

FILE 275

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SECRETARY

W. McL. Clarke - - - - - Montreal

Cable Address - - - - - "Canchamber"

The Board of Trade Building,
Montreal, June 11th, 1931.

General Sir Arthur W. Currie, G.C.M.G., K.C.B., LL.D.,
Principal of McGill University,
MONTREAL, Que.

Dear Sir Arthur Currie:

You doubtless are more or less familiar with the Trade and Goodwill Mission made up of 150 Canadians, some 90 of whom were business men of consequence throughout the Dominion, who recently visited Latin-America and parts of the British West Indies. A copy of our official report is being sent you under separate cover.

May I call your particular attention to recommendation No. 8, on page 5 of the printed report. It was the unanimous opinion of the Canadian business men on the delegation that there should be urged upon the educational authorities of the Dominion the desirability of placing greater emphasis on the study of Spanish in the curricula of our universities. We quite appreciate that a good deal has been done more latterly in this regard but we still feel that, if Canada is to take full advantage of the opportunities for the development of our foreign trade in the great countries of South America, more of our young men entering business can be advantageously equipped with an intimate knowledge of Spanish, and to a lesser extent of Portuguese.

There is no thought on the part of any of our members to dictate the policy of our universities, but it was felt that, presiding as you do over a great educational institution, you would welcome the findings of outstanding Canadian business leaders on this important subject.

We should appreciate very much receiving an intimation that our university authorities are favourably disposed toward the implementing of the foregoing important recommendation.

Yours very truly,

J. H. Woods
President and Chairman of the Mission.

June 16th, 1931

Colonel J. H. Woods,
President,
The Canadian Chamber of Commerce,
The Board of Trade Building,
Montreal. P. Q.

Dear Colonel Woods,

Let me acknowledge your letter of June 11th, in which you set forth the opinion of the Canadian members of the Mission of Trade and Goodwill to Latin-America and parts of the British West Indies, that there should be greater emphasis on the study of Spanish in the curricula of Canadian universities.

I am most sympathetic with the idea, but with us just now, in common with many other institutions, it is the financial question that gives us most concern, and the situation is that we are quite unable to add another Department to our already over-burdened budget. I shall be glad to bring the matter to the attention of the Board of Governors, in the hope that when conditions improve we may be able to add Spanish to our curriculum.

Ever yours faithfully,

Principal

June 26th, 1931.

Colonel J. H. Woods,
President,
The Canadian Chamber of Commerce,
Board of Trade Building,
Montreal, P. Q.

Dear Colonel Woods,

Replying to your letter of June 11th with reference to the recommendations of the Trade and Goodwill Mission to Latin America, I beg to say that I have now been at McGill University eleven years, and during all that time Spanish has been on the curriculum.

Yours faithfully,

Principal

PRESIDENT

W. L. McGregor - - - - - Windsor

CHAIRMAN OF THE EXECUTIVE

A. O. Dawson - - - - - Montreal

VICE-CHAIRMEN OF THE EXECUTIVE

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Cable Address - - - - - "Canchamber"

The Board of Trade Building,
Montreal, November 21st, 1931.

Sir Arthur W. Currie, G.C.M.G., K.C.B.,
Principal, McGill University,
Montreal.

Dear Sir Arthur Currie:-

It was very kind of you to write me under date of November 19th intimating that you had urged Dean Barton to attend our Agricultural Conference in Toronto on November 27th. I have just received a communication from the Dean in which he states that he is arranging to be present.

We shall welcome any additional representative from McGill University whom you will wish to nominate.

Yours very truly,

W. McL. Clarke

Secretary.

C:W

what about this?

DOCKET STARTS:

CURRIE, G; HEMMEON; LEACOCK

Clarkson, McDonald, Currie & Co.
Chartered Accountants

MONTREAL

GEORGE C. McDONALD
GEORGE S. CURRIE
KENNETH G. BLACKADER
L. N. BUZZELL
J. A. DELALANNE
S. H. DOBELL
TERENCE P. JONES
H. M. S. LEWIN
D. L. ROSS
F. L. WINDSOR

TELEPHONE MARQUETTE 8311
CABLE ADDRESS "CLARMAC"

QUEBEC

R. H. KENNEDY

TORONTO

G. T. CLARKSON
H. D. LOCKHART GORDON
R. J. DILWORTH

231 St. James Street West

Montreal 12th August 1932.

General Sir Arthur Currie, G.C.M.G., K.C.B.,
McGill University,
Montreal.

Dear Sir Arthur:

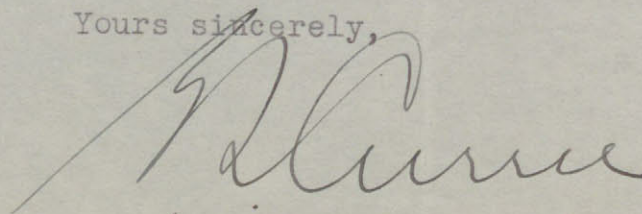
George left Montreal today and will not be back again for about two weeks. I have a message to give to you from him.

The Canadian Chamber of Commerce have commenced to make a survey of the costs of Government in Canada. A meeting of a few of those interested took place here today, including Mr. Sanford Evans, of Winnipeg.

The Committee in charge wish to obtain the services of an economist from McGill to assist and advise them. George says that he presumes that any such economist engaged will receive payment for his services. George undertook to ask you to make the recommendation but he was unable to get in touch with you before leaving the City.

Would you kindly write to Mr. W. McL. Clarke, of The Board of Trade Building, Montreal, Secretary of The Canadian Chamber of Commerce, giving him your suggestion as to who should be approached to undertake the work from McGill. In addition to the representative from McGill, probably Professor Jackson of Toronto will be asked to assist.

Yours sincerely,



GSC:R

August 15, 1932.

George S. Currie, Esq.,
Clarkson, Macdonald, Currie & Company,
231 St. James St. W.
Montreal. P. Q.

Dear George,

I am this morning in receipt of your letter of the 12th with reference to a proposed survey of the Costs of Government in Canada. I am consulting with Leacock and I am also ringing up Mr. Clarke of the Canadian Chamber of Commerce to find out just when it is desired to commence such a survey.

Ever yours faithfully

Principal ,

August 15, 1932.

Professor Stephen Leacock,
Old Brewery Bay,
Orillia, Ontario.

My dear Stephen,

I am attaching herewith copy of a letter received from George Currie this morning, to whom I have replied that I am consulting with you. I expect to hear from Clarke of the Chamber of Commerce tomorrow (on his return from a conference at Toronto) just when it is proposed to commence work on this survey.

What is your advice regarding someone from McGill to join with Gilbert Jackson in this matter? I understand that Sandford Evans is to be the chief man on the Committee.

I hope you are enjoying your holiday very much. I have had two weeks, one fishing on the Bonaventure and another up at Lac Cornu in the Laurentians. I am feeling very fit.

Ever yours faithfully,

McGILL UNIVERSITY
MONTREAL

FACULTY OF ARTS & SCIENCE
DEPARTMENT OF ECONOMICS AND
POLITICAL SCIENCE

O'Neill
Aug 18. 1932.

My dear Sir Arthur

Dr Hemmeon is the best qualified person on our staff to take part in an enquiry into the cost of government. But I should not think he could find time for it

I have done quite a lot of work in public finance myself and would be glad to give George Macdonald, without any fee, any help I could in planning out the work but that is all I could find time for.

Culliton is away; Day has never studied Canadian public finance; Forsey I could not recommend

I presume that the University as such would not take part in the enquiry; that might lead, very reasonably, to criticism.

Could you not therefore suggest the name of someone known to the University as competent but not connected with it nor representing it I am thinking here of B. K. Sandwell; he has the knowledge, and I imagine not only time but eternity in front of him. I repeat

McGILL UNIVERSITY
MONTREAL

FACULTY OF ARTS & SCIENCE
DEPARTMENT OF ECONOMICS AND
POLITICAL SCIENCE

That Hemmeon is best, if he can
find time for it.

with best regards

Stephen Leacock

P.S. I have written two books this
summer and neither of them has
any connection, thank God, with
economics or the British Empire.



The Board of Trade Building,
Montreal, September 2nd, 1932.

Sir Arthur W. Currie, G.C.M.G., K.C.B.,
Principal,
McGill University,
Montreal, Que.

Dear Sir Arthur:

While in Montreal before leaving on our Convention Cruise Tour I wanted to take this opportunity of expressing my appreciation of your recommendation of Dr. J.C. Hemmeon as a member of the research committee appointed in connection with our Chamber's work on Economy in Government, under the Chairmanship of Mr. W. Sanford Evans. The Assistant Secretary told me of his chat with you and I know that Dr. Hemmeon will be an invaluable member of the sub-committee. As you know we had in mind for the other members of the Committee Dr. H.L. Brittain, Professor Gilbert Jackson and Mr. Clarke.

Our Directors and myself are greatly impressed with the possibilities which lie before the larger group of business men who have accepted to act on the committee in an advisory capacity and the unusual interest displayed in this important question assures me that the Chamber has a unique opportunity to serve in the national interest.

We expect to get off with a good start at our Halifax Convention. Mr. Evans I know will wish to confer with Dr. Hemmeon on his way home to Winnipeg after the annual meeting.

Once again appreciating your own decision to serve on the larger committee and for naming Dr. Hemmeon,

Yours sincerely,

W. H. Tuckey
President.

September 3, 1932.

Dr. J. C. Hemmeon,
Wolfville, Nova Scotia.

My dear Professor Hemmeon,

The Canadian Chamber of Commerce proposes to make a study of the Cost of Government in Canada, national, provincial and civic. They have appointed Sandford Evans as Chairman of the Committee of experts and have asked that we make available for consultation one of the members of our Department of Political Economy.

I wrote to Stephen about it and he replied that unquestionably you would be the best man for that sort of thing, though we both wondered whether you had the time for it, as neither one of us knew how much time it would take.

In conversation with the local representatives of the Chamber of Commerce, they told me that they proposed to provide a staff to do the spade work, and that the General Advisory Committee would simply draw conclusions from the information dug out by them and give advice as to what information was necessary.

It seems to me that you might consider going on this advisory committee. There would be remuneration for your services, but how much I do not know. The other members of your Committee would be Gilbert Jackson of Toronto, Dr. Brittain of the Statistical Department and Mr. Clarke, General Secretary of the Chamber of Commerce.

The week after next, that is, the week of the 12th, the Chamber of Commerce is holding its annual meeting in Halifax, and I suppose on the way back from that Colonel W.L. MacGregor would like to get the committee together, either here or in Toronto.

(over)

2.

When do you propose returning to the College?

I hope you had a good summer.

Ever yours faithfully,

Principal

Wolville, N. S.,
Sept. 6 - 1932.

Dear Mr. Principal: -

I have your letter of Sept. 3 which I received on my return from Cambridge, Mass. yesterday. I have been very busy there completing a book which is to be published by Harvard University. I say completing it although much has still to be

done from material col-
lected in the Maritime
Provinces. Everything must
be in by November.

I am telling you this
because ^{as a result} I wish to de-
lay my return to Mc-
Gill to as late a
date as possible - Sept.
25.

I think with Stephen
that I am the member
of the department who
should be on the com-

matter and, although I shall be very busy, I think that it is my duty to consent to act.

I trust that my rather late return will not be a stumbling block but there is material here which I must get before returning to me & ill.

I also think that, as

our department is short
handed this year, that
it would not be fair
to the other members if
my services on the committee
necessitated my absence from
town. I add this because
we have always made
it a rule that all
work in the department
should be carried on.

Sincerely yours

J. C. Hemmison

September 9, 1932.

Dr. J.C. Hemmeon,
Wolfville, Nova Scotia.

Dear Dr. Hemmeon,

Let me acknowledge your letter of September 6th. I am very glad you will be able to act on the sub-committee appointed by the Canadian Chamber of Commerce to investigate the Cost of Government in Canada. I have written Mr. McGregor, the President, and told him you will be the nominee from McGill. Do not hurry back on this account, but I suggest that you drop a line to Mr. McGregor, The Canadian Chamber of Commerce, The Board of Trade Building, Montreal.

Ever yours faithfully,

Principal

NATIONAL COMMITTEE ON COST OF GOVERNMENTS
 UNDER THE AUSPICES OF THE CANADIAN CHAMBER OF COMMERCE

PRINCE EDWARD ISLAND

S. A. McDonald Charlottetown.

NOVA SCOTIA

A. H. Whitman, Managing Director, Robin, Jones & Whitman, Limited Halifax.
 J. H. Winfield, Managing Director, Moirs, Limited Halifax.
 H. F. Bethel, Manager, Acadia Trust Company Truro.

NEW BRUNSWICK

T. H. Estabrooks, President, T. H. Estabrooks Co. Ltd. Saint John.

QUEBEC

George C. McDonald, Senior Partner, Clarkson, McDonald, Currie & Company Montreal.
 R. P. Jellett, General Manager, The Royal Trust Company Montreal.
 A. O. Dawson, President, Canadian Cottons, Limited Montreal.
 C. E. Gravel, Real Estate and Investments, 84 Notre Dame St. West Montreal.
 J. V. R. Porteous, Director, Greenshields, Limited Montreal.
 Dr. H. Barton, Dean of Agriculture, Macdonald College Ste. Anne de Bellevue.
 Hon. Gordon W. Scott, P. S. Ross & Sons Montreal.
 Sir Arthur Currie, Principal and Vice-Chancellor, McGill University Montreal.
 J. A. LaRue, Messrs. LaRue & Trudel Quebec.

ONTARIO

S. B. Gundy, President, Oxford University Press Toronto
 C. S. Macdonald, President, Confederation Life Association Toronto.
 J. M. Macdonnell, General Manager, National Trust Company, Limited Toronto.
 George H. Smith, General Manager, Canada Permanent Mortgage Corporation Toronto.
 J. A. McLeod, President, Canadian Bankers' Association Toronto.
 R. Y. Eaton, President, T. Eaton Company, Limited Toronto.
 A. N. Mitchell, General Manager, Canada Life Assurance Company Toronto.
 W. B. Woods, General Manager, Gordon Mackay & Co. Ltd. Toronto.
 A. E. Ames, President, A. E. Ames & Co. Limited Toronto.
 J. Y. Murdoch, K.C., President, Noranda Mines, Limited Toronto.
 W. R. Campbell, President, Ford Motor Company of Canada East Windsor.
 C. M. Bowman, Chairman of the Board, the Mutual Life Assurance Company of Canada Waterloo.
 W. B. Somerset, Chairman, Ontario Marketing Commission Burlington.
 Major Gordon Ingram, President, Smallman & Ingram, Ltd. London.
 Colonel W. L. McGregor, President, Canadian Chamber of Commerce Windsor.

MANITOBA

W. Sanford Evans, President, Sanford Evans Statistical Service Winnipeg.
George W. Allan, K.C., Chairman of the Canadian Committee, The Hudson's Bay Company Winnipeg.
C. E. Hayles, President, Winnipeg Grain Exchange Winnipeg.

SASKATCHEWAN

R. A. Wright, President, Western Canada Live Stock Union Drinkwater.

ALBERTA

Dr. Robert C. Wallace, D.Sc., President, University of Alberta Edmonton.
Col. J. H. Woods, Managing Director, the Calgary Herald, Limited Calgary.

BRITISH COLUMBIA

H. R. MacMillan, President, H. R. MacMillan Export Company, Limited Vancouver.
Christopher Spencer, President, David Spencer, Limited, Departmental Stores Vancouver.

DOCKET ENDS:

CURRIE, G; HEMMEDN; LEACOCK



The Board of Trade Building,
Montreal, July 27th, 1932.

Sir Arthur Currie, G.C.M.G., K.C.B.,
Principal and Vice-Chancellor,
McGill University,
Montreal.

Dear Sir Arthur Currie:-

Economy in Public Finance

On my recent journey from the Atlantic to the Pacific, during which I visited some fifty of the leading communities of Canada, two questions were to the fore in our conversations with business men — the first was the Imperial Conference and the second was the growth of taxation necessitated by the cost of services forced upon our various Governments, whether municipal, provincial or federal.

A glance at the situation of our different treasuries reveals the need for drastic retrenchment, already recognized by Governments, which we believe would now welcome a widespread urge in the direction of economy.

It has been made popular by the pressure of public approval for all Governments to spend liberally, and it is now necessary for an articulate Canadian opinion strongly to express itself in favour of economy.

Intelligent consideration can only be given to our public financing and the indifference to our mounting taxation can best be overcome, if there is brought home to the public interpreted data on these questions.

The Canadian Chamber, yielding to the pressure from many responsible quarters and in its desire to assist our various Governments, is setting up a Committee of nationally-known business men with a view to giving expression to business thought on this question of economy in public finance. The gathering of the requisite information for study by the Committee will be undertaken by a qualified secretariat, funds for which have already been secured.

As President of The Canadian Chamber of Commerce, I am inviting you to act on this Committee, knowing that your counsel and leadership will go far towards making this undertaking of permanent help and benefit to the Dominion.

Anticipating your co-operation, believe me

Yours sincerely,

W. H. McLaughlin

President.

July 30th, 1932.

W. L. McGregor, Esq.,
President, The Canadian Chamber of Commerce,
The Board of Trade Building,
M o n t r e a l.

Dear Mr. McGregor:-

I have your letter of July 27th and fully sympathise with its purpose. If you, as President of the Canadian Chamber of Commerce, feel that I can be of any assistance to you in influencing Canadian opinion to urge upon respective governments, Dominion, Provincial and Municipal, the need for strict, but fair, economy, I shall be only too happy to serve on the committee you are forming.

Wishing you all success in this worthy work,

I am,

Yours faithfully.

Principal.

PRESIDENT

W. L. McGregor - - - - - Windsor

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SECRETARY

W. McL. Clarke - - - - - Montreal

Cable Address - - - - - "Canchamber"

The Board of Trade Building,
Montreal, August 22nd, 1932.

Sir Arthur Currie, G.C.M.G., K.C.B.,
Principal and Vice-Chancellor,
McGill University,
Montreal.

Dear Sir Arthur Currie:-

Economy in Public Finance

Since inviting you to act on our National Committee on Economy in Governments, and since receiving your acceptance, we have been quietly going ahead with the preliminary plans for the organization of the work.

It is most gratifying to me to have received the co-operation of so many prominent leaders throughout the provinces whose support is indicated in the acceptances as set out in the attached sheet. There are a few gentlemen yet to hear from before the Committee is finally announced. A Chairman will also be selected.

Our Executive have been giving consideration to the practical functioning of the Committee and it was decided to invite Mr. W. Sanford Evans of Winnipeg to head up a sub-committee which will carry on the research connected with the enquiry and to prepare the briefs for the main Committee's consideration. Mr. Evans has therefore been retained by the Canadian Chamber and his sub-committee will consist of professors of economics from some of our Canadian Universities, together with Dr. H. L. Brittain, Director of the Citizens' Research Institute, and the Secretary of the Canadian Chamber.

The National Committee will be kept advised as to the progress being made and it is hoped sometime during the autumn months to have as many members of the main Committee as is possible meet either in Montreal or Toronto.

THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL

W. McF. Clarke

September 29th, 1932.

Sir Arthur W. Currie, G.C.M.G.,
Principal and Vice-Chancellor,
McGill University,
Montreal.

Dear Sir Arthur Currie:-

Economy in Public Finance

No doubt you have seen recent references in the press to the launching of the work in connection with Economy in Public Finance. The first release prepared by Mr. W. Sanford Evans, and surveying the trend of our debts, a copy of which has already gone forward to you, was presented to the Halifax Convention of The Canadian Chamber of Commerce. Other constructive papers were there read by Dr. H. L. Brittain of Toronto and by the Hon. Gordon Scott of Montreal dealing respectively with Municipal Taxation and Provincial Tax Burdens.

These addresses were very favourably received and this impression has been confirmed by interviews which Mr. Evans had this last week with a number of business leaders both in Montreal and Toronto. So far as I can judge from press clippings, the opening of our campaign has been well featured in the news and editorial columns of the daily papers.

Mr. Evans has returned to Winnipeg and is now preparing suggestive and arresting statements which will be transmitted to the members of the Committee and released to the public. The aim is to get as much educational publicity as is practical before the end of the year. Mr. Evans, consequently, is devoting all of his time to this work. Toward the first of 1933 legislatures will be meeting and it is to be hoped by that time legislators and municipal councillors will realize that business is keenly alive to the necessity of practising Government economy.

To assist Mr. Evans, working Provincial Committees are to be set up. More detailed research can thereby be accomplished and a more intimate and greater interest aroused provincially.

The Canadian Press has promised their full support and with their co-operation we shall be able to reach a wide reading public. I might further add that it is expected that some of the Canadian and Service Clubs will be addressed by speakers who can ably present the story of mounting Government costs.

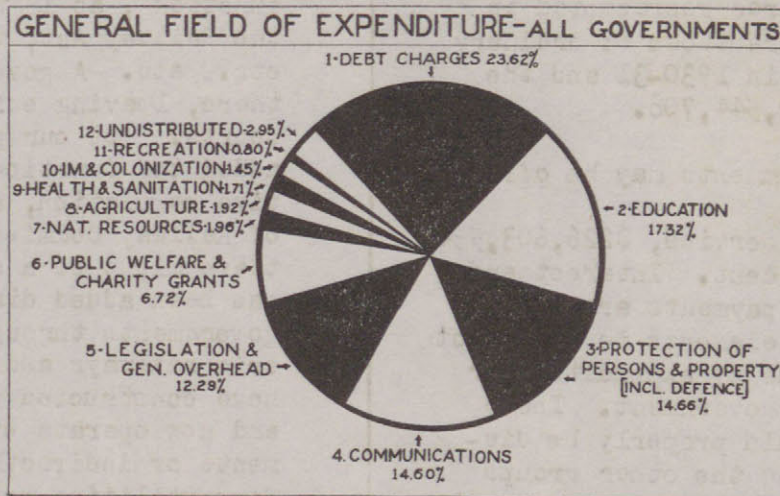
It seems better, rather than call the members of the Committee together at the present time, to proceed along the lines indicated above and probably before the end of the year to have a meeting of the General Committee. The members should then be able to consider recommendations and if the meeting were held in Ottawa, for instance, they could at the same time place before the Cabinet any definite proposals which would meet with the acquiescence of the Committee.

I shall be keeping you informed periodically of the progress in the work, and in the meantime may I ask you to let me have at our National Headquarters any views which you desire to express concerning the shaping and development of our programme.

Yours very truly,

W. L. McGregor,
Chairman of the National
Committee on Public Finance.

DISTRIBUTION OF ORDINARY EXPENDITURE 1930-31



It is substantially true to say that governments of sovereign states can do, and in the end must do, everything majorities approve and insist upon, and that they can in the end be stopped from doing whatever majorities disapprove.

The possible field of government activities is as wide as human interests in an organized society. Within this field, or any part of it, governments may perform many different kinds of functions and employ many different methods of operation. Certain functions, few in number, are capable of being performed only by governments, but they can also undertake anything individuals can do.

If costs are to be lessened, it must be in one or more of the following ways: by narrowing the field of activities, if it is unnecessarily wide for the conditions of the times; by reducing the number of functions performed over the whole field or in some section of it; by better organization and more efficient management of details.

As now set up, government accounts

do not present any such analysis by field, function and method as would form a basis for clear understanding and sound decision.

