copper rods and bars should be turned out in Canada at an early date. The development of the hemp business will be slower. To complete the plans of the authorities who are giving attention to the promotion of the movement, to raise the

crop and prepare and manufacture the hemp, will take a considerable time. We therefore propose that in this case the five year period shall begin on the first day of July, 1925. By that time binder twine and other products made from Canadian hemp should be ready for the market and the producers will be in a position to claim the bounty. In this case also we propose a bounty beginning at one and one-half cents per pound on the hemp and diminishing from year to year, until at the end of the five years the bounty is extinguished.

In this case, too, we limit our payment to \$200,000 per annum. A much less sum would be sufficient at the beginning, but as the enterprise develops its business may be large enough to absorb the full \$200,000.

BOUNTIES GRANTED AND BOUNTIES WITHDRAWN

We are proposing the granting of certain bounties to develop new industries. Let me now draw attention to our desire to put an end to some bounties—

Mr. McMASTER: Hear, hear.

Mr. FIELDING: —which we think have served their purpose.

One of the measures adopted under authority of the War Measures Act was the granting of a bounty to encourage the production of linen thread. The bounty was not to exceed \$25,000 per annum and was limited to a term of three years. The law allowed an expenditure of \$25,000 per annum, but in no year did the actual expenditure reach as high as \$6,000. However, the three years are over and that bounty will cease. We are not proposing to renew it.

Many years ago provision was made for a bounty of three-eighths of a cent per pound on manila hemp used in the manufacture of binder twine. There was at the time an export duty in the Philippines against hemp coming into Canada, which did not apply to hemp going to the United States. This placed the Canadian manufacturer at a disadvantage to meet which the bounty was granted. The export duty was repealed some years later and no money has been paid under this authority for some years. We have deemed it well, however, to repeal the act, so that there may be no misunderstanding concerning it.

Some years ago, in the readjustment of petroleum duties, a bounty was provided for in the case of petroleum produced in Canada. The operations carried on under it were never very large. They were chiefly in Ontario and later in some degree in New Brunswick. The operations have dwindled considerably. The total amount paid in the form of bounty in 1922 was \$93,636. The amount is not large, and if we had to consider

only the conditions which existed when the bounty was applied it might not be worth our while to make any change. But oil has been found in our western country. There is a widespread conviction that we are on the eve of great oil discoveries in the far west and north. The development of great oil wells in that country would of course be in one way a blessing, as adding so much to the natural resources of the Dominion. But from the Dominion Treasury's point of view that which might seem to be a blessing would be little less than a disaster. If there should be, as may very likely occur, great strikes of oil in the western country, the bounties we are called upon to pay would be a very serious charge upon the treasury. We are proposing, therefore, to confine the bounty of one and one-half cents per gallon to those who have already been receiving it, to continue it for one year, until July, 1924, that next year it shall be cut one-half, and that thereafter the bounty shall cease to be paid.

FOREST CONSERVATION

The question of forest conservation has of late commanded ever-increasing interest. Where a country has a lavish supply of anything, we are apt to be careless in the conservation of it. Too often it has been assumed that there is no limit to the forest wealth of Canada. Those who have given the matter closest attention realize that with the extensive operations of the lumbermen, the immense damage by fire and by insects, a timber famine in Canada is by no means impossible. Every effort that can be made in the way of conservation should be and is being encouraged. From some enthusiasts there is a call for more drastic methods. It is proposed that we prohibit the exportation of pulpwood. In several of the provinces this prohibition is already in effect through provincial regulations. Only the federal parliament can prohibit any exportation, but where provincial governments are owners of timber lands they can in their leases stipulate the conditions under which operations shall be carried on. In this way several of the provinces have practically prohibited the export of pulpwood. But there are in all the provinces private lands which are not subject to provincial restriction. The object of the movement to which I refer is to prohibit the export of wood by these private owners. Such a policy while it would find favour in some quarters, would certainly be objected to by the private land owners, who will argue that they should be as free to dispose of the products of their land as other land owners are. Before reaching a conclusion in this matter, we think there should be a more thorough investigation than there has been before and we shall therefore, during the recess, endeavour to find suitable persons,

one or more, to inquire into the matter and get all the information which it is possible to obtain before coming to a conclusion.