In a special compilation for this study, the Citizens' Research Institute has assembled, under general headings, figures of expenditure of all governments combined. The headings were selected to suit the classifications now common to government accounts and the results are represented in the diagram.

These figures, thus classified, are of interest as suggesting the extent of the general field now covered by government expenditures and as indicating some, at least, of its logical subdivisions. It is probably the first time aggregate figures have been grouped in Canada under any one set of headings.

That the information conveyed by this compilation should be supplemented by further analysis is, however, quite evident. This analysis could be applied to the details of the accounts of particular governments in a series of local studies.

The figures represented in the diagram are those of ordinary expenditures in 1930-31 and the total is \$959,544,708.

A few comments may be offered:-

1. Debt Service, \$226,603,554, or 23.62 per cent. Interest and sinking fund payments are, of course, only elements in cost, not special fields of expenditure or functions of government. These payments should properly be distributed among the other groups according to the purposes for which the money was borrowed, but this distribution was not practicable with the information available. This is the largest single item in the compilation, and would be materially larger if all governments segregated in one account their entire interest liabilities.

2. Education, \$166,190,565, or 17.32 per cent. Of all the services performed by governments in 1930-31 the provisions for education involved the largest expenditure.

3. Protection of Persons and Property, \$140,682,134, or 14.66 per cent. Under this heading are grouped many different services, from the administration of justice to national defence and including fire protection.

4. Communications, \$140,080,176, or 14.60 per cent. This is a clearly defined section of the general field and includes railways, waterways, highways, airways, the post office, etc. All will agree as to its importance, but this is a case where the necessity for an examination of functions and methods clearly appears.

There is the legislative

function, as in the passing of the Railway Act, the Traffic Acts, etc., etc. A government might stop there, leaving enforcement to the courts. But our governments have added the function of administrative regulation, as in the Board of Railway Commissioners. Again there might be a stop, but there has been added direct service by governments through steam and electric railways and steamships they have constructed or have bought, and now operate either by departments or indirectly through boards. Some utilities are operated in competition with private interests and some are made monopolies. Another function or method is the granting of rail, steamship and highway subsidies.

Communications, as well as other important interests, must, of course, be served, but the question is by what functions or methods?

The other classes of expenditure are:

5. Legislation and General Overhead, \$117,909,778, or 12.29 per cent.

6. Public Welfare & Charity Grants, \$64,526,466, or 6.72 per cent.

7. Development and Conservation of National Resources, \$18,832,626, or 1.96 per cent.

8. Agriculture, \$18,396,080, or 1.92 per cent.

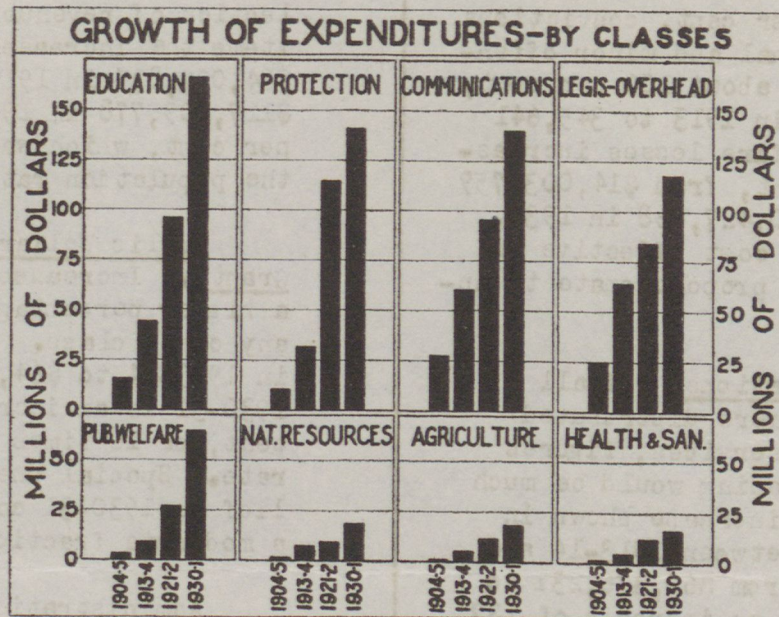
9. Health and Sanitation, \$16,380,322, or 1.71 per cent.

10. Immigration & Colonization, \$13,952,048, or 1.45 per cent.

11. Recreation, including National Parks, \$7,672,192, or .80 per cent.

12. Undistributed, \$28,318,767.

How these services have grown will next be examined.



How expenditures have increased from 1904-5 to 1930-31 in the eight government services on which most money is spent, is shown in the diagram.

Education. Between 1913-14 and 1930-31 expenditures increased from \$44,258,732 to \$166,190,565, an increase of 275.24 per cent. Population of school age (6 to 16 years) increased in the same period by some 36 per cent, so that the rate of increase of cost was 7.6 times that of numbers of children. Comparison by numbers enrolled and in attendance cannot be satisfactorily made without special enquiry because available statistics are not on quite the same basis in the two periods.

Per head of the general population, \$5.80 was spent on education in 1913-14 and a little over \$16 in 1930-31. Most of the present active generation below middle age were educated on the 1913-14 scale. Are proportionately better results being attained with the children now at school? What new facilities are provided? Is relatively more done in the higher branches? What part is

due to larger capital charges on buildings and plant?

Most debt charges on educational account are included in the above figures of expenditure. Debt charges in the table below are only those not distributed to special services and belong mainly to other services. Complete distribution might alter the order in which the various services appear as to cost, but the education figures are on the same basis in all periods and are comparable among themselves.

Protection of Persons and Property. As National Defence is included under this heading, expenditures due to the war, such as pensions, soldiers' re-establishment, etc., account in considerable part for an increase from \$32,332,374 in 1913-14 to \$140,682,134 in 1930-31. Excluding all defence costs, however, and leaving only law enforcement, fire protection and certain administrative services, the figures for 1913-14 were \$18,862,925 and for 1930-31 \$65,909,540, an increase of 249.41 per cent, or nearly 7 times the rate of increase of population.

As against this increase in cost of 249 per cent, convictions for all criminal and minor offences increased about 100 per cent, from 173,138 in 1913 to 345,641 in 1930; and fire losses increased 117 per cent, from \$14,003,759 in 1913 to \$30,427,968 in 1930. Was the extra cost effective in protection or proportionate to increased work?

Communications. If all debt charges were distributed according to services, figures under this heading would be much larger. The increase shown in the diagram between 1913-14 and 1930-31 was from \$60,376,231 to \$140,080,176, an increase of 132 per cent, or 3 2/3 times the rate of increase of population.

Legislation and General Overhead. A careful, detailed analysis of the accounts of all governments would have to be made before the items could be segregated which would correctly represent overhead as this term is used in private business accounts. The general items in the present classification include expenditures on legislation, the executive staff,

upkeep of public buildings, collection of revenue, etc. In such items the increase was from \$64,092,835 in 1913-14 to \$117,909,778 in 1930-31, or 84 per cent, which was 2 1/3 times the population rate.

Public Welfare and Charity Grants. Increases have been at a higher percentage rate than in any other class. From \$9,549,454 in 1913-14 to \$64,526,466 in 1930-31 is an increase of 575 per cent, or 16 times the population rate. Special unemployment relief in 1930-31 constituted only a moderate fraction of the total.

Administration of Natural Resources. Expenditure more than doubled since 1913-14.

Agriculture. The rate of increase was 2.9 times that of acreage in field crops.

Health and Sanitation. Increased at 6 times the population rate.

Totals for all periods in each of the classifications dealt with in this and the last preceding chapter are, in dollars:

	1930-31	1921-22	1913-14	1904-5
1. Debt Service	\$226,603,554	\$213,105,270	\$46,180,823	\$26,131,320
2. Education	166,190,565	96,245,235	44,258,732	16,030,241
3. Protection of Persons & Prop.	140,682,134	114,996,522	32,332,374	10,617,964
4. Communications	140,080,176	95,284,280	60,376,231	27,670,527
5. Legislation & Overhead...	117,909,778	84,261,466	64,092,835	25,165,505
6. Pub. Welfare & Charity....	64,526,466	27,258,282	9,549,454	3,804,916
7. Natural Res's.	18,832,626	9,610,845	7,518,023	2,035,231
8. Agriculture...	18,396,080	12,079,428	5,793,889	1,451,485
9. Health & San'tn	16,380,322	12,261,989	5,045,528	2,132,677
10. Imm. & Col'ztn	13,952,048	4,358,341	2,138,658	1,040,540
11. Recreation	7,672,192	4,864,943	1,979,000	680,000
12. Undistributed	28,318,767	44,417,486	17,863,583	4,520,000
GRAND TOTAL....	959,544,708	718,744,087	297,129,130	121,280,406

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING

MONTREAL

October 17th, 1932

CHAIRMAN OF RESEARCH,
W. SANFORD, EVANS, WINNIPEG.

CHAIRMAN,
W. L. MCGREGOR, WINDSOR.

SECRETARY,
W. McL. CLARKE, MONTREAL

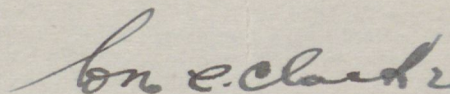
Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
MONTREAL, Que.

Dear Sir Arthur Currie:

Enclosed is a chapter, touching certain incidental aspects of the problem of Expenditures and Debts, prepared by W. Sanford Evans while waiting for the assembly and analysis of figures of general Revenues of Governments. No carefully designed diagrams were attempted for this fragment.

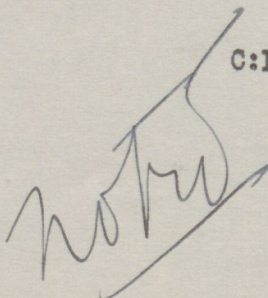
Mr. Evans hopes very soon to issue two or three chapters on Taxes - how they have grown, what they consist of and what is their relation to ability to pay.

Yours very truly,



Secretary

C:LH



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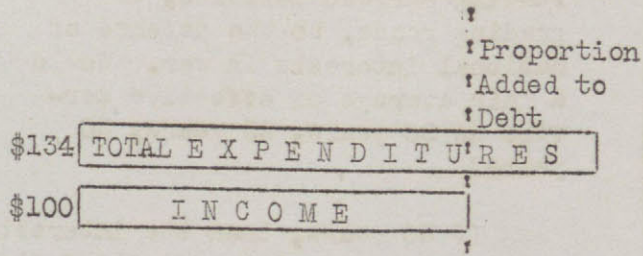
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Christopher Spencer, President, David Spencer, Ltd., Departmental Stores, Vancouver

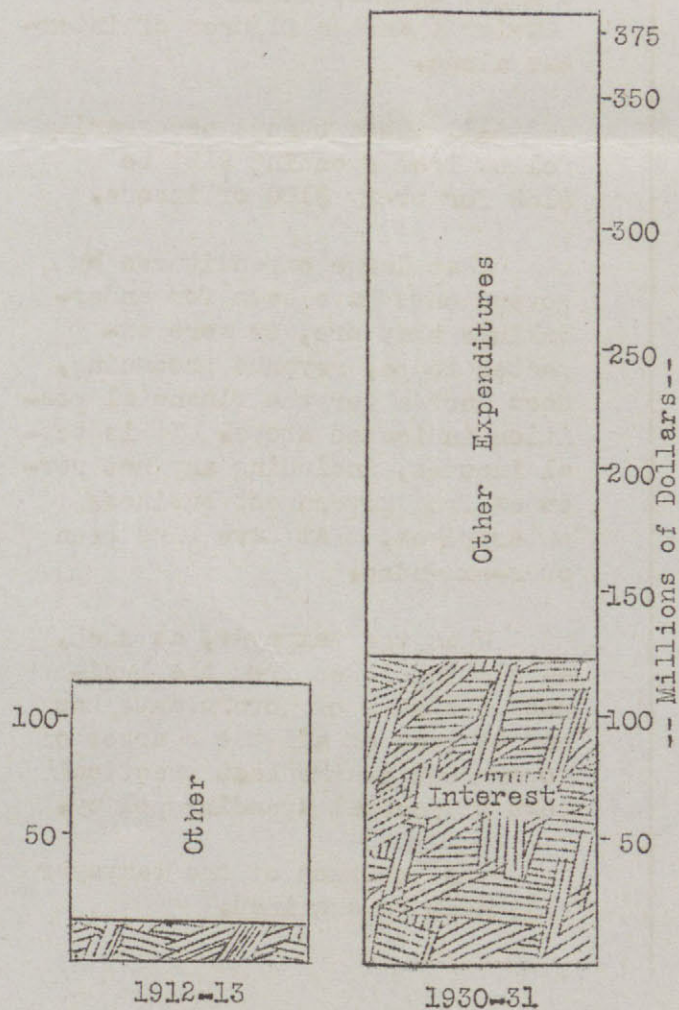
TOTAL GOVERNMENT EXPENDITURES VS INCOME
EFFECT ON INTEREST CHARGES

Relation of Income to Expenditures



Canadian Governments on the average during the past 18 years have been expending \$134 for every \$100 of income. The difference has yearly been added to debt.

Dominion Consolidated Fund
Expenditures
And Proportion Consisting
of Interest Payments



This average represents also approximately the relative expenditures of the Dominion. Provincial Governments have spent \$152 for every \$100 of income. Municipal Governments, with their more restricted credit, have not increased debt in the same proportion, having spent only \$124 for every \$100 of income.

These calculations are based on a comparison of total income with increase in gross direct liabilities.

Money borrowed by Governments creates a direct charge on income for interest and, moreover, must be repaid. Almost all direct liabilities of Governments are for money borrowed for definite terms at stated rates of interest. If provision for repayment out of income is not made, other money must be borrowed to refund. Interest continues a fixed annual charge.

How interest payments on debt by the Dominion have grown between 1912-13 and 1930-31 is shown in the accompanying diagram.

Interest paid in 1930-31 - \$121,289,844 - was actually appreciably greater than total Consolidated Fund expenditures for all purposes in 1912-13 - \$112,059,537.

Total revenues of the Dominion from all sources were never large enough prior to 1911-12 to have paid the interest bill of 1930-31.

In 1930-31 interest payments by the Dominion were over $9\frac{1}{2}$ times as great as in 1912-13. This ratio, of course, reflects an increase in average interest rate, because of heavy borrowings when money was dear, as well as the increase in debt.

In 1930-31 interest payments constituted over 31 per cent of all Consolidated Fund charges, whereas in 1912-13 they were only $11\frac{1}{2}$ per cent of charges one-third as great.

Provinces and Municipalities do not segregate all interest charges on their direct liabilities in one account, as does the Dominion, and therefore figures for these governments exactly corresponding to the above cannot be given. Their positions are, however, similar; slightly more extreme in some respects in the case of the Provinces and less so with the Municipalities.

Interest liabilities for the Provinces in 1930-31 would have met all their ordinary expenditures as recently as 1916-17.

If proportionate spending continues, in an easily calculable number of years even present total revenues would not be adequate for interest charges alone.

For repayment of debt, still further real financial obligation exists. Borrowed money must be repaid and repayment should be within the period of effective service of the investment.

On this principle, what is a reasonable term within which existing debts should be liquidated.

They cover objects ranging from funding current deficits, or grading roads, to the defence of national interests in war. Would a fair average of effective service be 20 years, 25 years, 30 years?

If 30 years, then the interest charge of the Dominion for 1930-31 of \$121,289,844 should be increased by a little over one-third, or by some \$43,000,000 of sinking fund, to represent the real annual charge upon income for service of the debt.

The extent to which the various governments are now meeting sinking fund requirements can be determined only after special enquiry, but it should be realized that proper debt charges against income are much heavier than the figures of interest alone.

All these things necessarily follow from spending \$124 to \$152 for every \$100 of income.

That large expenditures by governments have been for undertakings that are, or were expected to be, revenue producing, does not alter the financial position indicated above. It is total incomes, including any net revenues from government business enterprises, that have thus been over-expended.

What the taxpayer, as such, as distinguished from the business customer of governments, has had to bear of all the charges of government is the best practical test of general spending policy.

The position of the taxpayer will next be examined.

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October 24th, 1932.

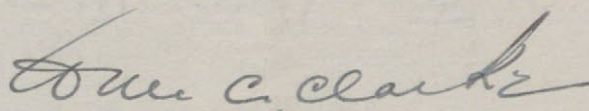
Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
MONTREAL, Que.

Dear Sir Arthur Currie,

There is enclosed herein release
No. 3 on Taxation in Canada, which statement has been pre-
pared by Mr. W. Sanford Evans.

You will be interested to know
that during the past three weeks our press releases on
Economy in Public Finance have been very widespread through-
out the Canadian Press, as evidenced by the clippings coming
into the office here.

Yours very truly,



Secretary.

C:WL
Enc. 1.

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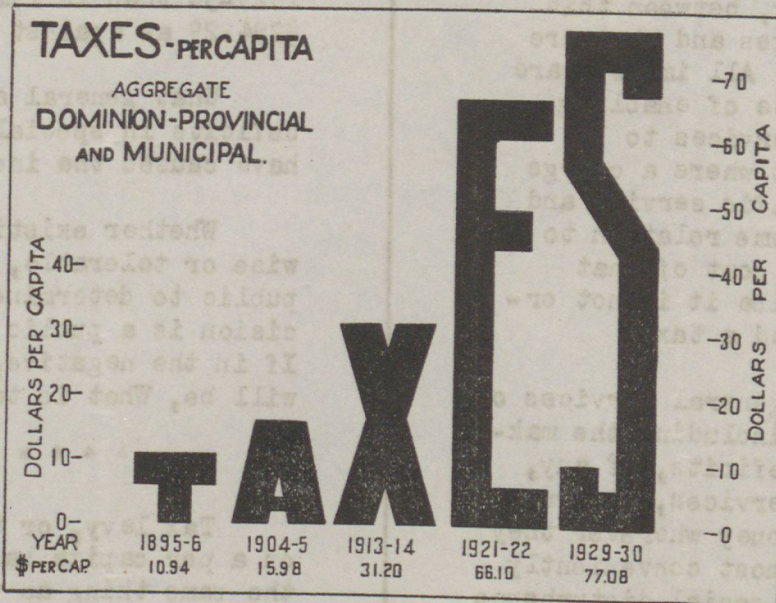
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TAXATION IN CANADA



Combined taxes levied by Dominion, Provincial and Municipal Governments in Canada were \$55,000,000 in 1895-6, \$93,091,361 in 1904-5, \$238,036,485 in 1913-14, \$580,851,718 in 1921-22 and \$772,969,645 in 1929-30.

Per capita, the levies are as shown in the diagram; \$10.94 in 1895-6, \$15.98 in 1904-5, \$31.20 in 1913-14, \$66.10 in 1921-22 and \$77.08 in 1929-30.

Most tax bills are paid by heads of families. Adopting the census returns of 1921 of 4.62 persons as the average per family, then taxes per family of \$144.14 in 1913-14 had grown almost $2\frac{1}{2}$ times to \$356.10 per family in 1929-30, or almost \$30 per month.

As with government expenditures and debts, these increases have far outrun the indices of basic industrial and financial development.

Whether or not taxes are unduly heavy at any time, or are fairly distributed, cannot however, be left to comparative statistics to decide. Taxes are the point at which the practical side of government comes home to individual citizens, and the people have constitutionally gained and preserved the right to determine, judging for themselves, how great a burden by way of levies may be imposed upon them.

Taxes are compulsory levies by a government for purposes of its revenues. Not all government income is derived from taxes. Sales or leases of the public domain, fines for infraction of laws, regulatory licenses, etc., yield revenues. Then fees, or payments for special services, such as postage for mail services and charges for water, light, power or transportation when supplied by governments, are important contributing sources.

No sharp boundary line can be drawn, either theoretically or practically, between this class of charges and what are called taxes. All imposts are for the purpose of enabling government services to be performed, but where a charge is for a specific service and is fixed in some relation to the estimated cost of that specific service it is not ordinarily called a tax.

For all general services of governments, including the making good of deficits, if any, on specific services, governments raise money wherever they think it can most conveniently or with least social disturbance be obtained. These imposts are classed as taxes.

Between 75 and 80 per cent of all government revenues, as appearing in their accounts, are derived from taxes, and the percentage has not declined despite the great extension of special service charges. As in some cases governments take into their accounts all details of cost and income of their special business undertakings and in others only the net balances, no exact percentages could be worked out until all accounts were recast to the same form.

After users of Government utilities had paid all that was charged for postage, water, light, power, transportation, money loans, etc. etc., the taxpayers in 1929-30 were required to pay \$772,969,645, as against \$238,036,485 in 1913-14.

It may be said there is the war debt. But there are also the war taxes. Deduct the war taxes for 1929-30, \$134,086,005, and the balance is still \$638,883,640, or 270 per cent of the tax bill of 1913-14.

Per family, exclusive of war taxes, \$150 more was required in 1929-30 than in 1913-14, or \$294.29 as against \$144.14.

What general services, what deficits in special services, have caused the increase?

Whether existing taxes are wise or tolerable, it is for the public to determine. The decision is a public responsibility. If in the negative, the question will be, What is to be done about it?

* * * * *

Tax levy, or tax yield, even on a per capita basis, is not quite the same thing as tax burden. Ability to pay varies from time to time with changing business conditions. Since 1929-30 tax yields have declined, although rates have been increased in many cases and the burden has been heavier than before. Some enquiry into the course of ability to pay may later be made.

As for the years selected for discussion in this chapter, which are not in all cases even periods apart, 1913-14 was the peak year of tax yield before the war, the next peak being reached in 1921-22, and after a decline in the period of deflation, a new peak appeared in 1929-30. It seemed fair to compare these peak years. Of the earlier periods, 1895-6 marked approximately a turning point in general business and 1904-5 the beginning of a new spending policy in governments.

The figures of taxes for 1895-6 are in good part an estimate, but the figures for subsequent years have been specially compiled for this study by the Citizens Research Institute.

Classes of taxes and their relative yields will next be examined.

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CHAIRMAN,
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SECRETARY.
W. McL. CLARKE, MONTREAL

October 26th, 1932.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
Montreal.

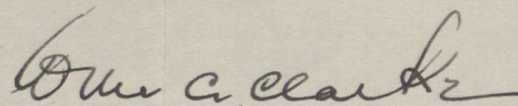
Dear Sir Arthur Currie:-

The Chairman has instructed me to call a meeting of the National Committee on Economy in Public Finance on November 21st at 10 a.m. in the Council Room of the Board of Trade, Royal Bank Building, Toronto.

With the research work well in hand by that time, with the Provincial Committees functioning and with the publicity campaign in progress, it is felt that the members of the National Committee will wish to give leadership and counsel in connection with the Dominion-wide undertaking.

The Chairman would appreciate any suggestive items for the Agenda, which will be forwarded you in due course.

Yours very truly,



Secretary.

C:W

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Christopher Spencer, President, David Spencer, Ltd., Departmental Stores, Vancouver

THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING

MONTREAL

October 31st, 1932.

Serial Letter No. 5 to the National Committee on Economy in
Public Finance

Dear Sir:-

I am enclosing herewith Release No. 4 prepared
by Mr. W. Sanford Evans on the "Kinds of Taxes Levied in Canada."

May I again call your attention to the meeting
of the Committee on Economy in Public Finance which will take place
in Toronto on November 21st at 10. am. in the Council Room of the
Toronto Board of Trade, Royal Bank Building, Toronto.

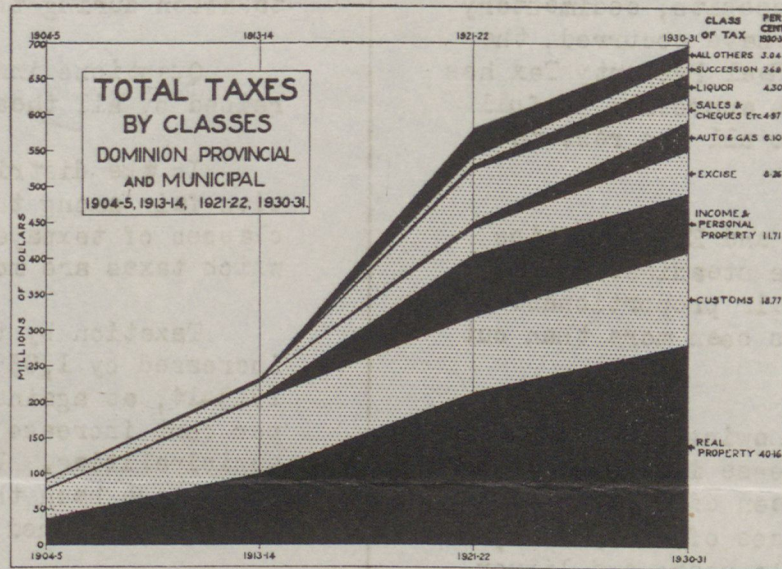
Yours very truly,

Wm L Clark

Secretary.

C:W
Encl. 1.

KINDS OF TAXES LEVIED



The above diagram shows, at the stated periods, the proportions of the principal classes of taxes in the total tax levies of all governments combined--the varying stratification of Canada's tax-mountains in the course of its upheaval.

In 1904-5 the order was:

	\$	%
Customs Duties	41,437,569	- 44.51
Real Prop. Taxes	35,648,431	- 38.30
Excise Duties	12,586,475	- 13.52
All Others	<u>3,418,886</u>	- 3.67
TOTAL	\$93,091,361	

In 1913-14 the order was the same: -

	\$	%
Customs Duties	104,691,238	- 43.98
Real Prop. Taxes	99,277,904	- 41.71
Excise Duties	21,452,037	- 9.01
All Others	<u>12,615,306</u>	- 5.30
TOTAL	\$238,036,485	

In 1921-22 the order had changed and other taxes had become important:

	\$	%
Real Prop. Taxes	212,172,109	- 36.53
Customs Duties	105,686,645	- 18.19
Income & Pers'l		
Prop. Taxes ..	85,844,141	- 14.78
Sales Tax, Taxes		
on cheques, etc.	73,656,487	- 12.68
Excise Duties	36,755,207	- 6.33
Bus. Profits Tax	22,815,667	- 3.93
Succession	11,389,966	- 1.96
Corporation	11,237,526	- 1.93
Liquor Profits	6,831,027	- 1.17
All Others	<u>14,462,943</u>	- 2.50
TOTAL	\$580,851,718	

In 1930-31 there were again some changes:

	\$	%
Real Prop. Taxes	280,744,331	- 40.16
Customs Duties	131,208,955	- 18.77
Income & Pers'l		
Prop. Taxes	81,864,764	- 11.71
Excise Duties	57,746,808	- 8.26
Auto & Gas	42,644,771	- 6.10
Sales & Cheques,		
Etc. ..	34,734,661	- 4.97
Liquor Profits	30,061,083	- 4.30
Succession	18,793,458	- 2.69
Corporation	15,427,077	- 2.20
All Others	<u>5,818,431</u>	- .84
TOTAL	\$699,044,339	

The outstanding feature is the Real Property Tax. No matter what other deposits, sedimentary or volcanic, have occurred, the mass of the Real Property Tax has continued its accretion in full proportion to all the rest together.

Customs and Excise Duties have been the steadiest of the taxes but their proportionate contribution has been more than cut in half.

Taxes showing the most rapid rate of increase in the last 9 years have been direct taxes on special classes of the public, the automobile users and liquor consumers. Yields of these taxes were multiplied $4\frac{1}{2}$ times in the period. More money was raised from automobile users in 1930-31 than from all Customs Duties in 1904-5.

In general, it is notable that Canadian taxation, from being predominantly indirect has become predominantly direct. In 1913-14 over one-half of the taxes were levied indirectly and in 1930-31 only one-third. Of the total increase in taxes between these periods of some \$460,000,000, no less than \$360,000,000 was in direct taxes.

This is due not only to the great increase in taxation by Provinces and Municipalities, which are restricted by the constitution to direct taxation, but

to the serious incursion of the Dominion into the field of direct taxation during the war.

Questions innumerable are raised by all these facts.

Is the distribution of taxation fair among the different classes of taxpayers? If not, which taxes are most onerous?

Taxation by the Provinces has increased by 1,059 per cent since 1913-14, as against less than 200 per cent increase by Dominion and Municipalities. What wider services have been thrust upon, or have been assumed by Provinces?

What is the relative importance of the services expected of Provinces and Municipalities, on the one hand, and of the Dominion on the other?

Can the former be discharged without distress out of the tax resources fixed by the constitution, which, moreover, the Dominion is free to draw upon?

Is the distribution of necessary services fair as between governments? If not, must services be redistributed or must fields of taxation, or both?

How total taxes have been divided among the governments and what increases have been made by each, will appear in the following table:

TOTAL TAXES BY CLASS OF GOVERNMENT
(From compilations of Citizens' Research Institute)

	<u>Dominion</u>	<u>Provinces</u>	<u>Municipalities</u>	<u>Total</u>
1904-05 ...	\$ 54,024,044	\$3,248,169	\$35,819,148	\$93,091,361
1913-14 ...	127,478,067	10,485,538	100,072,880	238,036,485
1921-22 ...	319,926,012	54,092,495	206,833,211	580,851,718
1929-30 ...	378,551,626	126,147,195	268,270,824	772,969,645
1930-31 ...	296,276,395	121,577,855	281,190,089	699,044,339

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL

CHAIRMAN OF RESEARCH,
W. SANFORD EVANS, WINNIPEG.

CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY,
W. McL. CLARKE, MONTREAL

November 28th, 1932.

Serial Letter No. 6 to the members of the National Committee
on Economy in Public Finance

Dear Sir:-

At the Toronto meeting of the Committee held on November 21st, some 20 members were present, all the provinces being represented except Alberta. Those

in attendance were: W. L. McGregor, Chairman, and James Paton, Charlottetown, representing S. A. McDonald; H. F. Bethel, Truro; L. W. Simms, Saint John, J. A. LaRue, Quebec; A. O. Dawson, Dr. J. C. Hemmeon of McGill University, representing Sir Arthur Currie, George McDonald, J. V. R. Porteous, Montreal; Elmer Davis, Kingston; Major Gordon Ingram, London; S. B. Gundy, A. E. Ames, Col. J. A. Cooper, C. S. Macdonald, J. M. Macdonnell, A. N. Mitchell, W. B. Woods, Toronto; W. Sanford Evans, Winnipeg; R. A. Wright, Drinkwater, Sask.; F. E. Burke, Vancouver, representing British Columbia members; and the Secretary. Also participating were: John W. Ross, Montreal, President and J. A. Tory, Toronto and George Hogg, Montreal, National Directors of the Canadian Chamber; F. D. Tolchard, General Manager, Toronto Board of Trade and Secretary of the Ontario Provincial Committee; T. A. Marshall, Toronto, Secretary, Ontario Associated Boards and Chambers; John Appleton, Toronto, Secretary, Dominion Mortgage and Investments Association. Letters or telegrams were received from various members of the Committee who were unable to be present.

The progress report from September showed:

- (1) That 500 copies of the seven statements by Mr. W. Sanford Evans had been released and that through the courtesy of the Canadian and Financial press some 120 full newspaper and editorial columns of publicity had been received in all the provinces;
- (2) That active Provincial Committees had been set up in six of the provinces and were in process of organization in Alberta, New Brunswick and Nova Scotia.
- (3) That Boards of Trade and Chambers of Commerce had already appointed Committees in several towns and cities and that the membership of the Canadian Chamber in two hundred centres had already been urged to act similarly.

The ample discussion which took place brought out various recommendations, the more important of which may be set forth as follows:

- (1) Inform further through interviews the various governing and parliamentary bodies (federal, provincial and municipal) of the helpful objects of the committee

and discuss with them through influential business leaders means of public economy;

(2) Suggest, if possible, to governments where economies may effectively be made and what principles should underly such economies;

(3) Approach through Provincial Committees the Members of Parliament in the different constituencies enlisting their co-operation;

(4) Urge the necessity of balanced budgets and the facing of financial facts by all public spending bodies;

(5) Continue the educational work through releases, addresses and publicity;

(6) Enlarge the list of business men receiving the releases.

Before the conclusion of the meeting it was moved by Mr. J.M. Macdonnell and seconded by Mr. Elmer Davis and unanimously carried:

1. THAT approaches be made to the various members of the public spending bodies (i.e. the Federal and Provincial Parliaments and the municipalities) with the end in view of explaining the helpful objects of the national work being undertaken and of discussing with them methods of economy, and ascertaining their views thereon;
2. THAT at the same time and if possible in accordance with the views of the various Governments, means be taken to arouse greater public interest in definite and immediate economies;
3. THAT an endeavour be made to impress on Governments and municipalities the absolute necessity of preparing a scheme of retrenchment showing how within a definite time budgets can be balanced.

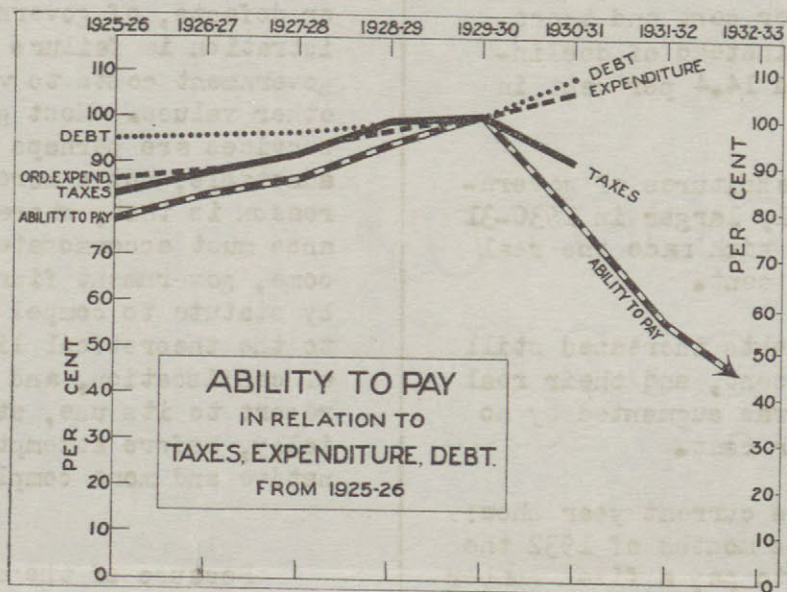
At the Agricultural Conference of the Chamber held during the afternoon of November 21st, the active support of several of the important agricultural organizations in this national campaign was promised.

At a subsequent meeting on November 22nd between the Chairman, Mr. Evans and the Secretary, the future programme of the work as based on the definite recommendations of the meeting was fully discussed and plans determined for advancing the endorsed objectives.

Yours very truly,

Tom L. Clark
Secretary.

TAXES & ABILITY TO PAY



Measured by ability to earn and pay, the price of government has again risen very sharply during the past three years -- perhaps more sharply than in any previous period.

Certain elements in the present position and in developments to date are here suggested for consideration. Government accounts are not, of course, available beyond 1930-31.

Everyone knows that the number of dollars he has to pay today is really many more dollars than the same number three years ago. Individual differences are infinite, but for the ability to pay of a country as a whole some sort of yardstick may more easily be found.

A country's ability to pay dollars must be in some direct relationship to the dollar value of the aggregate of all business activities that enter into the

creation of values. The Dominion Bureau of Statistics has compiled as from 1919 an index of the Physical Volume of Business, which has just been recalculated on a still more comprehensive basis. Then there is the index of general wholesale price levels. By combining the two, the index of Ability to Pay used in the above diagram was worked out.

Whether or not this stick measures exactly a yard and is suitable to measure all elements in the complex conditions, it is probably the best single standard obtainable. Unfortunately it can be used only in comparing post-war years among themselves.

From 1925 to 1929, ability to pay, as thus measured, was increasing, up to 1928 about in pace with rising government costs and in 1929 faster. But a great change has since occurred.

Tax yields in 1930-31, as will

be soon, fell 9.6 per cent below those of 1929-30, but ability to pay had fallen 21.0 per cent and therefore real taxes, instead of declining, had increased 14.4 per cent in the year.

Ordinary expenditures of governments were actually larger in 1930-31 by 5.4 per cent, which made the real increase 33.4 per cent.

Government debts increased still more, or 8.6 per cent, and their real potential weight was augmented by no less than 37.4 per cent.

What will the current year show? For the first nine months of 1932 the index of ability to pay a fixed number of dollars stood at only 45.3 per cent of 1929. That is, general business activity had not quite 2/3 the volume of 1929, at average prices 30 per cent lower.

Government debts and, it is to be feared, also ordinary expenditures have kept on increasing, but even if at the end of 1932-33 there has been no further increase than that shown in 1930-31, their potential burden will have more than doubled in the three years.

Despite new taxes and many higher rates, tax yields are not being maintained, but, even if the rate of reduction shown in 1930-31 has continued, the taxes for 1932-33 will represent a greater sacrifice by 55 per cent than those of 1929-30.

These are all very large percentages and their practical significance for individual budgets should be well pondered, for this is the real present position in terms of ability to pay as measured by this one standard.

Undoubtedly one of the most common and most serious weaknesses, or defects, of governmental administration is failure to adjust government costs to variations in other values. Most government services are perhaps not readily adaptable, but a more important reason is that, whereas private finance must accommodate itself to income, government finance has power by statute to compel income, even to the theoretical limit of general confiscation, and is apt to resort to its use, at least partially, before attempting the alternative and more complicated course.

Because of the conditions of the times, new expenditures, it is true, are required of governments. But what expenditures have become relatively less essential in consequence? If a bit more is demanded by emergency, is it to be a bit more or a substitute? It is a question of relative importance, or of proportion; but of all proportions, that between demand and ability must be preserved if greater emergency is to be averted.

Whether even yet the speedily accumulating burdens of public finance are unduly heavy, it is for the people to judge, and say. But the situation must be faced from today's real position. Taxpayers now stand, not on the heights of 1929, but where the tip of the arrow touches, or thereabout.

INDEX OF ABILITY TO PAY
(as used in this Study)

1925	1926	1927	1928	1929	1930	1931	9 months 1932
77.73	83.35	86.40	94.25	100.0	79.04	56.27	45.30

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CHAIRMAN,
W. L. MCGREGOR, WINDSOR.

SECRETARY,
W. MCL. CLARKE, MONTREAL

November 4th, 1932.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
MONTREAL, Que.

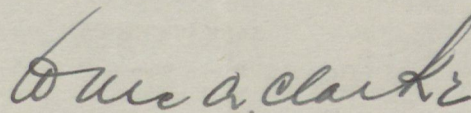
Dear Sir Arthur Currie,

There are inserted hereunder for your information the Agenda items for the meeting of the National Committee to be held in Toronto on November 21st at 10 a.m. in the Council Room of the Toronto Board of Trade, Royal Bank Building:-

1. Progress of work to date.
2. What phases of the work should be especially emphasized?
3. What new phases or activities should be developed?
4. How far should the Committee go in making definite recommendations to Governments?
5. Financing the Committee's work.
6. Arrangements for Public addresses in Canada on Economy in Governments.
7. Other suggestions from Committee members.

The Chairman has further asked me to state that Mr. W. Sanford Evans, Chairman of Research for the Committee will be present from Winnipeg.

Yours very truly,



Secretary.

MEMBERS OF THE COMMITTEE

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S. A. McDonald, President, S. A. McDonald & Co., Charlottetown

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CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY,
W. McL. CLARKE, MONTREAL

November 17th, 1932.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
Montreal.

Dear Sir Arthur Currie:-

In a letter received from your secretary under date of October 27th an intimation was given that you would not be able to meet with the National Committee on Economy in Public Finance in Toronto on November 21st, owing to the fact that you had to be in New York on that day.

I was wondering if it would be practical for you to arrange to have Dr. Hemmeon attend, whom we would like to have associated with our research work. If this can be conveniently done, the Chairman would be particularly grateful.

As stated in my earlier letter the meeting is to be held in the Council Room of the Board of Trade, Royal Bank Building, Toronto, at 10.30 a.m.

Yours very truly,

W. McL. Clarke
Secretary.

W. S. Evans
C:W

paid
29/11/32
35¢

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December 21st, 1932.

Sir Arthur W. Currie, G.C.M.G.,
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McGill University,
MONTREAL, Que.

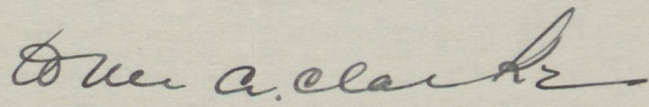
Dear Sir Arthur Currie,

You will be interested in reading extracts from a letter addressed to the Chairman from the Rt. Hon. R. B. Bennett, which communication the Prime Minister sent to Colonel McGregor just as he was leaving for England two weeks ago:

"I congratulate you most heartily upon the very successful efforts you are making in dealing with the problem of the expenditure of public monies in the Dominion. It will be difficult for us to survive unless the most rigid economy is practised by the Federal Government, and I think you will agree we have accomplished much during the past two years.

"With all good wishes for your continued success in the field in which you have given such constructive service,"

Yours very truly,


Secretary.

C:WL

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C. E. Hayles, President, Winnipeg Grain Exchange, Winnipeg
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H. R. MacMillan, President, H. R. MacMillan Export Co. Ltd., Vancouver
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NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL

CHAIRMAN OF RESEARCH,
W. SANFORD, EVANS, WINNIPEG.

CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY,
W. MCL. CLARKE, MONTREAL

February 2nd, 1933.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
Montreal.

Dear Sir Arthur Currie:-

May I report to you the following progress during the past month in connection with the work of our National Committee on Economy in Public Finance.

1. Some ten thousand pamphlets on the Cost of Government have been distributed to leading corporations and to all members of the Provincial and Federal Governments.

2. A specially prepared article by Mr. W. Sanford Evans has appeared in the February number of the National Home Monthly, published at Winnipeg, which magazine has a 200,000 circulation. This article contained many of Mr. Evans' more striking graphs.

3. Newspaper publicity and favourable editorial support in various parts of Canada continue to come into our office here on the releases and addresses which have been made from time to time.

4. An article has been prepared on Cost of Government for the February number of our National magazine "Canadian Business" which will go out in the mail today.

5. Addresses have been given during January on this subject of public economy before the Annual Meetings of:

- a. The Canadian Construction Association and the Canadian Fruit and Vegetable Jobbers' Association by Colonel McGregor.
- b. The British Columbia Fruit Growers' Association by W. B. Somerset.
- c. The Ottawa Board of Trade by the President, Dr. Ross.
- d. The Canadian Clubs at Galt, London and Montreal by W. Sanford Evans.
- e. The Canadian Produce Association by the Secretary.
- f. Service Clubs in various centres have also featured addresses on this subject.

6. The annual addresses of the Presidents and General Managers of the Banks, and Insurance Companies, have generally referred to the necessity of public economy and oftentimes references have been made to the facts as collated by our Committee.

MEMBERS OF THE COMMITTEE

PRINCE EDWARD ISLAND

S. A. McDonald, President, S. A. McDonald & Co., Charlottetown

NOVA SCOTIA

H. F. Bethel, Manager, Acadia Trust Company, Truro
A. H. Whitman, Managing Director, Robin, Jones & Whitman, Ltd. Halifax
J. H. Winfield, Managing Director, Moir's Limited, Halifax

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T. H. Estabrooks, President, T. H. Estabrooks Co. Ltd., Saint John
L. W. Simms, President, T. S. Simms & Co. Limited, Saint John

QUEBEC

Dr. H. Barton, Dean of Agriculture, Macdonald College, Ste. Anne de Bellevue
Sir Arthur W. Currie, G.C.M.G., Principal, McGill University, Montreal
A. O. Dawson, President, Canadian Cottons, Limited, Montreal
C. E. Gravel, Real Estate and Investments, Montreal
R. P. Jellett, General Manager, The Royal Trust Company, Montreal
J. A. LaRue, Senior Partner, Messrs. LaRue & Trudel, Quebec
George C. McDonald, Senior Partner, Clarkson, McDonald, Currie and Company, Montreal
Ross H. McMaster, President, The Steel Co. of Canada, Ltd., Montreal
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J. A. McLeod, General Manager, The Bank of Nova Scotia, Toronto
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THE CANADIAN CHAMBER OF COMMERCE

Sir Arthur W. Currie, G.C.M.G.

#2

February 2nd, 1933.

7. There is an evident growing public opinion demanding retrenchment in expenditure. At the same time there are not a few signs that Governments, municipal, provincial and Federal are giving heed to this demand in their budget estimates.

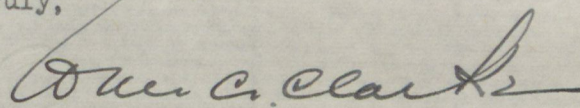
8. Mr. Evans is continuing his research work and will shortly have for release a further bulletin on the facts of the Railway Situation.

9. Provincial Committees have been doing a good deal of useful work and an announcement of considerable importance will be released shortly concerning the set up and functioning of the Provincial Committee in Ontario.

10. A communication has been received from an authoritative organization representing many of our larger corporations, reading as follows:

"From my personal knowledge of the work done, I am of the opinion that it is the most effective campaign I have known, with the exception, perhaps, of the Victory Loan drive."

Yours very truly,



Secretary.

C:W

February 6, 1933

W. McL. Clarke, Esq.,
Secretary,
The Canadian Chamber of Commerce,
Board of Trade Building,
Montreal. P. Q.

Dear Mr. Clarke,

Thank you for your letter of the
2nd February, reporting progress in connection with
the work of the National Committee on Economy in
Public Finance.

I thought Mr. Evans' address at
the Canadian Club here was most illuminating, and
I think the Chamber of Commerce is to be congratulated
upon the formation of this Committee.

Ever yours faithfully,

Principal

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

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CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY,
W. MCL. CLARKE, MONTREAL

February 9th, 1933.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
Montreal.

Dear Sir Arthur Currie:-

Under separate cover there is going forward to you a copy of the Dominion Government Estimates for the fiscal year ending March, 1934, which we have especially secured for your use as a member of the National Committee.

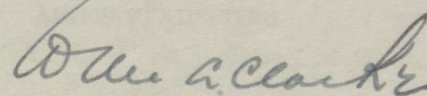
Colonel McGregor, the Chairman, would be very appreciative if you would be good enough to go over this blue book at your earliest convenience and make any suggestions which then occur to you as to where the Federal Government might have shown greater economy in public expenditure.