TARIFF STABILITY

There is a thought which does not receive as much consideration as I think sometimes it should be given in public discussions, and that is the desirability of something like tariff stability. Business men do not like to be always threatened with changes in the tariff. There is no finality in legislation either as respects that tariff or as respects anything else. That which parliament can do to-day it can undo to-morrow. Everybody knows that. Everybody must conduct his business in the light of that fact. Nevertheless it is desirable that something like an assurance of tariff stability should be given to business men. Exceptions will occur. There will be cases where, in the interest of the consumer, reductions in the tariff ought to be made. There will be inequalities discovered in the tariff which should be corrected; there will be errors which should be remedied. Any minister, any government, any parliament must be free to deal with these cases as they arise. But the conditions to which I refer are exceptional. Speaking broadly, it is possible to give the country a reasonable assurance of stability of tariff. Such assurances are very desirable, for no business man would care to enter upon enterprises which may be brought into peril by frequent tariff changes. The tariff as it will be when the changes proposed to-day come into effect will be a moderate tariff and probably as low as the country can afford to have under present conditions. Of course we cannot expect that it will be satisfactory to everybody. It will not meet the desires of those who would rigidly apply the principles of free trade. It will not meet the wish of the advocates of high protection. After all life is largely made up of compromises. In the realm of political affairs orderly government can be possible only where a spirit of compromise exists. Subject to the exceptional conditions such as I have mentioned, I think the country should be content to accept the tariff as it will now stand as one as fair and reasonable as can be prepared under all the circumstances, and business men should be able to carry on the various enterprises without the fear of being soon disturbed by further changes.

Stability of tariff cannot be expected while tariff rates are high. But where the rates are for the most part, as in our tariff, moderate, a reasonable measure of tariff stability should be assured.

RELATIONS WITH THE UNITED STATES

I want to say before I conclude a word or two with regard to our relations with the United States. With a few excep-

tional cases, we do not propose any reduction in our general tariff which applies to goods coming from the United States. While we naturally desire to develop trade within the Empire, as we have been doing and wish to continue to do through the British Preferential tariff, we do not conceal from ourselves the fact that our trade relations with the neighbouring public are matters of very grave importance to many of our Canadian people. The Congress of the United States in the exercise of its undoubted right, has established what is commonly called the Fordney-McCumber tariff, which is largely a high tariff, and which we realize operates to the disadvantage of Canada. Any desire that we may have towards modification of our own tariff is naturally held in check by the high tariff of the United States. Whatever may have been thought and said and done at other times, there is hardly anybody in Canada to-day who does not feel that better trade relations between the Dominion and the United States are very desirable. I believe I am warranted in saying that to-day there is no class of the Canadian people who do not recognize that it is of the highest desirability that we should have proper trade relations with the United States. The desire of Canada to make a friendly treaty with the United States ought to be well known, and I think it is well known. As to the willingness of Canada to have a measure of reciprocity between the two countries there ought to be no question. A minister of this government went to Washington and informed the government and the Congressional leaders of Canada's willingness to enter into negotiations for another reciprocity treaty. They know our willingness in this regard, and I think it is well we should say it again. The position of our government in the matter, therefore, is well known. In 1879 when the national policy, so-called was framed there was what was called a standing offer to the United States, and the United States had notice of how Canada would like to deal with them. I want to adopt the principle of that though not the details of it. I am proposing that we shall put into our tariff laws to-day a declaration of our readiness and our willingness to make an arrangement with the United States whenever they are ready to meet us on fair terms. I propose to put in this clause:

The Governor in Council may authorize any minister of the Crown to enter into negotiation with any authorized representative of the government of the United States with a view to the making of a commercial agreement between the two countries on terms that may be deemed mutually beneficial. Any agreement so made shall be subject to the approval of the Parliament of Canada.