It is interesting to note that there is a decrease of some \$11,900,000 in aggregate estimates or 3.3% under those of last year. Some \$6 $\frac{1}{4}$ million of this decrease is apparent in the total estimates. When consideration is given, however, to the fact that the Federal Government is obliged to pay over \$4 $\frac{1}{2}$ million increased interest on debt and a required increase of approximately another million dollars in provincial subsidies, as a result of the 1931 census, the real saving in controllable expenditures is approximately \$12 million.

You will be glad to co-operate, I take it, in reviewing the various items and more particularly those where increases are indicated over last year or where in your opinion additional cuts could have been amply justified.

Will you please write your comments to our office here, when we shall compile a general statement for further consideration.

Yours very truly,


Secretary.

C:W

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MONTREAL

CHAIRMAN OF RESEARCH,
W. SANFORD EVANS, WINNIPEG.

CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY,
W. McL. CLARKE, MONTREAL

February 20th, 1933.

Serial Letter to the Members of the National Committee on
Economy in Public Finance

Dear Sir:-

Attached you will please find the second release
on the Canadian Railway Situation which Mr. W. Sanford Evans
has prepared for our National Committee.

Yours very truly,

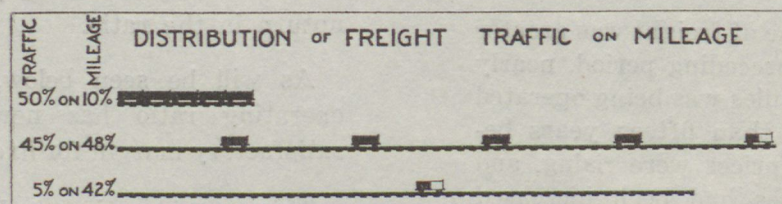
Wm L Clarke

Secretary.

C:W
ENC.

GOVERNMENTS AND PUBLIC UTILITIES

I. RAILWAYS. Chap. 2—Basic Facts.



What proportion of railway mileage in Canada has been carrying traffic enough to make it a reasonably economic proposition?

How have operating costs compared with operating revenues?

What has been the relation between net revenues and fixed charges?

These and other basic facts should be understood and kept clearly in mind in considering solutions.

The above diagram of traffic distribution is based on an analysis made for the Duff Commission.

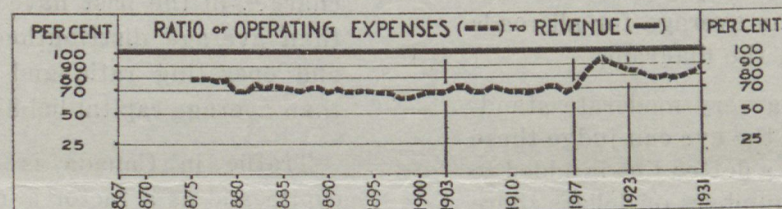
For 17,658 miles, or 41.97 per cent of the total mileage of all roads, there has been available only 4.76 per cent of the traffic, an absolutely uneconomic load.

A little over one-half, or 50.17 per cent of the whole traffic, was carried on 4,031 miles, or only 9.58 per cent of the mileage.

The remaining 48.45 per cent of the mileage, or 20,386 miles, handled 45.07 per cent of the traffic.

Putting relative densities of traffic in another way, for every 100 ton miles per mile of line on the heavy section, there were less than 18 ton miles on the medium and only a little over 2 ton miles on the light section.

That long mileage has been constructed in Canada out of proportion to the demands and development of traffic, is obviously one of the basic elements of the problem.



The operating ratio, a commonly applied index of efficiency, is the percentage of gross operating revenues absorbed by operating costs.

From 1875 to 1931 the yearly operating ratios of Canadian railways, looked at as a single system, are shown in the diagram.

In the first period, at least up to 1899, there was a steady tendency toward lower ratios, or more favorable operating results.

In the second period, 1903 to 1917, the average was a little less favorable and the period as a whole without definite trend.

It may be noted that the Railway Commission was established by Act of 1903, but to what extent its administrative regulation of rates and service has been a factor in subsequent developments cannot be examined here.

The third period, 1917 to 1923, was marked by a sharp rise in relative

costs of operation in the first three years, no less than 97.18 per cent of gross revenues being so absorbed in 1920.

While volume of freight was greater than in any preceding period, nearly 20,000 more miles was being operated competitively than fifteen years before, general prices were rising, and wage schedules had been increased following the McAdoo award.

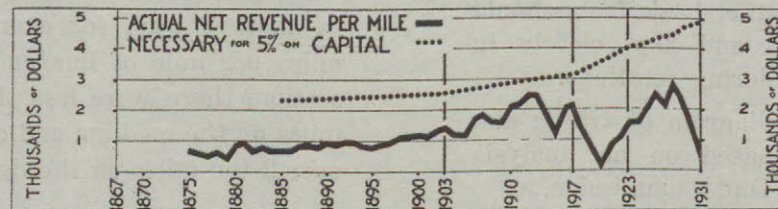
Under these conditions the Canadian Northern, the Grand Trunk Pacific and the Grand Trunk were unable to meet their obligations.

The Government granted an increase in freight rates in 1919 and an

improvement in the ratio continued up to 1928, since when traffic has declined and even great reduction in costs has not availed to prevent an upturn in the ratio.

As will be seen below, Canada's operating ratio has never left a satisfactory margin for fixed charges.

This consideration and the fact that ratios much higher than average have prevailed since 1917, and even in the record traffic year of 1928, make it clear that the problem is not created by the business depression of the past three years but is more fundamental.



Capital charges, taxes and bad debts must be met out of what is left of revenues after operating expenses are paid.

Actual dollars per mile of net revenue on the average for all roads are shown on the diagram.

Merely as a very moderate standard by which the eye can judge these net revenues, a dotted line is added to indicate the numbers of dollars there should have been to represent 5 per cent on total capital liabilities, including government loans to all roads and investment in government roads. After taxes and bad debts, there would be left for capital something less than 5 per cent.

By this moderate standard, the best relative net earnings were in 1912 and 1913, and they were inadequate.

The dotted line also serves to indicate the very rapid increase of capital liabilities since 1917.

Roads which have met capital charges in the past have had better than average distribution of traffic and operating ratio and much less than average capital liabilities.

Traffic in Canada is heavy per capita and as a factor is controllable only within narrow limits.

The solution is readjustment of mileage operated, still greater efficiency and economy in management, or higher rates—or TAXES.

(Figures used for operating ratios, revenues, expenses and capital liabilities are taken from returns of the Dominion Bureau of Statistics.)

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CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY,
W. McL. CLARKE, MONTREAL

February 8th, 1933.

Serial Letter to the members of the National Committee on
Economy in Public Finance

Dear Sir:-

Attached you will please find the first release which Mr. W. Sanford Evans has prepared for our National Committee, on Governments and Public Utilities. You will notice that this chapter deals with one phase of the Railway Situation and will be followed by other fragments which will further treat our Transportation Problems.

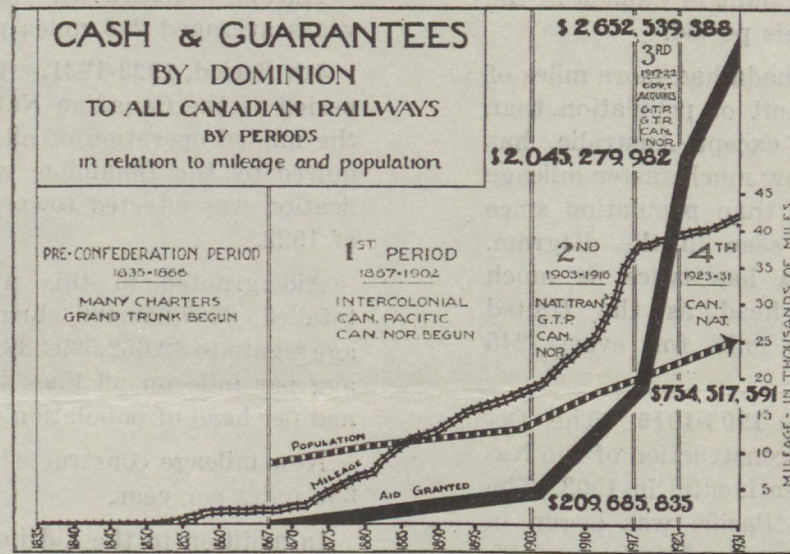
Yours very truly,

W. McL. Clarke
Secretary.

C:W
Enc.

GOVERNMENTS AND PUBLIC UTILITIES

I. RAILWAYS. Chap. I.—Aid Granted by Dominion



The financing of public utilities, either by grants in aid of private corporations, or by direct government undertaking, with direct or indirect government management, has been a very important factor in the increase of government expenditures and liabilities.

Altogether the largest public investment in utilities has been that in Railways by the Dominion Government.

In subsidies, grants, loans and guarantees the aggregate to December, 1931, had reached the huge total of \$2,652,539,388. In addition there had been Dominion grants of land of 31,781,842 acres.

By comparison, the total direct cost to Canada of the World War and demobilization was only \$1,695,729,891, or only 64 per cent of the total railway aid. Since 1914, and in good part simultaneously with war expenditures, Canada has financed Railways to the extent of over 2 billion dollars. This has been like financing two world wars at the same time.

The total aid and the periods in which money and credit were granted,

as set forth in the very valuable historical and statistical material in the report of the Duff Commission, are indicated in the above diagram.

Prior to Confederation railway construction had begun in Canada, with 16 miles completed in 1836. Work was started on the Grand Trunk in 1852. By 1867 Canada had 2,278 miles of railway. Aid was granted by provinces and municipalities during this period.

1st Period after Confederation, 1867-1902. To fulfil Confederation contracts, the Dominion took over and connected up certain lines begun in Nova Scotia and New Brunswick, assuming a cost of some \$13,881,461, and extended the Intercolonial to Levis by 1876, built the Prince Edward Railway by 1875 and secured construction of the Canadian Pacific by 1885. The beginning of the Canadian Northern System was in 1895.

During this period, aid to all railways, exclusive of land, totalled \$209,685,835, representing an average on all mileage in Canada of

\$11,043 per mile, or \$37 per head of population.

On the average 464 miles of railway per year were built in Canada in the 36 years of this period.

By 1885 Canada had more miles of railway per unit of population than any country, except Australia, has ever had. How much faster mileage has increased than population since 1885 can be seen in the diagram. Today Canada has twice as much mileage per head as the United States, or 1 mile for every 245 persons.

2nd Period, 1903-1916. The Dominion began construction of the National Transcontinental in 1903. The Grand Trunk Pacific was begun in 1905. The Canadian Northern rapidly extended its system.

Dominion aid to a total of \$544,831,756 was granted in this period, making the aggregate from Confederation \$754,517,591, an average of \$19,664 for every mile of line in Canada, or \$93 per head of population.

During this 14 years Canada built 1,384 miles per year.

3rd Period, 1917-1922. With the mileage then existing, available traffic at prevailing costs would not yield fixed charges to some roads. Rather than allow them to face financial reorganization in the ordinary way, the Dominion took over the Canadian Northern Sept. 30, 1917, the Grand Trunk Pacific March 9, 1919, and the Grand Trunk May 1, 1920.

Aid extended during this period totalled \$1,290,762,391, raising the

aggregate to \$2,045,279,982, the average per mile to \$51,563 and per head of population to \$227.

Mileage constructed in this 6 years averaged 216 miles per year.

4th Period, 1923-1931. This is the period of the Canadian National and the unified operation of all roads acquired by the Dominion, which unification was effected toward the end of 1922.

Aid granted in this nine years totalled \$607,259,406, bringing the aggregate to \$2,652,539,388, the average per mile on all lines to \$62,695 and per head of population to \$255.

New mileage constructed averaged 330 miles per year.

In addition to the aid indicated in the diagram, the Dominion contributed 31,781,847 acres of land; the Provinces 15,508,719 acres, \$33,460,615 in cash, and guarantees on which the outstanding liabilities are still \$72,184,488; and Municipalities \$15,413,628 in cash.

After contributing aid of all kinds equal probably to the replaceable value of all railways in Canada, the public has come into possession of a fraction over 50 per cent of the mileage, against which the capital liabilities, including liabilities for public aid, are about twice as great per mile as on the other 50 per cent and probably almost twice the replaceable value.

Certain fundamental conditions of the traffic problem in Canada should next be noted and then the direct effects on governmental budgets.

DOMINION AID TO RAILWAYS (excl. Land)

Year.	Mileage	Government Aid		
		Total	Per Mile	Per Cap.
1903 -----	18,988	\$ 209,685,835	\$11,043	\$ 37
1917 -----	38,369	\$ 754,517,591	\$19,664	\$ 93
1923 -----	39,665	\$2,045,279,982	\$51,563	\$227
1931 -----	42,308	\$2,652,539,388	\$62,695	\$255

Released for the National Committee on Economy in Public Finance
by the Canadian Chamber of Commerce

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SECRETARY,
W. McL. CLARKE, MONTREAL

February 23rd, 1933.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
Montreal.

Dear Sir Arthur Currie:-

The first general meeting of the Ontario Committee on Economy in Public Finance was held in the Council Room of the Toronto Board of Trade on February 16th. After the meeting had been called to order and a few remarks given by Colonel McGregor, Chairman of our National Committee, Mr. J. M. Macdonnell, the General Manager of the National Trust, Vice-President of the Toronto Board of Trade and a member of our own National Committee, was unanimously selected as Chairman of the Provincial Committee for Ontario. Dr. H. L. Brittain was confirmed as the Chairman of the special Research Committee.

There took part in this meeting some forty leaders of business from the various cities and towns in Ontario as listed in the attached folder.

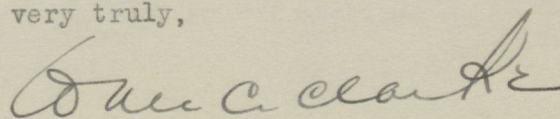
A report on the activities in connection with the organizing of the Committee was read to the meeting and a statement from the Prime Minister of Ontario approving of the setting up of the Committee.

Special printed statements of this Committee are being released during the next couple of weeks on: 1. The Revenue of the Province (enclosed) 2. Expenditure; 3. Debt and 4. Public Utilities. A very ample discussion took place during the entire afternoon session and it was most encouraging to note the progress which was taking place in Ontario.

A number of municipalities throughout that Province are also at work on budget study and recommendations. The Toronto Board of Trade Committee has released a Bulletin on Municipal Finance which is attached hereto.

I thought you would be interested in having the foregoing before you.

Yours very truly,


Secretary.

C:W
Encls. 2.

MEMBERS OF THE COMMITTEE

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W. Sanford Evans, President, The W. Sanford Evans Statistical Service, Winnipeg
C. E. Hayles, President, Winnipeg Grain Exchange, Winnipeg
James Richardson, President, James Richardson & Sons Ltd., Winnipeg

SASKATCHEWAN

George C. Rooke, George C. Rooke and Company, Regina
R. A. Wright, President, The Western Canada Live Stock Union, Drinkwater

ALBERTA

James Ramsey, Edmonton
Col. J. H. Woods, Editor and Managing Director, The Calgary Herald, Ltd., Calgary

BRITISH COLUMBIA

H. R. MacMillan, President, H. R. MacMillan Export Co. Ltd., Vancouver
Christopher Spencer, President, David Spencer, Ltd., Departmental Stores, Vancouver

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL

CHAIRMAN OF RESEARCH,
W. SANFORD EVANS, WINNIPEG.

CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY,
W. McL. CLARKE, MONTREAL

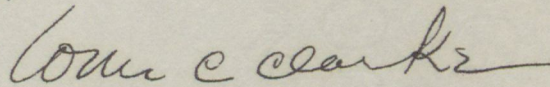
March 10th, 1933.

Serial Letter to the members of the National Committee on
Economy in Public Finance

Dear Sir:-

Attached you will please find a communication which was addressed to the Minister of Finance by the President and Chairman of the Canadian Chamber last week, which we thought you would like to note.

Yours very truly,



Secretary.

C:W
Enc.

OFFICIAL COMMUNICATION TO THE MINISTER OF FINANCE

The Canadian Chamber of Commerce is fully appreciative of the difficult task with which you are confronted in preparing the present budget. We realize that there are declining revenues and that there are at the same time abnormal demands upon the treasury which have to be met. To put the budget in balance, therefore, is no easy undertaking, although we are at one with you in believing that the budget should be balanced.

The members of our Organization — some 200 Boards of Trade across Canada — feel that there is an imperative need at the present time for the utmost economy in every direction, and particularly in non-productive expenditures on the part of all governing bodies — Federal, Provincial and Municipal. Toward this end we have been working through our National Committee on Economy in Public Finance and through similar Provincial and Municipal Committees across Canada. Extensive studies have been carried on which reveal our increasing government expenditures, resulting obligations and our mounting taxation. This research work has been acknowledged as most valuable by the Prime Minister, and the press publicity given to our research findings has helped to crystallize a growing public opinion which should strengthen your own hands in balancing the budget through the practice of the most rigid economy.

In order to aid the Governments in their efforts toward economy, the Canadian Chamber has also been strongly urging its member Boards, as well as other bodies and citizens, to refrain from pressing for the expenditure of public funds for any purpose not absolutely necessary for the maintenance of efficiency in Governments.

It is becoming generally felt that the Federal Government and in fact all Governments of Canada cannot continue to spend, as they have been doing these last 18 years \$134 for every \$100 of income, nor can we as Canadians long endure as happened in 1930-31, having our taxes increased 14.4% when compared with our ability to pay which had fallen 21%.

The sources of taxation upon which our public administrations depend, are failing. We need not be alarmists to foresee the general sources of taxation this year will not yield the taxation revenue of 1931 or 1932. It is only logical, therefore, that expenses must be cut with determination and without fear or favour.

Public finance is properly judged by the burden it imposes on the people. According to the British constitutional theory, the Government naturally has to assume the responsibility for the details of expenditure. The public on the other hand, can only concern itself with the effects and the consequent burden upon the people which such expenditure involves. We believe, therefore, that we are on sound constitutional ground in urging that the general burden today is too great and that the budget must be really balanced. Not only is this necessary as relief for the taxpayer but is vital in maintaining that credit standing of the country which will have such an important influence on the future financing of the Dominion. It is of course for the Government to decide on details. Business can only raise its voice to the Government definitely and without reserve in pledging its full support to such adequate reductions in controllable expenditure as will bring about a balanced budget. A decrease of some \$11,900,000 in aggregate estimates or 3.3% under those of last year — and these figures do not make allowances for supplementary estimates — is quite inadequate, in the opinion of our Executive.

We earnestly, therefore, lay the foregoing views before you with the assurance that the Government in adopting measures of economy for the balancing of the present budget, will have the full support of the business community as represented in The Canadian Chamber of Commerce.

Chairman.

President.

March 2nd, 1933.



The Board of Trade Building,
Montreal, March 28th, 1933.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
MONTREAL, Que.

Dear Sir Arthur Currie,

With the Federal Budget brought down I feel that the comments of our National Committee on Economy in Public Finance should prove illuminating and constructive. At our Executive meeting last week the severity of the new taxation was of course recognized. The general opinion, moreover, was expressed that it seemed that there could have been a more substantial reduction in current expenditures, although a serious effort had been made by the Finance Minister to put in balance the controllable budget.

A significant feature of the present budget is that Departmental estimates for this year are to be cut a further 10%. This is in accord with our Committee's findings, as is also the forecasted scaling down of the costs of the Government printing and stationery, however small or large this amount may be. The Finance Minister also stated - "There are other avenues for improved and economical administration which it will be necessary to explore". These three intimations are among the hopeful signs in the Budget Speech.

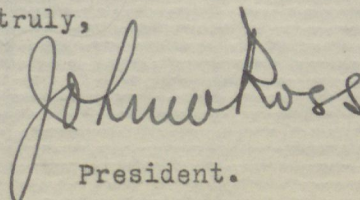
In my letter to the Minister of Finance on March 2nd, copy was sent you, I pointed out that public finance is properly judged by the burden it imposes on the people and that under our constitutional theory of Government the public can only concern itself with the effects upon the people which Government expenditure involves.

We now have been informed what the burden for this year is to be. What are to be the effects on business and the people is therefore our sound concern.

As you are discussing this question every day in the club or in your business circles, I believe it will be no imposition on my part to ask you your candid opinion on the Budget. To facilitate your reply I have had drawn up the attached few queries and would appreciate it if you would jot down and send me by return mail your brief comments. Out of the joint findings of this National Committee of ours, there will probably come points of agreement, which the Chamber could well emphasize to the public and to the Finance Minister.

With anticipatory thanks,

Yours very truly,


President.

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING

MONTREAL

QUESTIONNAIRE ON THE BUDGET

CHAIRMAN OF RESEARCH,
W. SANFORD EVANS, WINNIPEG.

CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY,
W. McL. CLARKE, MONTREAL

(It is recognized that the Government has had to impose additional taxes to meet their estimated requirements)

1. Do you believe that there has been sufficient retrenchment in controllable expenditure generally?
.....
2. Do you regard the revised income tax rates as discriminatory?.....
If so where?
.....
.....
3. In your opinion is the increase in the corporation tax a too heavy burden on sub-normal business despite the surcharge abolition and the anticipated reduction in interest rates?
.....
4. (a) In your opinion is the principle sound of taxing the dividends paid to non-resident holders of Canadian securities?
.....
(b) What in your opinion would be the resulting possible effect of this present 5% tax?
.....
5. Do you believe that the field of excise taxes could have been widened without undue burden of business and in preference to the sharper raises in other forms of taxation?
.....
6. Does it strike you that sugar is a fair source for taxation?
7. What is your reaction toward the agricultural stabilization fund which the Prime Minister has stated in the House would cost some \$6 to \$10 million this year?
.....
8. Please make any other comments you desire.

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL

CHAIRMAN OF RESEARCH.
W. SANFORD EVANS, WINNIPEG.

CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY.
W. MCL. CLARKE, MONTREAL

March 23rd, 1933.

Serial Letter to the Members of the National Committee on
Economy in Public Finance

Dear Sir:-

Attached you will please find the third release on the Canadian Railway Situation, "Position of Taxpayers," which Mr. W. Sanford Evans has prepared for our National Committee.

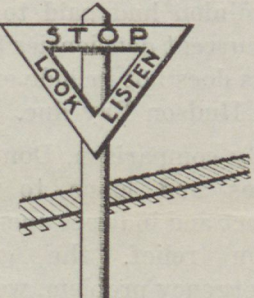
Yours very truly,

Wm L Clarke
Secretary.

C:W
Enc.

GOVERNMENTS AND PUBLIC UTILITIES

I. RAILWAYS. Chap. 3—Position of Taxpayers

<p>RAILWAY AID IN DOMINION ACCOUNTS</p> 	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;">DOMINION BALANCE SHEET</td> </tr> <tr> <td colspan="2" style="text-align: center;">1931-32</td> </tr> <tr> <td colspan="2" style="text-align: center;">LIABILITIES</td> </tr> <tr> <td>FUNDED DEBT</td> <td style="text-align: right;">\$ 2,564,251.017</td> </tr> <tr> <td>OTHER DEBT</td> <td style="text-align: right;"><u>267,492.545</u></td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">\$ 2,831,743.562</td> </tr> <tr> <td colspan="2" style="text-align: center;">ASSETS</td> </tr> <tr> <td>CASH AID TO RAILWAYS</td> <td style="text-align: right;">\$ 1,186,069.963</td> </tr> <tr> <td>OTHER INVESTMENTS</td> <td style="text-align: right;">978,547.605</td> </tr> <tr> <td>BALANCE CONSOL. $\frac{1}{2}$ (DEFICIT)</td> <td style="text-align: right;"><u>667,125.994</u></td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">\$ 2,831,743.562</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;">REVENUE & EXPENDITURE ACCOUNT 1932-33</td> </tr> <tr> <td colspan="2" style="text-align: center;">9 MONTHS APR-DEC 1932</td> </tr> <tr> <td colspan="2" style="text-align: center;">EXPENDITURE</td> </tr> <tr> <td>CASH AID TO RAILWAYS</td> <td style="text-align: right;">\$ 50,357.750</td> </tr> <tr> <td>RELIEF (INCLUDING LOANS)</td> <td style="text-align: right;">44,605.509</td> </tr> <tr> <td>INTEREST</td> <td style="text-align: right;">113,765.410</td> </tr> <tr> <td>ALL OTHERS (LESS BOND REDEMPTIONS)</td> <td style="text-align: right;"><u>186,248.107</u></td> </tr> <tr> <td>TOTAL 9 MONTHS</td> <td style="text-align: right;">\$ 394,976.776</td> </tr> <tr> <td colspan="2" style="text-align: center;">REVENUE</td> </tr> <tr> <td>ORDINARY & SPECIAL REVENUE</td> <td style="text-align: right;">\$ 250,933.921</td> </tr> <tr> <td>LOANS (LESS REFUNDINGS)</td> <td style="text-align: right;"><u>130,861.551</u></td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">\$ 381,795.472</td> </tr> </table>	DOMINION BALANCE SHEET		1931-32		LIABILITIES		FUNDED DEBT	\$ 2,564,251.017	OTHER DEBT	<u>267,492.545</u>	TOTAL	\$ 2,831,743.562	ASSETS		CASH AID TO RAILWAYS	\$ 1,186,069.963	OTHER INVESTMENTS	978,547.605	BALANCE CONSOL. $\frac{1}{2}$ (DEFICIT)	<u>667,125.994</u>	TOTAL	\$ 2,831,743.562	REVENUE & EXPENDITURE ACCOUNT 1932-33		9 MONTHS APR-DEC 1932		EXPENDITURE		CASH AID TO RAILWAYS	\$ 50,357.750	RELIEF (INCLUDING LOANS)	44,605.509	INTEREST	113,765.410	ALL OTHERS (LESS BOND REDEMPTIONS)	<u>186,248.107</u>	TOTAL 9 MONTHS	\$ 394,976.776	REVENUE		ORDINARY & SPECIAL REVENUE	\$ 250,933.921	LOANS (LESS REFUNDINGS)	<u>130,861.551</u>	TOTAL	\$ 381,795.472
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Of the \$2,652,539,388 of Dominion aid to railways to December 31, 1931, lines now in the Canadian National System had received \$1,201,461,199 in cash and \$1,286,457,207 in guarantees, and the Hudson Bay line had cost \$48,746,683. A total for lines now government owned of \$2,536,665,089, or 95.6 per cent.

Government aid to Canadian National lines had averaged over \$113,000 per mile. With other obligations assumed, the total capital liabilities of the Canadian National, including interest accrued and unpaid since 1923, stood at \$2,669,926,371, or \$121,639 per mile, a little over twice the mileage liability of the Canadian Pacific for bonds and stocks outstanding.

Of this total liability, \$1,276,457,207 was long term debt owing to the public and the balance, \$1,393,469,164, was owing to the government.

What is the position of taxpayers with respect to these two classes of liability?

1. Taxpayers must provide in cash that sum by which the revenues of

the Canadian National fall short of meeting all operating and overhead charges plus all capital charges on securities held by the public.

2. Taxpayers must in addition carry the burden existing because of all past cash contributions, less any payments the Canadian National, after fully meeting all charges under No. 1, can make on its indebtedness to the government.

Is there any actual burden on taxpayers under No. 2 and what is its nature?

Money of the people of Canada, raised mostly by taxes or borrowed at the charge of taxpayers, was unquestionably disbursed, and money invested in a capital undertaking like railways should be productive and should return its cost as well as provide the general benefits of railway service. But, granting the reasonableness of the claim, is there any loss to taxpayers if the claim is not met?

The Dominion on March 31, 1932, had a gross debt of \$2,831,743,562.69, of which \$2,564,251,017.06 was fund-

ed debt on which the annual interest payable was \$127,601,426.14. Taxpayers must provide this interest, less any interest earned on Dominion assets.

In the Balance Sheet of the Dominion its debt is "represented by" certain assets, 41.9 per cent of which are expenditures on account of railways, for such expenditures, not including unpaid interest, have properly been charged to capital account.

If the asset in railways yields no return, there is no way of relieving taxpayers of any part of the more than \$50,000,000, which must annually be paid on 42 per cent of the debt.

In this sense there is a very real loss to taxpayers if the government railways earn no more than interest on debt held by private investors, and no changes in accounting methods, or "writings off," can alter this position.

It may be unreasonable or impracticable that the Dominion's very heavy over-expenditure should be fully covered, but the Canadian National debt to private investors is slightly less per mile than that of the Canadian Pacific. Taxpayers will be directly relieved by any earnings over these minimum charges.

Under No. 2, therefore, there is an annual interest charge upon taxpayers of over \$50,000,000 which can be lightened only by railway earnings.

No interest has yet been paid the government. Accumulated arrears on the company's books at December 31, 1931, on cash advances to the Canadian National, but not including interest on the cost of the Intercolonial and Transcontinental, were \$356,991,972.

Under No. 1, the annual direct or indirect charge on taxpayers is the profit and loss deficit of the company, less interest payable to the government. The deficit for the nine years

was \$694,655,716. Deducting interest as above, the balance is \$337,663,744, or an average of \$37,578,184 per year.

In 1928 there was a small surplus, so figured, but in 1931 the deficit, exclusive of interest to the government, was \$66,632,055.99.

In the first nine months of the present fiscal year, 1932-33, the Dominion had paid to the Company on current deficiencies \$50,357,750.94. This does not include expenditures on the Hudson Bay line.

By comparison, Dominion expenditures and loans to provinces for direct and indirect unemployment and farm relief, the great national emergency problem, were in the same nine months only \$44,605,509.

Except interest on national debt, this railway expenditure has become the largest item for which the budget must provide, and, of the interest item, 42 per cent must remain an annual charge unless some part of it can be recovered out of railway earnings.

There is thus, at present, over \$100,000,000 annually involved, or more than the total revenues of the Dominion in 1910.

Further capital expenditures, of course, will increase the liability of the Dominion and, unless directly productive of profit, the burden on taxpayers.

Is this burden too heavy? If so, public policy, whatever general plan of administration it adopts, must secure:

1. Reduction of uneconomic mileage to an absolute minimum;
2. Further economies for the present and firm adherence to the standard of economy when volume of traffic is restored to normal;
3. If these do not promise adequate relief, then the sharing of the burden with railway users through adjustment of rates.

THE CANADIAN CHAMBER OF COMMERCE
BOARD OF TRADE BUILDING
MONTREAL

April 11th, 1933.

Letter to Member Boards and Chambers No. 20

Dear Mr. Secretary:

For Immediate Attention

At our Executive meeting this week it was decided to send you the attached recommendation on economy in public finance which we are asking you to endorse along the lines indicated hereunder. This Resolution is already in the hands of the Finance Minister.

As a background for these recommendations, I am attaching hereto a copy of the letter, which was addressed to the Minister of Finance by our President and Chairman under date of March 2nd, and which was in accord with the resolutions of several of our Conventions, including that at Halifax last September. Moreover, as your Council and members know, the National Committee of the Chamber on Public Economy has for several months been pointing out to the public through its releases, through public addresses and through the Press, the increasing costs of Governments, which have been so largely responsible for our increasing debt and mounting taxation.

This week our President, in response to a Questionnaire despatched to the members of the Public Economy Committee and to our Vice-Presidents and National Directors in each of the Provinces, has received forty replies from Prince Edward Island to British Columbia, indicating definitely the opinion of these leaders of business that the Federal Budget as brought down on March 21st, does not show sufficient retrenchment in expenditure generally.

Under the foregoing circumstances it was decided to urge our member Boards and Chambers throughout the Dominion to support the enclosed recommendation. Though we feel that we have a mandate from our members along the lines of the recommendation, in view of the decision taken at Halifax and at other of our Conventions, yet we realize that a consolidation of public opinion at this time should go far to assist the Government in putting into effect further necessary economies.

IT IS SUGGESTED THEREFORE THAT YOU HOLD A GENERAL MEETING OF YOUR MEMBERS AT ONCE FOR THE PURPOSE OF ENDORSING THE ATTACHED RESOLUTION OR ONE SIMILAR, OR THAT YOUR APPROVAL BE SIGNIFIED IN ANY OTHER EFFECTIVE AND IMMEDIATE MANNER.

If this proposal meets with your acceptance, every effort should be put forth to have a well attended and representative meeting, in order that a large proportion of the business interests of the country may be afforded the opportunity of supporting, as we feel confident they will, the conclusions of the resolution.

IF AFTER TAKING SUCH ACTION, YOUR ORGANIZATION CONCURS IN THE PRINCIPLES SET OUT IN THE RESOLUTION, WILL YOU PLEASE EITHER (1) TELEGRAPH YOUR ENDORSEMENT OF THE RESOLUTION TO THE FEDERAL MINISTER OF FINANCE OR (2) INFORM HIM BY WIRE IN YOUR OWN BUT SIMILAR TERMS THAT FEDERAL EXPENDITURES SHOULD BE FURTHER CUT. AT THE SAME TIME IT IS RECOMMENDED THAT YOU COMMUNICATE IN THE SAME SENSE WITH YOUR FEDERAL MEMBER OR MEMBERS AND ALSO ADVISE US HERE.

Our Executive is convinced that your Organization will realize the effective part it can play in this matter of national concern.

Yours very truly,

Wm L Clark
Secretary.

C:W
Encls. 2.

THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING

MONTREAL

THE RECOMMENDATION

The Canadian Chamber of Commerce expresses disappointment and concern that the Federal Budget as now before Parliament, while adding to the already heavy burden of taxation, does not indicate that economies have been adopted to the degree necessary to meet the present serious conditions and respectfully suggests that those economies already proposed be further extended to permit of the national Budget being balanced at the earliest possible date.

The Chamber does not presume to suggest in detail how such Governmental economies should be effected but it does venture to point out that Canada is a much over-governed country and the Chamber desires to assure the Government that it would heartily endorse further drastic reductions and rearrangements of the public service.

The Chamber further respectfully points out that since those engaged in commerce, industry, finance and the public generally have been required to economize and to develop efficiency to an unprecedented degree, it behooves the Federal Government to apply the same principles in the conduct of the country's business.

To sum up, the Canadian Chamber realizes that it is the duty of each citizen to be personally concerned about the state of the national finances and to assist the Government in its efforts toward economy by assuring it of the support of the general body of citizens to that end; and further the Canadian Chamber believes that informed public opinion requires that prevailing conditions should be met by the Government taking the necessary steps now in reducing expenditures, however drastic they may be, and that action should not be deferred.

Approved at Executive Committee Meeting of
The Canadian Chamber of Commerce, April 6th, 1933.

THE CANADIAN CHAMBER OF COMMERCE
BOARD OF TRADE BUILDING
MONTREAL

April 12th, 1933.

Serial Letter to the Members of the National Committee on
Economy in Public Finance

Dear Sir:-

Urgent

Attached you will please find a self-explanatory communication which has been addressed to our member Boards and Chambers. This document has been based on the responses which our President has had these last two weeks from our Vice-Presidents and Directors and members of our National Committee on Public Economy, right across the country, and is also in accord with the findings of our Halifax and several of our preceding Conventions.

Will you be good enough to use your influence locally to see that the Board of Trade in your city actively gets behind this undertaking which our President and Executive want to see worked out on a national scale. Immediacy and a well attended representative meeting of the members of the local Board or Chamber are, we believe, two essentials in making effective this work, and we are counting on your co-operation in assisting at this time.

As you know from earlier correspondence, the Prime Minister has given his blessing to our work in connection with national economy and we want now so to focus business opinion that the Government will be assured that the public are requiring a cutting down of Federal expenditure.

Yours very truly,

Wm. E. Clark
Secretary.

P. S. The letter addressed to the Finance Minister under date of March 2nd is not enclosed as this went forward to you on March 10th.

C:W
Encls. 2.

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL

CHAIRMAN OF RESEARCH,
W. SANFORD EVANS, WINNIPEG

CHAIRMAN,
W. L. MCGREGOR, WINDSOR.

SECRETARY,
W. MCL. CLARKE, MONTREAL

Confidential

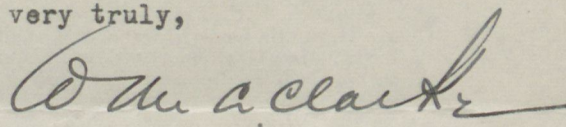
The Board of Trade Building,
Montreal, April 25th, 1933.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
Montreal, Que.

Dear Sir Arthur Currie:-

Enclosed you will please find a few extracts quoted from letters which leaders of business have written to Mr. George R. Smith in forwarding a cheque supporting the work of the National Committee.

Yours very truly,



Secretary.

C.M.
Enc.

MEMBERS OF THE COMMITTEE

PRINCE EDWARD ISLAND

S. A. McDonald, President, S. A. McDonald & Co., Charlottetown

NOVA SCOTIA

H. F. Bethel, Manager, Acadia Trust Company, Truro
A. H. Whitman, Managing Director, Robin, Jones & Whitman, Ltd. Halifax
J. H. Winfield, Managing Director, Moir's Limited, Halifax

NEW BRUNSWICK

T. H. Estabrooks, President, T. H. Estabrooks Co. Ltd., Saint John
L. W. Simms, President, T. S. Simms & Co. Limited, Saint John

QUEBEC

Sir Arthur W. Currie, G.C.M.G., Principal, McGill University, Montreal
A. O. Dawson, President, Canadian Cottons, Limited, Montreal
C. E. Gravel, Real Estate and Investments, Montreal
R. P. Jellett, General Manager, The Royal Trust Company, Montreal
J. A. LaRue, Senior Partner, Messrs. LaRue & Trudel, Quebec
George C. McDonald, Senior Partner, Clarkson, McDonald, Currie and Company, Montreal
Ross H. McMaster, President, The Steel Co. of Canada, Ltd., Montreal
J. V. R. Porteous, Director, Greenshields, Limited, Montreal
A. B. Purvis, President and Managing Director, Canadian Industries, Limited, Montreal
Hon. Gordon W. Scott, Messrs. P. S. Ross and Sons, Montreal

ONTARIO

A. E. Ames, President, A. E. Ames & Co. Limited, Toronto
Thos. Bradshaw, Pres., North America Life Assurance Company, Toronto
W. R. Campbell, President, Ford Motor Company of Canada, Ltd., East Windsor
Col. J. A. Cooper, President, Motion Picture Distributors and Exhibitors of Canada, Inc., Toronto
Elmer Davis, Vice-President, A. Davis and Son, Ltd., Kingston
S. B. Gundy, President, Doubleday, Doran & Gundy, Ltd., Toronto
F. Barry Hayes, President, Toronto Carpet Manufacturing Co. Ltd., Toronto
Major Gordon Ingram, President, Smallman & Ingram, Limited, London
C. S. Macdonald, President, Confederation Life Association, Toronto
J. M. Macdonnell, General Manager, National Trust Company, Ltd., Toronto
Col. W. L. McGregor, Chairman of the Committee, Windsor
J. A. McLeod, General Manager, The Bank of Nova Scotia, Toronto
A. N. Mitchell, General Manager, Canada Life Assurance Company, Toronto
J. Y. Murdoch, K.C., President, Noranda Mines, Limited, Toronto
George H. Smith, General Manager, Canada Permanent Mortgage Corporation, Toronto
W. B. Somerset, Chairman, Ontario Marketing Commission, Toronto
W. B. Woods, Vice-President, Gordon Mackay & Co. Ltd., Toronto

MANITOBA

George W. Allan, K.C., Chairman of the Canadian Committee, The Hudson's Bay Company, Winnipeg
W. Sanford Evans, President, The W. Sanford Evans Statistical Service, Winnipeg
C. E. Hayles, President, Winnipeg Grain Exchange, Winnipeg
James Richardson, President, James Richardson & Sons Ltd., Winnipeg

SASKATCHEWAN

George C. Rooke, George C. Rooke and Company, Regina
R. A. Wright, President, The Western Canada Live Stock Union, Drinkwater

ALBERTA

James Ramsey, Edmonton
Col. J. H. Woods, Editor and Managing Director, The Calgary Herald, Ltd., Calgary

BRITISH COLUMBIA

H. R. MacMillan, President, H. R. MacMillan Export Co. Ltd., Vancouver
Christopher Spencer, President, David Spencer, Ltd., Departmental Stores, Vancouver

PROGRESS IN WORK OF THE
NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

May 1st,
1933

1. The National Committee on Economy in Public Finance of some forty-five representative business men, was appointed last September under the auspices of The Canadian Chamber of Commerce. Mr. W. Sanford Evans of Winnipeg, President of the W. Sanford Evans Statistical Service and Dr. H. L. Brittain, Director of the Citizens' Research Institute, agreed to undertake the special research work.
2. Not only was the subject of sound financing in Governments featured at the Halifax Convention of the Canadian Chamber in September, but during the last six months addresses have been given by outstanding leaders in Canadian business before Canadian Clubs, Service Clubs, Annual Meetings of various commercial associations in all the provinces of the Dominion.
3. Ten special monographs have been prepared by Mr. Evans on various phases of debts, public expenditures, taxation and the Railway Situation. Seven of these monographs have been published in booklet form and some ten thousand copies of the pamphlet distributed to members of the Federal and Provincial Parliaments, the Banks, the Trust and Insurance Companies, leading Canadian firms, Boards of Trade and Chambers of Commerce, and to a large number of other business men.
4. More than 350 columns of newspaper support across the Dominion have been given to these releases including some 100 columns of favourable editorial comment. Canadian Business, the official magazine of the Canadian Chamber with a ten thousand circulation has carried two special articles on Economy in Public Finance, while the National Home Monthly with a circulation of 200,000 had in its February number a specially prepared article on this subject by Mr. Evans. Other trade magazines have in some of the larger Canadian centres carried month by month the releases of the National Committee.
5. Provincial Committees under the auspices of the National Committee have been organized in the provinces and local Boards of Trade and Chambers of Commerce have also been surveying their municipal finances in a large number of centres.
6. The annual addresses of the Presidents and General Managers of the Banks and Insurance and other national Companies have generally referred to the necessity for public economy and innumerable references have been made to the facts as collated by the National Committee.
7. The co-operation of the Provincial and Federal Governments has been specifically sought and secured. The Prime Minister of Canada in writing the Chairman of the National Committee last December said:

"I congratulate you most heartily upon the very successful efforts you are making in dealing with the problems of the expenditure of public monies in the Dominion. It will be difficult for us to survive unless the most rigid economy is practised by the Federal Government ... With all good wishes for your continued success in the field in which you have given such constructive service, I am.."
8. Provincial budgets as brought down for 1933-34 show a decrease in estimates for the new year at some \$24 million. Economies in the Federal Budget for 1933-34 total at present another \$24 million.
9. Public meetings have been held in some fifty centres of Canada during the last two weeks under the auspices of the local Boards and Chambers, endorsing the recommendation of the Canadian Chamber that further drastic economies at Ottawa should be made.
10. There is an evident growing public opinion demanding retrenchment in Government expenditures.

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May 1st, 1933.

OFFICIAL COMMUNICATION TO THE MINISTER OF FINANCE

The Executive of The Canadian Chamber of Commerce has for acknowledgment your letter of April 24th concerning current Government expenditures and taxation.

The Chamber has purposely avoided pointing out where economies should be effected. It is believed that the Government itself has at its disposal the necessary information as to the details of controllable expenditure to enable it to proceed with further economies. To any internal economy committee which may be working at the present time, the Government might be well advised, however, to add one or more outstanding business men, following the procedure adopted in the appointment of the recent May Commission in England.

If such a step were decided upon, The Canadian Chamber of Commerce would be prepared, if desired, to help in selecting with the co-operation of the Government a small committee of outstanding business executives, who are in touch with national business affairs and who, if issued a Royal Commission would give their time and counsel without compensation to assist the Government in surveying the field for further economies.

May we remind you that our previous statement to you was not to the effect that economies had not been made these past three years. We recognize that economies have been effected and we believe them to be steps in the right direction. What our recommendation set out, however, was that the present Federal Budget, while adding to the heavy burden of taxation, does not indicate that economies have been adopted to the degree necessary to meet the present serious conditions. At a time when all forms of private enterprise have been obliged to initiate most drastic measures of economy, we believe it to be the sentiment of the public that the Federal Government should apply the same principles in the conduct of the country's business. In your letter to us, the estimated expenditure for 1933-34 is set at 445 millions of dollars. Of this amount interest charges totalling \$138 million are uncontrollable. Further items amounting to \$175 million are perhaps susceptible to partial control only, and the balance of \$132 million may be qualified as controllable. It is in the second and third categories, particularly the last, that we believe further drastic economies should be made.

With regard to your own statement "it is erroneously assumed that reductions in controllable expenditure could be made to such an extent as to balance the budget without resort to additional taxation", it may be pointed out that what the Chamber recommended was that "the economies already proposed should be further extended to permit of the National Budget being balanced at the earliest possible date". Unless controllable expenditures are drastically cut, we are only adding to our national debt which puts off the day when the Budget can be truly balanced and which automatically means higher direct or indirect taxation all round.

We believe that the Chamber and the public at large have the right to concern themselves with the burden which Government expenditures or a lack of their sufficient curtailment, involves.

We continue to submit, moreover, as stated in our earlier communication that Canada is a much over-governed country and that we believe it is possible to effect further reductions and rearrangements of the public service.

Canadian public opinion from the Atlantic to the Pacific is conscious of the present need for drastic economy. We must reiterate this point of view to you as our assurance has been made doubly sure these last two weeks through the many public meetings which have been held across the Dominion and from the correspondence which has been received at our National Headquarters.

May we assure you that we appreciate what has already been accomplished in the direction of economy, realizing the difficulties with which the Federal Government is faced at the present time. May we further assure you that in so far as the Chamber and its members across Canada are concerned, any further undertaking to reduce public expenditures will be acknowledged in a spirit of sympathetic co-operation and gratitude.

Secretary.

DOMINION WIDE PUBLICITY

Sarnia Observer, Ont.

Appeal To Government To Balance Budget By Cutting Expenditures Is Voice

Winnipeg Free Press Eve. Bulletin, Man.

CANADIAN CHAMBER OF COMMERCE OBJECTS TO NEW FEDERAL BUDGET

(Canadian Press Despatch.)
Montreal, April 13.—"Disappointment and concern," because the budget recently introduced in parliament by Hon. E. N. Rhodes, minister of finance, "while adding to the ready heavy burden of taxation, not indicate that economic conditions have been adopted to meet the requirements," was recommended.

Brantford Expositor, Ont.
NEED FOR ECONOMY

All over the Dominion there has been considerable criticism because the Federal Government failed to balance its budget, notwithstanding the fact that the taxpayers of the country have been subjected to greater bur-
The Mail and Empire, in answering this question, makes the following defense, which must be admitted, states the case as it can be put for the Government's "public interest it should favorably receive."
Hon. E. N. Rhodes has severely criticized the Government's expenditures and has just proposed a 15% increase in the tax on field crops.