This is a general indication of our willingness to make a commercial treaty with our neighbours. We realize, however, that if this suggestion on our part should meet with favourable consideration, considerable time would have to elapse before an

agreement could be made and brought into effect. It would require action by congress. Congress only could deal with the matter in that broad way. Is there not some other way in which the desired end, in part at least, could be reached? Can we do nothing in the meantime? Possibly we can. Under the present law of the United States there is a privilege granted to the President of the United States to make certain reductions if he likes to do so. He may do that without waiting for congress, and, therefore, we propose to insert this clause, having relation to that particular matter:

If the President of the United States, under authority of the United States' Tariff Act of 1922, determines to reduce the duties imposed by such act on the following articles, that is to say:

Cattle, wheat, wheat flour, oats, barley, potatoes, onions, turnips, hay, fish as enumerated in paragraphs 717, 718, 719 and 720 of the said Tariff Act of 1922, the Governor in Council may by order in council make such reductions of duties on similar articles imported into Canada from the United States as may be deemed reasonable by way of compensation for such reductions on Canadian products imported into the United States.

The previous paragraph makes a standing offer of reciprocity which we know can only be adopted by congress. This paragraph appeals to the President, or intimates to the President, that if he is prepared to exercise the power which the congress has given to him by way of reduction, we are prepared to meet him on similar terms. I do not know that any good will come from it. I think we are doing right to place on record our desire and determination to meet our American friends on fair terms, if they will meet us.

THE OUTLOOK

Canada, in common with other countries has been passing through a period of severe depression. Some of our farmer friends have come to us from the West with gloomy stories of the condition of affairs in their part of the Dominion. Unfortunately, there has been depression, not in the West only, but in the East as well. Not many months ago, the conditions in the neighbouring Republic were in every respect as bad as, and in some respects worse than, in our Dominion. Suddenly, so suddenly as to leave room for doubt as to a continuance of it, a great revival of business has arisen in the United States. Whether there is economic ground for it is doubted by many thoughtful students. The buying power of the western farmer in the United States is still at a low point. Foreign markets are still so much disturbed that the prospects of large sales in that quarter are not bright. Nevertheless, there is a boom on in the

United States. I asked a friend who is a careful observer of these things on what he thought the American people found ground for their present activity. His answer was, "By faith in themselves." It really seems that this is the case. It is a sort of "Couéism." They resolve that things are going to get better, and they believe that they are better. However that may be, we need not analyze the conditions. We know there is great activity in the United States. Stern economists will wonder what our American friends are going to do with the products they are having turned out so rapidly from the American factories. Meanwhile there is no question that the boom is on. Instead of the unemployment which prevailed so widely but a few months ago, there is now a great demand for labour. Wages which had begun to fall are again on the rising scale. This activity across the border, this great demand for labour at high wages, has naturally affected us in Canada. We are so near to the United States, and it is so easy for our people to cross the border, that when things are somewhat dull over here, and high wages are offered in the United States, there would naturally be such an exodus as there has been during the recent months. But this I believe is only a temporary condition, I believe they will come back. Experience has shown that the United States are usually ahead of us by a few months, perhaps a year, in the change of conditions. The prosperity which comes to them reaches us a few months later. The adversity which sometimes comes to them comes to us a few months later. This experience justifies us in believing that history will repeat itself in this respect. Already we see signs of reviving activity in our country. That we may check the exodus and bring back many of those who have already gone is a reasonable expectation. If we have faith in ourselves, faith in the intelligence, industry and courage of the Canadian people, faith in the vast and splendid resources of our Dominion, we may justly look forward to an early revival of the prosperity of former days.

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