Budget Criticized For Not Adopting Greater Economies

Chamber of Commerce Sends Recommendation to Ottawa

MONTREAL, April 13 — (A.P.)—"Disappointment and concern," because the budget recently introduced in Parliament by Hon. E. N. Rhodes, Minister of Finance, "while adding to the already heavy burden of taxation, not indicate that the necessary steps have been adopted to meet the necessary serious conditions pressed for the government to take forward the national health of the Canadian Chamber of Commerce.

Belief was expressed that the government taking the necessary steps now in reducing expenditures, however drastic they may be, and that action should not be deferred.

Opinions Canvassed
John W. Ross, president of the Canadian Chamber of Commerce, was stated at headquarters, canvassed the opinions of business men constituting the national directors and also the

The fact that the increase in the general taxation shown by the House of Commons in the expenditure of \$17,000,000, that 35 per cent of the cost of the government has been adopted to the degree necessary to meet the present seri-

Victoria Times, B.C.

DOMINION IS URGED TO CUT OUTLAYS

How Canada Gets and Spends

CURRENT EXPENDITURES OF GOVERNMENTS COMPARED WITH FARM VALUES IN FIELD CROPS 1913 - 1931



Gov. Exp's 1931 \$980,000,000
Field Crops Av. 1927-31 \$866,000,000

Chambers of Commerce Launch Tax Campaign

United Effort by Boards of Trade Through Is Planned to End Overexpenditure by Public Bodies

The Canadian Chamber of Commerce has forwarded to the Minister of Finance a resolution expressing "disappointment and concern" over the failure necessary to institute economies "while heavy burdens have been placed on the public by the government's resolution and the necessary steps now in reducing expenditures, however drastic they may be, and that action should not be deferred.

The Gazette
MONTREAL, MONDAY, APRIL 17.

THE FEDERAL FINANCES.
The Canadian Chamber of Commerce has forwarded to the Minister of Finance a resolution expressing "disappointment and concern" over the failure necessary to institute economies "while heavy burdens have been placed on the public by the government's resolution and the necessary steps now in reducing expenditures, however drastic they may be, and that action should not be deferred.

CLEAR AND TO THE POINT
INFORMED public opinion requires that prevailing conditions should be met by the government taking the necessary steps now in reducing expenditures, however drastic they may be, and that action should not be deferred.

Governments Are Urged To Reduce Expenditures

Board of Trade Resolution Heartily Endorses Any Reductions or Rearrangements Enforced

The fact that the increase in the general taxation shown by the House of Commons in the expenditure of \$17,000,000, that 35 per cent of the cost of the government has been adopted to the degree necessary to meet the present seri-

AMAZING INCREASE IN THE COST OF GOVERNMENT IS SHOWN

Niagara Falls Review,
Some interesting and are given in a bulletin of the Review of Public Finance, and government office. The tr- From five million eleven million dollar.

Board of Trade Resolution Heartily Endorses Any Reductions or Rearrangements Enforced

The fact that the increase in the general taxation shown by the House of Commons in the expenditure of \$17,000,000, that 35 per cent of the cost of the government has been adopted to the degree necessary to meet the present seri-

Toronto Mail & Empire.

DRASTIC ECONOMY URGED ON OTTAWA

TO MAINTAIN EDIT

Trend Must be Toward Balanced Budget, It States.

Drastic economy in federal expenditures, even to dispensing with whole departments, it need be, was recommended in a resolution entered unanimously by the Board of Trade of Toronto last night, at one of the urgent meetings held in many years.

The meeting was called especially to deal with the resolution, which had been drafted by the Council of the Board in consultation with the members after many conferences submitted, according to the resolution, with no intention in a constructive effort to carry on movement by the general public, the Canadian Chamber of Commerce, to

the resolution emphasizing the necessity of balancing the budget to maintain credit and to the already suggested that a belatedly must inevitably result in high economies. It

expresses concern over the budget as now not indicate which might present serious difficulties already suggested to the railway and other public bodies.

Budget
RESOLUTION of the Canadian Chamber of Commerce to the Minister of Finance requesting that the budget be balanced and considered by the Board of Trade of Commerce in the Friday afternoon and was endorsed.

A letter on the subject was despatched last night to the members of Parliament by the president Charles P. Mc-

Trois Rivieres Nouvelliste
P. Q.

Quarante huit millions d'avances aux provinces de l'ouest en l'espace de dix-huit mois.

—Situation excessive-ment difficile de ces provinces.— Le service des intérêts sur la dette dévore le plus clair de la recette.— Nouveaux appels à Ottawa.— Conditions posées.— Si Ottawa voulait prêcher d'exemple.

Si l'on en croit le "Financial Post", trésor fédéral aurait prêté aux provinces la bagatelle de quatre millions de dollars.

1931 from 50% which 74.5% 231 the \$29.45 au

DOMINION WIDE PUBLICITY

Toronto Globe.

Trade Board Urges Ottawa to Effect Drastic Economic

Slashing of Whole Governmental Departments Might Be Included, States Resolution—Meeting Opens Program, Stressing Need for Thrift

GROUP'S MEMBERS PRESENT OPINIONS

Expressing concern that the Federal Budget did not "indicate those drastic economies which might be expected under the present serious conditions," a resolution, unanimously endorsed last evening by the largest meeting held by the Board of Trade of Toronto for some years, that further drastic action be taken even to the departments of the government.

The meeting has endorsed the economy demands of the Canadian Chamber of Commerce by this organization of Canada.

THE GROWING BURDEN OF TAXATION

The news of an increase in many forms of existing taxes, as well as the imposition of new ones, both by the Dominion and by most of the Provincial Governments, is being received with feelings of dismayed resignation by the greater part of the tax-paying public. In Manitoba, where a series of unpopularity openings in Government have been made in a period of time, the sense of the here are drive.

Toronto Financial Post.

ONE DAY IN THREE

IN 1932, the total expenditures of the Dominion, Provincial and Municipal Governments in Canada were just over \$1,000,000,000. The figures include all current expenditures, including operations and

Letters to the Editor will not be published unless the name of the writer appears thereon for publication.

A DRIVE AGAINST TAXES

The Toronto board of trade has endorsed a resolution to be forwarded to the Dominion government, urging that further drastic reductions in expenditures be made to meet the pressing exigencies of depression. In speaking to this resolution many members of the

Calgary Herald.

Claim Budget Lacks Suitable Economy Cuts

Disappointment and Concern Expressed by Canadian Chamber of Commerce

Toronto Globe
A WESTERN CALL

Effects
Surv

By Can
"Disappoi
get recently int
Parliament by Ho

New Glasgow News. N.S.

More Economy Is Urged Upon Federal Govt

Forward Action of Har-
ington Government
-sed By Opposi-

Sarnia Observer.

Resolution Will Come Before Commerce Chamber
would Lighten Burden
the Taxpayers

ECONOMIES IN GOVERNMENT ARE STRONGLY URGED

Ont. speaker
he would prev
Morgan.

Brandon Sun.

SOME SIMPLE TRUTHS

The monthly Journal of the Canadian Chamber of Commerce, Canadian Business, for this month talks strongly says this crisis of world maladjustment has been prolonged by unwise legislation and other what-nots, which have been implemented to scare depression out of its wits and to make the same remarkable manner as little white rabbits which enliven us in our nursery days. Men in politics (and men in business) are at these policies which are products of imagination. Ont. Demands for immediate drastic economies in governmental costs of the province and Dominion.

Montreal Gazette. CUT IN GOVERNMENT COSTS IS DEMANDED

Board of Trade Meets in
Winnipeg Tribune.

DRASTIC CUT IN GOVERNMENTAL COSTS IS URGED

Board of Trade Stresses
Danger of Increasing
Taxation

ASKS GOVERNMENT TO CUT EXPENSES

Canadian Chamber of Commerce Passes Resolution

Montreal, April 13.—(CP)—"Disappointment and concern" because the budget recently introduced in parliament by Hon. E. N. Rhodes, minister of finance, "while adding to the already heavy burden of taxation, does not indicate to the degree necessary to meet present serious conditions" were expressed today in a recommendation forwarded to Ottawa by the national headquarters of the Canadian Chamber of Commerce. Urges Prompt Action

Cut Government Costs, Board of Trade Warns

Hamilton Spectator.
penditures at Ottawa

Province Also Criticized
Resolutions in All

Montreal Star, Que.

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL

CHAIRMAN OF RESEARCH.
W. SANFORD EVANS, WINNIPEG.

CHAIRMAN,
W. L. MCGREGOR, WINDSOR

SECRETARY.
W. McL. CLARKE, MONTREAL

May 3rd, 1933.

Serial Letter to the Members of the National Committee on Economy in Public Finance

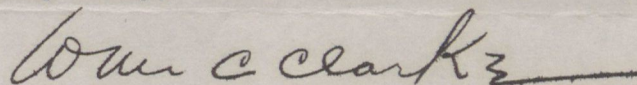
Dear Sir:-

There is attached hereto for your information:

- (1) a brief summary of the progress of the work of the National Committee on Economy in Public Finance;
- (2) a copy of the Chamber's communication to the Hon. the Minister of Finance in reply to his public letter of April 22nd;
- (3) two pages of newspaper clippings which are illustrative of the Dominion-wide support being rendered the campaign by the Canadian Press.

If the Board of Trade or Chamber of Commerce in your community has not taken action on the Chamber's communication and recommendation of April 11th, our Executive would appreciate your co-operation in urging on the local Board or Chamber the desirability of early action.

Yours very truly,



Secretary.

C:W
Encls. 3.

EXTRACTS FROM LETTERS OF LEADERS
OF CANADIAN BUSINESS IN RESPONSE TO REQUESTS
FOR CONTRIBUTIONS.

An Eminent Publicist says: (W.H. Cawthra, 24 King St. W., Toronto)

"I rejoice to know that some concerted action is being taken by business men in this Dominion - men who are too busy to become politicians - to drive home what is the gravest danger to trade and prosperity. If this cannot be done, we may as well start a search for a Mussolini or a Hitler."

A Manufacturer writes: (A.C. Ransom, President, Ault & Wiborg Co., Toronto)

"While these times are mighty hard to be subscribing for this or any other cause, we are enclosing our cheque and wish you "God Speed" in your undertaking, for if there ever was a time when things needed economy in the running of governments, the time is most opportune."

A Business Executive says: (S.B. McMichael, President, Dominion Electric Protection Co. Toronto)

"I am delighted to know there is an organization that is at last undertaking to try and do something about the constantly mounting taxes.

"Apparently public officials, whether in Federal, Provincial or Municipal positions, have an idea that there is an inexhaustible reservoir of money in the hands of individuals and organizations that can be tapped at will for any amount and for any purpose.

"I believe that these conditions and the toll that is being enacted from both individuals and organizations by way of taxes is rapidly weakening the morale of the average executive, which will undoubtedly seriously influence the return of better business.

"May I express the wish that your influence may be felt in as wide a sphere of activity as possible."

From Mr. Irving P. Rexford, (General Manager, Crown Trust Co., Montreal)

"Believing that economy in public finance is of vital importance under present day conditions, we hope that your Committee will be heartily supported and meet with much encouragement in the work which you are endeavouring to do."

From Mr. Corwin Wickersham, (President, Standard Brands Ltd., Montreal)

"I feel very strongly that in view of the fact that our taxes are increasing in every possible way year after year, it is only fair that the Government should set about putting its own house in order and eliminating some of its unnecessary expenditures.

"We are all willing to contribute our share of the taxes to run the Government but it seems to me it should take steps, the same as every successful business has in these times, to clean house by eliminating expenditures that have crept in during the so-called boom times and which really contribute nothing toward the successful operation of the business."

From Mr. G. J. Mitchell, (Vice President and General Manager, Canada Dry Ginger Ale, Toronto)

"We are very much in accord with the movement. Instead of finding new methods of taxation as so recently exhibited in the proposed Budget from Ottawa the Minister of Finance and his Committees should actively endeavor to reduce the cost of Government. It is decidedly our point of view that these things must be forcibly brought to the attention of the Cabinet at Ottawa. We are strongly in sympathy with your movement."

From Mr. W. N. West, (President, J. & J. Taylor, Toronto)

"Your Committee will fully appreciate, I know, that an industry like our own, which is a high class specialty, is probably suffering more than any other trade at the present time. We are doing our utmost to keep about a hundred odd men going, working intermittent hours because of the request to do so, but it is greatly to our disadvantage financially.

"However, we are interested in the subject, feeling it very essential that something should be done to cut down the existing burdensome taxation, and so I am enclosing a cheque which we can add to our present overdraft."

From Mr. J. J. Gibson, (General Manager, Chartered Trust & Executor,
34 King St. W. Toronto)

"I sincerely trust that the Committee may be able to make itself felt with the various Governments of the country, as there is nothing more urgently needed than a reduction of Governmental expenditures to the point where budgets are balanced."

From Mr. Walter J. Helm, (Manager, Midland Loan & Savings Co., Port Hope)

"I think this is a very necessary work and trust the efforts of the Committee may be rewarded at no distant date, because it is high time the wholesale, reckless and extravagant governmental expenditures with which practically the entire country is afflicted, should be brought to a decided halt."

From Mr. H. G. Ratcliffe, (Secretary-Treasurer, Sterling Coal Co.,
Toronto)

"It is high time some group or organization took some drastic steps in connection with public expenditures, as the time has passed when any Government can, by squeezing a sponge, get more money out of the public. Additional taxation will simply lend itself to retrenchment in business. To our minds, the only policy left open is to stop spending."

From Mr. C. L. Owens, (President, Owens & Elmes, Toronto)

"During these troublesome days Canadian business men are called upon for financial support from every conceivable source, but we are delighted to hear that at last some organized effort is being made to curb gross extravagance by our Governments.

"We take this opportunity of congratulating the National Committee on Economy in Public Finance, and wish them further success."

From Mr. W. R. Houghton, (Manager, Law Union & Rock Ins. Co. Toronto)

"We are in full sympathy with the objects of your Committee.

"There is no doubt that the burden of taxation, particularly on insurance companies, renders it impossible to make a profit in the light of the constantly declining premium income and increase in losses during the last three years."

NATIONAL COMMITTEE ON ECONOMY IN PUBLIC FINANCE

UNDER THE AUSPICES OF
THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL

CHAIRMAN OF RESEARCH,
W. SANFORD EVANS, WINNIPEG.

CHAIRMAN OF FINANCE,
GEO. H. SMITH, TORONTO.

SECRETARY,
W. McL. CLARKE, MONTREAL

June 26th, 1933.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
Montreal.

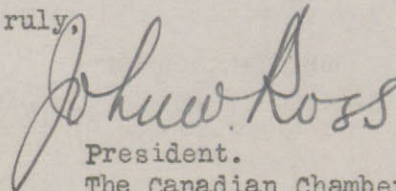
Dear Sir Arthur Currie:-

As President of The Canadian Chamber of Commerce I wanted you to know how very much we appreciate the practical interest you have been taking in our campaign for Public Economy. It is because you and several other outstanding Canadians have been behind this movement which is receiving the financial support of so many of our leading Canadian firms, that we are able to report progress. The work, it is believed, has made a splendid beginning these last few months, and the activities of the National Committee on Economy will be continued with still greater emphasis. This decision was taken at our Board meeting in Toronto last week. Plans are now maturing for the autumn campaign.

It is very encouraging to know that Ottawa at long and belated last is beginning to take notice of the manner in which public opinion is setting toward expenditures. Just this last week we understand that instructions have been issued to the various Departments that no supply money will be made available until the estimates voted by Parliament have been reduced a still further 10%. Delegations to Ottawa asking for public grants are not so numerous as a year or two years ago and furthermore some such requests, we happen to know, have been definitely turned down. From some of the provinces, moreover, we learn on good authority that the Governments have been able to cut expenditures because of our Campaign. Public opinion municipally is also getting in several quarters the desired results and both expenditures and the mill rate have been reduced.

There is attached a summary of the work so far undertaken and accomplished together with a reprint of articles recently appearing in the Canadian press despatches. These reprints illustrate the kind of publicity which is being effected.

Yours very truly,



President.
The Canadian Chamber of Commerce.

Encls. 2.

MEMBERS OF THE COMMITTEE

PRINCE EDWARD ISLAND

S. A. McDonald, President, S. A. McDonald & Co., Charlottetown

NOVA SCOTIA

H. F. Bethel, Manager, Acadia Trust Company, Truro
A. H. Whitman, Managing Director, Robin, Jones & Whitman, Ltd. Halifax
J. H. Winfield, Managing Director, Moir's Limited, Halifax

NEW BRUNSWICK

T. H. Estabrooks, President, T. H. Estabrooks Co. Ltd., Saint John
L. W. Simms, President, T. S. Simms & Co. Limited, Saint John

QUEBEC

Sir Arthur W. Currie, G.C.M.G., Principal, McGill University, Montreal
A. O. Dawson, President, Canadian Cottons, Limited, Montreal
C. E. Gravel, Real Estate and Investments, Montreal
R. P. Jellett, General Manager, The Royal Trust Company, Montreal
J. A. LaRue, Senior Partner, Messrs. LaRue & Trudel, Quebec
George C. McDonald, Senior Partner, Clarkson, McDonald, Currie and Company, Montreal
Ross H. McMaster, President, The Steel Co. of Canada, Ltd., Montreal
J. V. R. Porteous, Director, Greenshields, Limited, Montreal
A. B. Purvis, President and Managing Director, Canadian Industries, Limited, Montreal
Hon. Gordon W. Scott, Messrs. P. S. Ross and Sons, Montreal

ONTARIO

A. E. Ames, President, A. E. Ames & Co. Limited, Toronto
Thos. Bradshaw, Pres., North America Life Assurance Company, Toronto
W. R. Campbell, President, Ford Motor Company of Canada, Ltd., East Windsor
Col. J. A. Cooper, President, Motion Picture Distributors and Exhibitors of Canada, Inc., Toronto
Elmer Davis, Vice-President, A. Davis and Son, Ltd., Kingston
S. B. Gundy, President, Doubleday, Doran & Gundy, Ltd., Toronto
F. Barry Hayes, President, Toronto Carpet Manufacturing Co. Ltd., Toronto
Major Gordon Ingram, President, Smallman & Ingram, Limited, London
C. S. Macdonald, President, Confederation Life Association, Toronto
J. M. Macdonnell, General Manager, National Trust Company, Ltd., Toronto
J. A. McLeod, General Manager, The Bank of Nova Scotia, Toronto
A. N. Mitchell, General Manager, Canada Life Assurance Company, Toronto
J. Y. Murdoch, K.C., President, Noranda Mines, Limited, Toronto
George H. Smith, General Manager, Canada Permanent Mortgage Corporation, Toronto
W. B. Somerset, Chairman, Ontario Marketing Commission, Toronto
W. B. Woods, Vice-President, Gordon Mackay & Co. Ltd., Toronto

MANITOBA

George W. Allan, K.C., Chairman of the Canadian Committee, The Hudson's Bay Company, Winnipeg
W. Sanford Evans, President, The W. Sanford Evans Statistical Service, Winnipeg
C. E. Hayles, President, Winnipeg Grain Exchange, Winnipeg
James Richardson, President, James Richardson & Sons Ltd., Winnipeg

SASKATCHEWAN

George C. Rooke, George C. Rooke and Company, Regina
R. A. Wright, President, The Western Canada Live Stock Union, Drinkwater

ALBERTA

James Ramsey, Edmonton
Col. J. H. Woods, Editor and Managing Director, The Calgary Herald, Ltd., Calgary

BRITISH COLUMBIA

H. R. MacMillan, President, H. R. MacMillan Export Co. Ltd., Vancouver
Christopher Spencer, President, David Spencer, Ltd., Departmental Stores, Vancouver

THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING

MONTREAL

PROGRESS REPORT

ON THE

CAMPAIGN FOR ECONOMY IN PUBLIC FINANCE

1. Seven special monographs have been prepared by Mr. W. Sanford Evans, Chairman of the Research Committee, on various phases of debts, public expenditures and taxation. These monographs have been printed in pamphlet form and some ten thousand copies were distributed to the members of the Federal and Provincial Parliaments, and to leading business directors throughout the Dominion. Three additional monographs on the Railway Situation were also released by the Committee and widely distributed.
2. The total newspaper publicity on the Campaign has amounted to 500 columns of which 100 columns are editorial comment. This has been general throughout all the provinces. Several magazines have also carried special articles on public expenditures and taxation. For instance the National Home Monthly with a circulation of two hundred thousand had recently a specially prepared article by Mr. Sanford Evans.
3. A large number of addresses by the Chamber's officers and members of the National Economy Committee have been given these last few months in a large number of provincial centres. The annual meetings of various agricultural, industrial and financial associations have been addressed together with Canadian and Service Clubs on the subject of Governmental economy.
4. The annual addresses of the Presidents and General Managers of the Banks, Insurance and Trust Companies have usually referred to the necessity for public economy and references have been very frequently made to the facts as collated by the National Economy Committee.
5. The co-operation of the Provincial and Federal Governments have been specifically sought and secured. The Prime Minister in writing the Chairman of the National Committee at the beginning of the year said:

"I congratulate you most heartily upon the very successful efforts you are making in dealing with the problem of the expenditure of public monies in the Dominion. It will be difficult for us to survive unless the most rigid economy is practised by the Federal Government, and I think you will agree we have accomplished much during the past two years. With all good wishes for your continued success in the field in which you have given such constructive service ..".

6. On March 2nd, the President and Chairman in an official communication to the Finance Minister urged greater governmental economies with the end in view of balancing the budget at the earliest possible date.
7. With the coming down of the Federal Budget, the President sent out a carefully prepared Questionnaire to the National Committee and Directors whose unanimous opinion was that sufficient economies had not been made in Federal expenditures.
8. Strengthened with the foregoing representative business opinion from coast to coast, the Chamber addressed a further communication to Mr. Rhodes under date of April 12th, again reiterating the need for further economies this present year and expressing disappointment and concern that the Federal Budget, as now before Parliament, while adding to the already heavy burden of taxation, does not indicate that economies have been adopted to the degree necessary to meet the present serious conditions and respectfully suggests that those economies already proposed be further extended to permit of the national budget being balanced at the earliest possible date.

9. The Chamber at the same time invited its member Boards and Chambers to endorse a similar recommendation and forward its endorsement to the Minister of Finance. During the subsequent three weeks some sixty representative public meetings were held across the Dominion at which in both the larger and many of the smaller centres, the requested action was taken.
10. When the Minister of Finance on April 24th replied to the Chamber pointing out the extent of Government economies, the Chamber again wrote Mr. Rhodes on May 1st intimating, that while acknowledging economy on the part of the Government, the Chamber did not believe that the Federal Budget, although adding to the heavy burden of taxation, indicated that economies had been adopted to the degree necessary to meet the present serious conditions.

The Chamber went further and suggested to the Finance Minister that some Committee along the lines of the May Commission in England might advisably be appointed by the Government, and if so decided, the Chamber would be prepared, if desired, to assist in its selection.

This recommendation was further referred to in follow-up letters to Mr. Rhodes under dates of May 18th and May 31st. To these communications, Mr. Rhodes replied on leaving on June 1st for England:

"....As I am leaving today for London, accompanying the Prime Minister to attend the World Conference, I am simply acknowledging your communications, and may say that the question of expenditure has received, and is receiving, the most careful consideration of the Government."

11. The Minister's address in Toronto on June 1st was widely quoted. The tone of the speech was an indication that Mr. Rhodes was aware of the growing public opinion in favour of economy. He moreover stated that he looked favourably on the work being carried on by The Canadian Chamber of Commerce and its members, and trusted that their good work would continue.
12. The organization of the Ontario Provincial Committee under the auspices of the Toronto Board deserves special noting. A very representative group from the principal centres of Ontario was set up, and the Committee's releases on provincial finances have carried the campaign into every important centre of Ontario and its work has also made a perceptible impression on the Ontario Government and Opposition.

Provincial Committees have also been active in Prince Edward Island, Quebec, Manitoba, Saskatchewan, Alberta and British Columbia.

13. It is also encouraging to report that various municipalities under the leadership of the Boards of Trade have these last few months instituted special inquiries into their local finance. There may be mentioned: Charlottetown, Kentville, Edmundston, Toronto, Brantford, London, Peterborough, Oshawa, Woodstock, Hamilton, Belleville, Fort Erie, Quebec, Ville Marie, Sherbrooke, St. Boniface, Selkirk, Bassano, Red Deer, Terrace and Prince George.

This work merits special emphasis these coming months.

14. There is reported hereunder the actual reduction in Federal and Provincial Budgets for 1933-34:

Federal Government	\$ 6,227,000	
Budget announcement of		
10% cut on Department estimates	<u>\$14,000,000</u>	\$20,227,000
British Columbia	1,964,078	
Alberta (estimated)	3,000,000	
Saskatchewan	2,146,623	
Manitoba	650,000	
Ontario	14,000,000	
Quebec	5,000,000	
New Brunswick	<u>1,067,000</u>	\$27,827,701
Prince Edward Island estimated increase	82,000	48,054,701
Nova Scotia estimated increase	<u>3,000</u>	85,000
Total estimated decrease		<u>\$47,969,701</u>

Mr. Rhodes intimated in the House and more recently in a public address that the Government would make further economies this year.

- 15. The practical interest taken by leading Canadian business houses in this campaign is evidenced in the financial assistance which a large number of new companies have given to the Chamber these past few months. The letters written in this connection to our Committee and to the Chamber were most commendatory.
- 16. There is abundant evidence that the leaders of business believe our campaign should be intensified this coming season and that the work undertaken should be pushed on with energy.

.....

COMMENTARIES ON ECONOMY IN PUBLIC FINANCE CAMPAIGN

"I rejoice to know that some concerted action is being taken by business men in this Dominion - men who are too busy to become politicians - to drive home what is the gravest danger to trade and prosperity. If this cannot be done, we may as well start a search for a Mussolini or a Hitler."

.....

"Believing that economy in public finance is of vital importance under present-day conditions, we hope that your Committee will be heartily supported and meet with much encouragement in the work which you are endeavouring to do".

.....

"I sincerely trust that the Committee may be able to make itself felt with various Governments of the country, as there is nothing more urgently needed than a reduction of Governmental expenditures to the point where budgets are balanced."

.....

"We are in full sympathy with the objects of your Committee.
 "There is no doubt that the burden of taxation, particularly on insurance companies, renders it impossible to make a profit in the light of the constantly declining premium income and increase in losses during the last three years."

.....

"During these troublesome days Canadian business men are called upon for financial support from every conceivable source, but we are delighted to hear that at last some organized effort is being made to curb gross extravagance by our Governments.

"We take this opportunity of congratulating the National Committee on Economy in Public Finance, and wish them further success."

.....

"I feel strongly that in view of the fact that our taxes are increasing in every possible way year after year, it is only fair that the Government should set about putting its own house in order and eliminating some of its unnecessary expenditures.

"We are all willing to contribute our share of the taxes to run the Government but it seems to me it should take steps, the same as every successful business has in these times, to clean house by eliminating expenditures that have crept in during the so-called boom times and which really contribute nothing toward the successful operation of the business."

.....

"We are very much in accord with the movement. Instead of finding new methods of taxation as so recently exhibited in the proposed Budget from Ottawa, the Minister of Finance and his Committees should actively endeavour to reduce the cost of Government. It is decidedly our point of view that these things must be forcibly brought to the attention of the Cabinet at Ottawa. We are strongly in sympathy with your movement."

.....

"I think this is a very necessary work and trust the efforts of the Committee may be rewarded at no distant date, because it is high time the wholesale, reckless and extravagant governmental expenditures with which practically the entire country is afflicted, should be brought to a decided halt."

.....

DOMINION WIDE PUBLICITY

The Gazette
FOUNDED JUNE 1778.

EDMONTON JOURNAL
**Business Leaders
Would Give Help**

Canadian Chamber of Commerce Suggests Government Accept Offer

MONTREAL, May 3.—Committee working at time seeking to limit

CALGARY HERALD
**SUGGEST COMMISSION
TO STUDY ECONOMIES
IN FEDERAL BUDGET**

If the federal government cared to appoint a special commission to study possible economies after the fashion of the May Commission of England, the Canadian Chamber of Commerce would be prepared to help select a small committee of outstanding businessmen who would be prepared to act without compensation, according to a letter sent to Hon. E. N. Rhodes, Minister of Finance, a copy of which has been received at the board's office.

The chamber was for the economies already federal government but did not been effected sary consi- tions. diturer only

**Budget Criticized
For Not Adopting
Greater Economies**

Chamber of Commerce Sends Recommendation to Ottawa

April 13 — (A) pointment and the budget in Parlia- Rhodes, in- bur- d wt

**Thorough Inquiry Urged
Into Government Finance**

Trade Board Pension Review, and Economies in Civil Service

**Trade Board Offers
Economy Scheme**

**Trade Board Urges
Committee
On Ottawa Affairs**

**FOR DRASTIC CUTS
IN EXPENDITURES**

**WA ASSAILED
ECONOMY ISSUE**

of Govery perate Bodie RA Plus l'on étudie le bud- get de M. Rhodes, plus l'on s'ancre dans l'opini- sion qu'il n'est pas suf- fisamment à base suf- rigoureuse économique. — L'opinion de la " Gazette", et de mmerciaux. 'en dit le b. ent

ST. JOHN TIMES
N.B. GLOBE

REGINA DAILY STAR

SPENDING CUTTING

TORONTO TELEGRAM

WINDSOR FREE PRESS

WINDSOR EVENING BULLETIN

WINDSOR FREE PRESS

WINDSOR EVENING BULLETIN

WINDSOR FREE PRESS

WINDSOR EVENING BULLETIN

WINDSOR FREE PRESS

DEMAND FOR RETRENCHMENT.

Following the recent action of the Canadian Chamber of Commerce, the Montreal Board of Trade has adopted a resolution urging the Government to institute further expenditure. The resolution expresses concern at the failure to effect adequate economies to the already heavy burden the Government is urged to bear in the conduct of the war. It suggests that those engaged in the war effort should be encouraged to apply economies wherever it is possible to do so.

**MOTION FAVORING
ECONOMY ADOPTED
BY TRADE BOARD**

Winnipeg Free Press

**TRENCHMENT
BY DOMINION
IS ENDORSED**

Chamber of Commerce Motion Backed Board of

TAXES PER CAPITA

AGGREGATE DOMINION-PROVINCIAL AND MUNICIPAL.

1935-6 10.94
1904-5 10.00
1913-14 11.90
1921-22 65.10
1929-30 77.00

**Offer To Help Cut
Government Outlay**

THE circular letter sent by E. N. Rhodes, Minister of Finance, to the Dominion boards of trade and chambers of commerce, suggesting that they should be organized into a central body to study and report on the economies that can be effected in the Government's expenditure, has been met with a response which is significant. The Canadian Chamber of Commerce has offered to help in the work.

Board of Trade Makes Committee to Study Suggestions on Economy

Winnipeg Free Press

Winnipeg Evening Bulletin

Winnipeg Free Press

Winnipeg Evening Bulletin

Winnipeg Free Press

Winnipeg Evening Bulletin

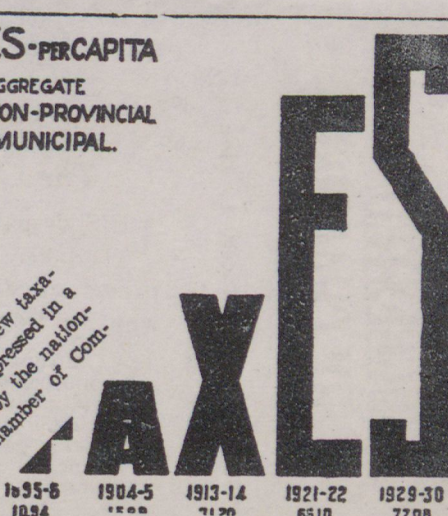
Winnipeg Free Press

MONTREAL STAR

TORONTO MAIL & ENQUIRER

DOLLARS PER CAPITA

Taxation in Canada



MARITIME MERCHANT HALIFAX

Chamber of Commerce Offers a Word of Counsel.

It is significant that the Canadian Chamber of Commerce has offered to help in the work.

Canadian Chamber of Commerce Will Name Member of Committee if D Cabinet Agrees

Canadian Chamber of Commerce Will Name Member of Committee if D Cabinet Agrees

SAINT JOHN TELEGRAPH-JOURNAL

DRASTIC FEDERAL ECONOMY MEASURES ARE RECOMMENDED

Montreal Board of Trade Submits Three-Point Plan for Lessening Canada's \$143,000,000 Deficit to Finance Minister Rhodes

MONTREAL, May 4—(C. P.) Provincial governments reduction of 15 per cent exception of very low plan for joint operation government railway bill 1,000 in railroad operation suggestions for the lessening deficit

Asks Drastic Change Made

Board of public country economy
National Chamber of Commerce
The Winnipeg Board of Trade, like the Regima board, has endorsed the Canadian Chamber of Commerce Federal Government to effect reductions in necessary, Demands Toronto Board

Demand for Economy

MUST SLASH ALL EXPENSES TRADE BODY TELLS BENNETT

Abolition of Provincial Governments; C

WE URGED BY BOARD

ECONOMIES

NATION'S BUSINESS

THE FINANCIAL POST

KITCHENER RECORD

ECONOMIES SUGGESTED BY CHAMBER

Suggestions Advanced to Hon. E. N. Rhodes

THIS despatch from Edmonton, Alberta, is taken at random from the newspapers as an example of this activity which is Dominion wide:

Strong endorsement submitted to the the Canadian testing in Feder Council, HIGH RIVER, ALTA. Comme.

Trade Adds Voice Chamber Commerce Call for Reduced Tax

Rhodes Unconvincing

URGENT STUDY INTO GOVERNMENT COST

MR. RHODES' ADDRESS

Asks Gov't. Economize

MR. RHODES' ADDRESS

The demand for further mental economies, made by of Trade and Chambers formed the sub-

The Press and Government Expenditures

the head, "Campaigning Without Doing Without Artillery," Star says, "There government and and that is up the

Chamber Commerce Urges Augmenting of C. of Commerce

An informative talk was given at Rotary the other evening by W. B. Way on the subject of the Chamber of Commerce, which embodies the un- of opinion of many Boards of Trade wide, business interests. After scope of investigation and Chamber of Com- dealt at some recommenda- the Fed-

LOW TAX MOVE GOES THROUGHOUT EMPIRE

Chamber Takes Further Action

Public Support of Government Economy

F. BELIEVE, as stated in last Chamber of Commerce should be th educate public opinion", but it car- responsibility for the executive of such educational activity should directed w

27 MILLIONS SAVING BY PROVINCES SEEN

Chambers of Commerce Survey Predicts Cur Expenses.

CANADIAN CHAMBER OF COMMERCE SEEKS DRASTIC ECONOMIES

Business Executives Express Dissatisfaction Federal Budget OVERGOVERN'D

leading executives re- business throughout advised Premier mmerce that the degree that the resent serious- AILS PRF

Abolition of Provincial Governments; C

WE URGED BY BOARD

ECONOMIES

NATION'S BUSINESS

URGENT STUDY INTO GOVERNMENT COST

MR. RHODES' ADDRESS

Asks Gov't. Economize

The Press and Government Expenditures

Chamber Commerce Urges Augmenting of C. of Commerce

Demand for Economy

Asks Drastic Change Made

WINDSOR STAR
TORONTO DAILY STAR
TORONTO MAIL & EMPEROR

AMHERST NEWS
N.S.

WITBY GAZETTE-CHRONICLE

WINDSOR STAR

CHAMPLAIN GUARDIAN

THE FINANCIAL POST

KITCHENER RECORD

THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING

MONTREAL

August 17th, 1933.

Serial Letter to the Member Boards and Chambers, No. 32.

Dear Mr. Secretary:-

The MacMillan Commission considering the Canadian Bank Act and Canadian monetary and credit conditions generally, is now engaged in its enquiry. As the Prime Minister stated in the House of Commons last May, "It is important that there should be afforded an opportunity to present the view-point of every person that is affected." "We shall see to it that an opportunity is given to everybody who so desires, to speak with respect to banking from the standpoint of the country as a whole."

In the cities where the Commission holds sessions, it will be easy for the Board or Chamber to put forth whatever views it may hold. We hope that this facility will be used and that our membership wherever possible locally will have made or will make the effort to have their ideas submitted to the Commission. We further believe that it will be worth while for the Canadian Chamber to draw a composite picture of what the Boards and Chambers and business generally are thinking as to our Canadian monetary and credit systems, and to prepare what we trust will be a helpful memorandum for the Commission.

Will you therefore write me briefly concerning any recommendations your Council or membership may have on the financial policy of the Dominion as outlined under the various headings in the terms of reference of the Commission, a copy of which I attach hereto.

The fundamentals of monetary policy are not as complicated as sometimes they are made out to be. We are not seeking in any case the more intricate information. What we should like to gather together, however, are the opinions obtaining locally on a few basic questions and the reasons for holding these opinions.

To simplify your answering this letter the following questions may be suggestive:-

- (1) Does your Organization believe that the Banking system has stood Canada in good stead during both normal and more difficult times?
- (2) Has your Organization recommendations to make as to any modifications, extensions or developments in the Banking institutions and the Canadian monetary and credit systems, which, if made effective, would in your opinion be designed to promote the revival of domestic and foreign trade and the general increase of employment and to ensure a greater measure of stability in respect thereto?

Suggested Headings for Comment

- (a) Central Bank:
Among other functions would be to make available and to influence the quantity of credit that can be extended by the commercial banks to the business public.
- (b) The availability of credit.
- (c) Interest Rates.

The Commission will have completed its enquiry in a couple of months and will doubtless bring in its report to the Government before Parliament reassembles. The Report itself will then probably be the subject of debate before the Banking and Commerce Committee of the House of Commons. It is clear, therefore, that these questions on banking and finance will be prominently before the people of Canada these next months. As organizations representing the best business thought in the different communities, we need to think on these matters of national interest and to express not only our individual, but our co-ordinated views.

May we have your prompt co-operation so that we may together perform a useful and timely service.

Yours very truly,

Wm L. Clarke
Secretary.

C:W
Enc.

Summary of the Terms of Reference for the MacMillan Commission

That it is desirable that the approaching periodic revision of the Bank Act, which will precede the enactment of a measure to continue the charters of the existing banks - to which said act applies - and which expire on July 1, 1934, shall be based on a complete and detailed examination of the provisions of said act and of the functions and operations thereunder of the banking system thereby established;

That it is also desirable that such examination should include a study of the facilities now afforded by the Finance Act and a careful consideration of the advisability of establishing in Canada a central banking institution, and, if so established, of the relation of such central banking institution to existing banks, and its proper authority and function in the operation of the banking system of Canada;

That such examination should also include a study of the entire monetary system of Canada, including credit, currency and coinage, particularly in their relation to commodity price movements and fluctuations in international exchange;

That it is also advisable to consider whether and in what respects the banking institutions and the monetary system of Canada may be modified, extended or developed for the purpose of facilitating inter-Imperial and international co-operation in public policies designed to promote the revival of domestic and foreign trade and enterprise and the general increase of employment to ensure a greater measure of stability in respect thereto.

It is provided first, that the commission shall examine, consider and report upon all the matters, hereinbefore recited; second, that, without limiting the general scope of their enquiry into the operation of the banking and monetary systems of Canada, the said commissioners shall, in particular, examine the provisions and working of the Bank Act, the Dominion Note Act, the Finance Act and the Currency Act, and the advisability of establishing a central banking institution; and third, that said commissioners shall report their recommendations for revising or supplementing the above-mentioned acts and for the adoption of such other measures as they may deem desirable to promote the revival of trade and enterprise and to facilitate inter-Imperial and international co-operation for the purpose of raising the level of commodity prices and for the purpose of ensuring increased domestic employment and the stability of the economic, financial and social institutions of this country.



The Board of Trade Building,
Montreal, August 22nd, 1933.

Sir Arthur W. Currie, G.C.M.G.,
Principal,
McGill University,
Montreal.

Dear Sir Arthur Currie:-

Attached you will please find a communication which has gone out to our member Boards and Chambers with reference to the enquiry being carried on by the MacMillan Commission. We wish to obtain a cross-section of their views on the Canadian Monetary and Banking system.

Our President and Chairman further believe that the opinions of our National Committees should be similarly sought. With these findings also in hand, together with those of our Directors and sustaining members, it is felt that a helpful memorandum can be prepared for the Commission.

Would you therefore be good enough to write me briefly what you yourself think with regard to questions one and two in the accompanying letter. It may be that you have already expressed yourself through some other channel. In any case your response to us will be of value in setting out clearly what views the Chamber holds on this question of such national interest.

Our President has asked me to say how much he will appreciate your co-operation in this regard.

Yours very truly,

Tom A. Clark
Secretary.

C:W
Enc.

COST *of*
GOVERNMENT
IN CANADA



Introductory Studies

BY

W. SANFORD EVANS

*Released for the National Committee on Economy in Public Finance
by the Canadian Chamber of Commerce*

Foreword

Under the auspices of the Canadian Chamber of Commerce, a movement has been inaugurated to study the costs of Government in Canada with a view to such action as may seem to be in the public interest.

The work is being carried on under the direction of a general committee of business men, with the assistance of a small technical committee.

Before examining details there should be clearly in mind the proportions and trends of Government finance as a whole.

It is the same citizen who bears the costs of Dominion, Provincial and Municipal government and it is the aggregate burden which creates the problem for the individual.

Public finance is properly judged by the burden it imposes on the people. The great right acquired by the people of Great Britain in the centuries of struggle with the Crown was the right to assent to any levy or tax before it could be imposed. The right to control details of expenditure, which is not yet, and prob-

ably never can be made fully effective, was a later development.

Control, under the British system, is control of income, that is, of taxation, rather than of expenditure, the details of which must necessarily be left largely to the Executive. A government can spend no more than it is given the right to raise.

It is in accordance with this constitutional conception that in all British legislatures where correct procedure is followed, the Budget, which brings the financial policy of the government under discussion, is brought down when the legislature is moved into "Committee of Ways and Means," that is when the programme of taxation is proposed, and not when the estimates of the details of expenditure are submitted.

A brief outline sketch of the burden of Government finance on the average citizen of Canada, with indications of its historical growth and comparative weight, is presented in the following pages as logically introductory material.

W. SANFORD EVANS,

Chairman, Research Committee.

TOTAL ORDINARY EXPENDITURES OF GOVERNMENTS

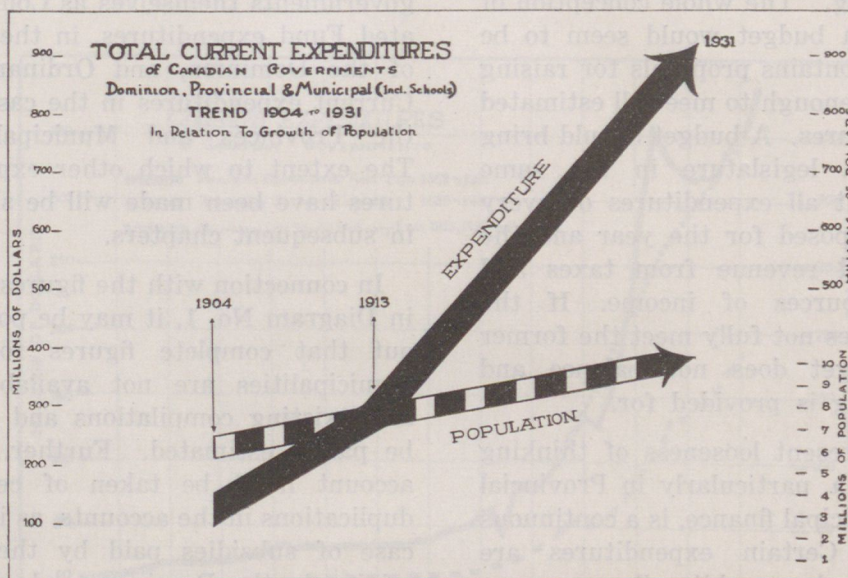


DIAGRAM NO. 1.

Government expenditures in Canada have, during the last twenty-five years, shown a very rapid rate of increase—relatively as well as absolutely.

From Confederation to about the year 1904 the increase, while almost continuous, was moderate. From 1904 to 1913 a marked acceleration of rate occurred, while the increase after 1913 has been at a sharply steeper angle.

In Diagram No. 1, above, is shown the trend of the aggregate ordinary expenditures of Dominion, Provincial and Municipal Governments from 1904 to 1931, in relation to the trend of population.

The relative proportions and trend will appear to the eye in the diagram. From approximately \$120,000,000 in 1904, the aggregate ordinary expenditures increased to \$275,000,000 in 1913 and to the very large total of

\$920,000,000 in 1931. Adjusted to population the expenditures per capita were \$19.08 in 1904, \$36.72 in 1913 and \$88.68 in 1931.

Expenditures represented in the diagram are the ordinary, recurrent ("current") yearly expenditures of governments, as distinguished from exceptional and occasional, and from what are classified as Capital Expenditures. The latter classes are not included in the totals used.

The classification by the various governments into "ordinary" or "capital" expenditures is not uniform or consistent. Except in the case of the Dominion, the distinction tends in practice to be really between expenditures out of yearly revenue and expenditures out of borrowed money. Whatever cannot be met out of income is borrowed for and transferred to capital account.

The need is great for the determination on sound lines of the condi-

tions under which, and the objects for which a government is justified in borrowing. The whole conception of a British budget would seem to be that it contains proposals for raising revenue enough to meet all estimated expenditures. A budget should bring before a legislature in the same statement all expenditures of every kind proposed for the year and the estimated revenue from taxes and other sources of income. If the latter does not fully meet the former the budget does not balance and borrowing is provided for.

The present looseness of thinking in Canada, particularly in Provincial and Municipal finance, is a continuous danger. Certain expenditures are more or less arbitrarily, or even capriciously, called ordinary expenditures and if revenue can be made to cover these, the merit of a balanced budget is claimed, and then what amounts to a second budget is introduced with all other expenditures which are to be met by borrowing.

The real merit and significance of a balanced governmental budget is that the burden and sacrifice involved is limited to the specific imposts of the year and that the government will not borrow, with the risk of creating inflation, and will not compete in the securities market for the free capital available.

It should be clearly understood, therefore, that the expenditures

treated in Diagrams 1 and 2 are only those expenditures classified by the governments themselves as Consolidated Fund expenditures, in the case of the Dominion, and Ordinary or Current expenditures in the cases of the Provinces and Municipalities. The extent to which other expenditures have been made will be shown in subsequent chapters.

In connection with the figures used in Diagram No. 1, it may be pointed out that complete figures for all municipalities are not available in any existing compilations and must be partly estimated. Further, that account must be taken of certain duplications in the accounts, as in the case of subsidies paid by the Dominion to the Provinces and grants by the Provinces to Municipalities.

The figures used in the diagram for 1913 and 1930-31 are the adjusted estimates by the Citizens' Research Institute and for 1904 an estimate was made for the purpose of this bulletin:

Ordinary Expenditures

(All Governments in Canada)

1904	-----	\$120,000,000
1913	-----	275,000,000
1931	-----	920,000,000

Population

(Dominion Bureau of Statistics)

1904	-----	6,288,000
1913	-----	7,488,000
1931	-----	10,374,000

ORDINARY EXPENDITURES BY CLASSES OF GOVERNMENTS

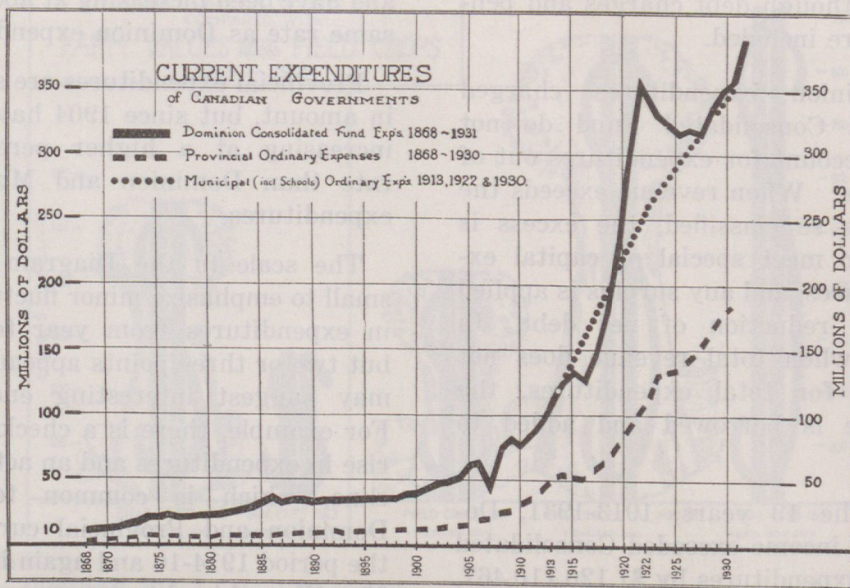


DIAGRAM NO. 2.

In Diagram No. 2 are represented separately the courses of ordinary expenditures of Dominion, Provincial and Municipal governments.

Dominion and Provincial figures are available yearly from 1868. For Municipal expenditures (including Schools) the figures for 1913, 1922 and 1931-2, issued by the Citizens' Research Institute, are used and the dotted line is filled in between these points to show general trend.

The striking feature of this diagram is the contrast between the restrained movement of Dominion and Provincial expenditures for the first 36 years, up to about 1904, and the upward surge in the last 27 years.

If the growth of population is taken into account it is evident from Diagram 1 that a striking contrast will still remain. From 1868 to 1931 population increased 3 times and Dominion and Provincial expenditures

30 times. While from 1904 to 1931 population increased 78 per cent, and expenditures 666 per cent.

If adjustments are made according to the changing value of money, as measured by the index of Wholesale prices, the sweep of the curve would be modified in certain periods, particularly between 1914 and 1920, but the contrast would still be striking, for the average price level in 1931 was only about 12½ per cent higher than in 1913 and was actually lower than in 1868.

Tested by any appropriate standards, the fact is clear that a marked expansion of ordinary government activities began about the year 1905 and has been progressively continued ever since.

It should be noted that the Dominion expenditures are only those charged to Consolidated Fund account and do not include Capital Expendi-

tures, nor special expenditures such as railway subsidies or direct expenditures on war and demobilization, although debt charges and pensions are included.

Dominion expenditures charged against Consolidated Fund do not fully account for expenditures out of revenue. When revenue exceeds the charges so classified, the excess is used to meet special or capital expenditures, and any surplus is applied to the reduction of net debt. In years when total revenue does not suffice for total expenditures, the balance is borrowed and added to debt.

In the 19 years, 1913-1931, Dominion income exceeded Consolidated Fund expenditures by \$1,120,110,467, or at the average rate of approximately \$60,000,000 per year. To put Dominion expenditures more nearly in line with Provincial and Municipal expenditures, these further payments out of revenue might not improperly have been added to the figures used, but as revenue in 1931 happened to fall short of meeting even Consolidated Fund expenditures, the line would finally have arrived at approximately the point shown in the diagram.

It is interesting to see that since 1913 Municipal expenditures, including schools, have been about equal to, and have been increasing at about the same rate as Dominion expenditures.

Provincial expenditures are smaller in amount, but since 1904 have been increasing at a higher percentage rate than Dominion and Municipal expenditures.

The scale in the Diagram is too small to emphasize minor fluctuations in expenditures from year to year, but two or three points appear which may suggest interesting enquiries. For example, there is a check to the rise in expenditures and an actual decline, which is common to both Dominion and Provincial curves, in the period 1914-16 and again in 1920-25. Was this due to economies in ordinary expenditures in the first period of war, and again in the depression of 1921-1924, or, in the latter case, was it due only to a decline in the prices of materials purchased?

The sharp downward jog in the Dominion line in 1907 was because the figures for that period were for 9 months only, owing to a change in the fiscal year, and do not represent a decline in the rate of expenditure.

ORDINARY EXPENDITURES OF GOVERNMENTS

(In Certain Years)

	Dominion Consol. Fund	Provincial Ordinary	Municipal Ord. (Incl. Schools)
1870	\$ 14,345,510	\$ 4,504,391	-----
1880	24,850,634	7,366,106	-----
1890	35,994,031	11,132,195	-----
1900	42,975,279	13,393,957	-----
1910	79,411,747	33,783,150	-----
1913	112,059,537	53,278,425	\$111,000,000
1920	303,843,930	88,250,675	-----
1922	347,560,691	112,874,954	260,000,000
1930	357,779,794	185,108,139	350,000,000
1931	389,558,289	-----	-----

EXPENDITURES JUDGED BY COMPARISON

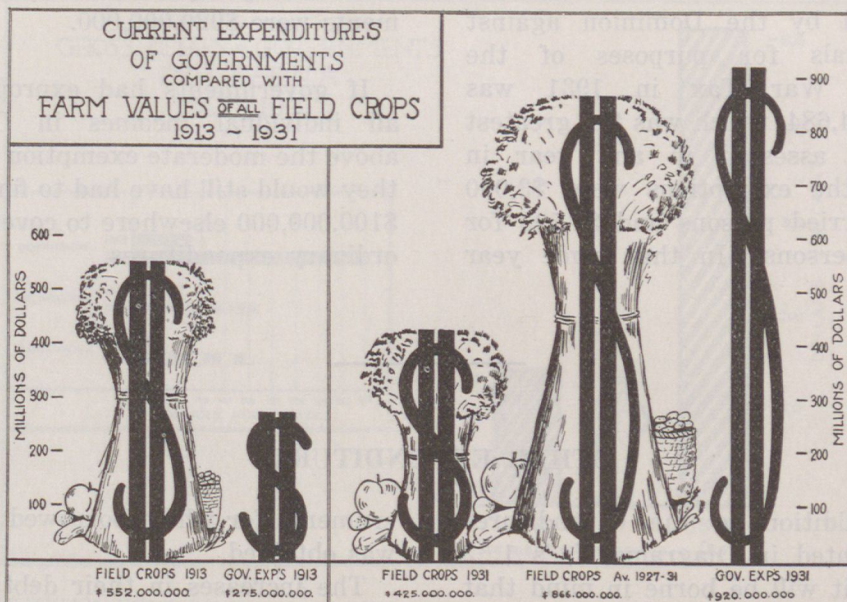


DIAGRAM NO. 3.

By comparisons, the relative proportions of the ordinary expenditures of governments may best be realized.

One of the main sources of national income is the field crops, including all grains, hay and other fodder crops and vegetables.

A comparison of government expenditures with the farm value of all field crops is presented in Diagram No. 3.

In 1913 the total sum expended by governments for ordinary purposes was equal to 50 per cent of the farm value of all field crops in Canada in that year, as estimated by the Dominion Bureau of Statistics.

In 1931 governments expended a sum equal to 216 per cent of the value of all field crops.

As prices were exceptionally low and yield not high in 1931, another comparison is added. The average value of all field crops for the 5 years, 1927-31, including three years of good prices, was \$866,000,000, while the ordinary expenditures of governments in 1931 were \$920,000,000.

Whereas in 1913 a sum equal to one-half the value of the field crops sufficed to meet ordinary government expenditures, a stage has now been reached where the average value of all field crops falls short by many millions of dollars of meeting the ordinary requirements of governments.

The startling comparison of the value of the field crops of 1931 with government expenditures for that year has point and validity, however, because it illustrates the inadaptability of government charges to sudden changes in national income.

ANOTHER COMPARISON

The total amount of income assessed by the Dominion against individuals for purposes of the Income War Tax in 1931 was \$815,714,684, which was the greatest amount assessed in any year in which the exemptions were \$3,000 for married persons and \$1,500 for single persons. In that same year

the ordinary expenditures of governments were \$920,000,000.

If governments had expropriated all individual incomes in Canada above the moderate exemption limits, they would still have had to find over \$100,000,000 elsewhere to cover their ordinary expenditures.

OTHER EXPENDITURES

In addition to the expenditures represented in Diagrams No.'s 1, 2 and 3, it will be borne in mind that there was the expenditure by the Dominion out of revenue, but not charged to Consolidated Fund Account, of an average of some \$60,000,000 per year in the period 1913-31. Then there have been the very large expenditures of all gov-

ernments for which borrowed money was obtained.

The increases in their debts from year to year represent the extent to which the budgets of governments have not balanced in the past, in the real meaning of this term.

Government debts and borrowings will be treated in the three following chapters.

PER CAPITA GROWTH OF GOVERNMENT DEBTS

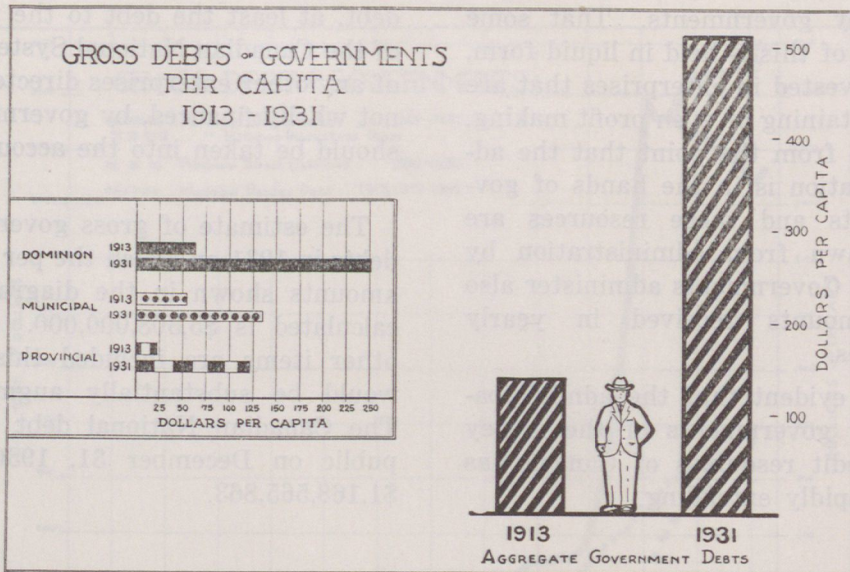


DIAGRAM NO. 4.

Between 1913 and 1931 the Dominion increased its gross debt by \$2,127,033,143. In addition the Dominion had, between 1922 and 1931, guaranteed principal and interest of bonds of the Canadian National System, Harbor Commissions, etc., of which a total of \$738,709,970 was held by the public on March 31, 1931. There was also outstanding at that date railway bonds to the amount of \$216,207,142, guaranteed by the Dominion as to interest only. Neither of these classes of liability is included in the above increase in gross debt.

In the same period the direct liability of Provincial governments increased by some \$1,090,000,000 and the gross debenture debts of Municipalities (including schools), without taking account of unfunded debts not completely available, by some \$1,014,000,000.

Disregarding, for the moment, the liability under guarantees of the

Dominion, and the unfunded debts of Municipalities, the change in the per capita liability for the gross debts of all governments is shown above in Diagram No. 4.

Debts have increased even faster than ordinary expenditures, the per capita rate of increase in debts being 147 per cent of the rate of increase of ordinary expenditures.

The question of liquid, realizable or revenue producing assets, and of net, as distinguished from gross debts, arises. From the point of view of probable future debt charges upon the taxpayers this question is, of course, important.

There is, however, another fundamentally important question—What proportion of the available cash and credit resources of a country should be administered by governments and what proportion should be left to be administered by other agencies?

Gross liabilities indicate the amount of borrowed money being administered by governments. That some portion of this is held in liquid form, or is invested in enterprises that are self-sustaining or even profit making, is aside from the point that the administration is in the hands of governments and these resources are withdrawn from administration by others. Governments administer also the amounts received in yearly revenues.

It is evident that the administration by governments of the money and credit resources of Canada has been rapidly extending.

From this point of view not only all guaranteed bonds, but the whole debt, at least the debt to the public, of the Canadian National System and of any other enterprises directed, but not wholly financed, by governments, should be taken into the account.

The estimate of gross government debts in 1931 on which the per capita amounts shown in the diagram are calculated is \$5,308,000,000. If the other items are included this total would be substantially augmented. The Canadian National debt to the public on December 31, 1930, was \$1,168,565,863.

COMPARISONS

Governments have been extending their administration of borrowed money very fast by comparison.

The \$5,300,000,000 of gross government debts, again disregarding other items, is a sum a little greater than the total capital employed in all forms of manufacturing in Canada. But the increase in manufacturing capital between 1913 and 1931 was only 210 per cent, while the increase

in government debts was 392 per cent.

In the same period the total assets of all Chartered Banks in Canada increased only 100 per cent, and total bank deposits in Canada only 103 per cent, total external commodity trade only 64.4 per cent and acreage in field crops only 63.8 per cent—and government debts 392 per cent.

DOMINION, PROVINCIAL AND MUNICIPAL DEBTS

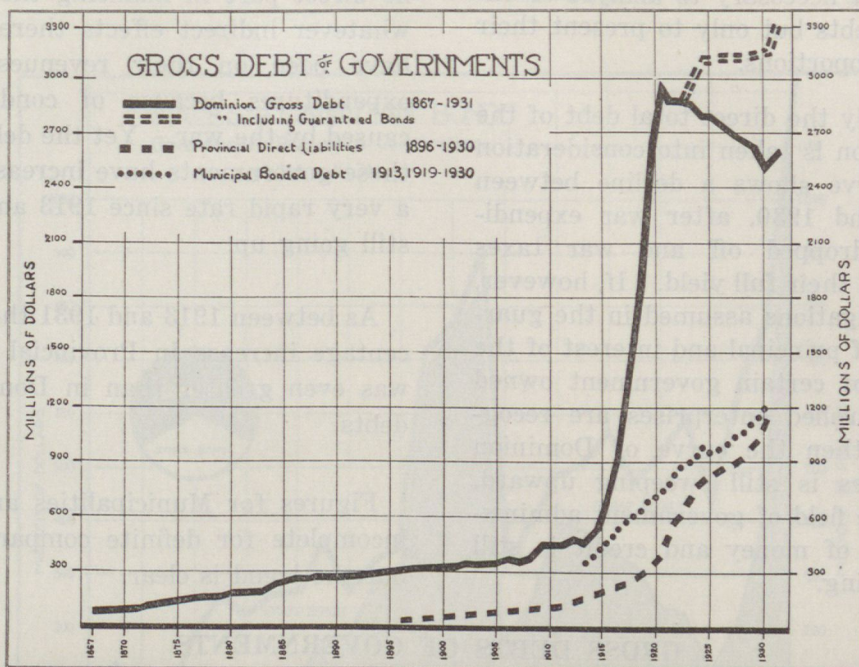


DIAGRAM NO. 5.

Diagram No. 5 shows separately the growth of the gross debts of each class of government.

For the Dominion the figures are complete from 1867 to 1931 and for the combined Provinces, as compiled by the Dominion Bureau of Statistics, from 1916 to 1930, with occasional prior years back to 1896.

Figures of the bonded debt of all Municipalities, but not of their gross liabilities from 1919 to 1930 are published by the Dominion Bureau of Statistics and the estimate of the Citizens' Research Institute for 1913 is used to prolong the line. It is probable that except for 1913 debt for schools is not completely included.

The outstanding feature is the enormous and almost perpendicular rise of the Dominion debt after 1915.

This is, of course, due principally, but not wholly, to borrowing for war expenditures.

Total expenditures charged to War and Demobilization in the accounts of the Dominion are \$1,695,729,891, of which \$1,670,406,243 were incurred between 1915 and 1920. These payments would not include interest on the war loans, nor war pensions and certain other charges to Consolidated Fund account. It must not be overlooked, however, that special war taxes were imposed, the total yield of which from 1915 to 1931 has been \$1,890,581,665.

How far the yield of these taxes would have gone to meet all proper war charges and what balance would still remain, if a separate account had been set up in this way, might make an interesting calculation.

For the present purpose, however, it is not necessary to analyze or explain debts but only to present their true proportions.

If only the direct total debt of the Dominion is taken into consideration the curve shows a decline between 1920 and 1930, after war expenditures dropped off and war taxes reached their full yield. If, however, the obligations assumed in the guarantee of principal and interest of the bonds of certain government owned or controlled enterprises are recognized, then the curve of Dominion liabilities is still sweeping upward, and the field of government administration of money and credit is still expanding.

Provinces and Municipalities had no direct part in financing the war, whatever indirect effects there may have been on their revenues and expenditures because of conditions caused by the war. Yet the debts of these governments have increased at a very rapid rate since 1913 and are still going up.

As between 1913 and 1931 the percentage increase in Provincial debts was even greater than in Dominion debts.

Figures for Municipalities are too incomplete for definite comparisons, but the trend is clear.

GROSS DEBTS OF GOVERNMENTS (For Certain Years)

	Dominion	Dom. Incl. Guar. Bonds	Provincial	Municipal
1870	-----\$ 115,993,706	-----	-----	-----
1913	----- 483,232,555	-----	*\$ 178,000,000	*\$ 416,000,000
1920	----- 3,041,529,587	-----	409,756,192	737,175,550
1930	----- 2,544,586,411	\$3,165,412,821	1,140,953,696	1,209,645,181
1931	----- 2,610,265,698	3,348,975,668	1,276,629,288	*1,430,000,000

*Estimated.

GOVERNMENTS AS COMPETITORS IN THE MONEY MARKETS

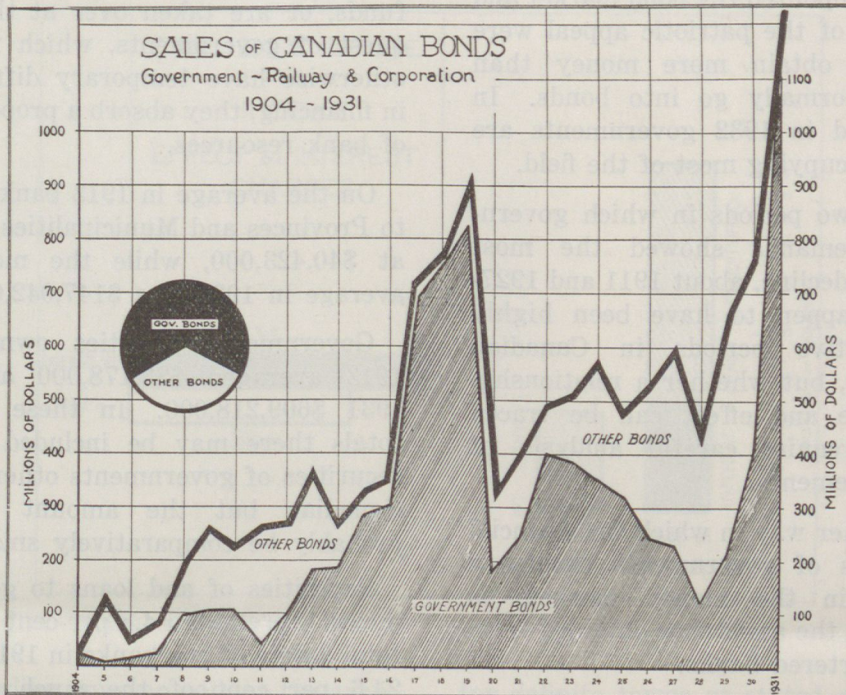


DIAGRAM NO. 6.

If governments borrow money they must get it out of the general world fund of money available for investment in fixed-interest bearing securities.

At any particular time this fund has more or less definite limitations. The amount available for any one country is also subject to limitations. What one applicant obtains must have some effect on what others can get. With their broad base of credit, governments are formidable competitors for bond money.

Diagram No. 6 shows total sales of Canadian bonds from 1904 to 1931 and the proportion year by year consisting of government bonds. The figures used are those compiled

throughout this period by the Monetary Times. The heavy outline shows total bond sales and the shaded figure the proportion sold by governments.

The inset figure shows the proportion for the period as a whole—64.2 per cent government and 35.8 per cent all other.

The diagram deals only with straight government bonds, Dominion, Provincial, Municipal and School District. Bonds guaranteed by a government and sold on its credit are not included. If bonds guaranteed as to both principal and interest by the Dominion since 1922 were transferred to the class of government bonds, the proportion of the

latter for the whole period would be approximately 70 per cent.

In war time governments practically monopolized the bond market and because of the patriotic appeal were able to obtain more money than would normally go into bonds. In 1931 and in 1932 governments are again occupying most of the field.

The two periods in which government demands showed the most marked decline, about 1911 and 1927-1928, happen to have been highly constructive periods in Canadian business, but whether a relationship of cause and effect can be traced would require careful analysis of many elements.

Another way in which the financial demands of governments become a factor in the money markets is through the assistance obtained from the chartered banks.

While much of this assistance is in the way of temporary financing, in anticipation of the collection of taxes, a large amount is continuously outstanding and makes a permanent demand on bank resources.

Then the banks hold substantial quantities of government securities,

some of these being long term bonds and others treasury bills. Whether these securities are purchased as attractive investments for bank funds, or are taken over at the request of governments, which might otherwise have temporary difficulty in financing, they absorb a proportion of bank resources.

On the average in 1913 bank loans to Provinces and Municipalities stood at \$40,423,000, while the monthly average in 1931 was \$147,042,000.

Government securities owned in 1913 averaged \$33,178,000 and in 1931 \$609,218,000. In these latter totals there may be included some securities of governments other than Canadian but the amount would probably be comparatively small.

Securities of and loans to governments represented 4.8 per cent of the total assets of the banks in 1913, but 24.6 per cent of the much larger assets in 1931.

In several recent months the aggregate outstanding under the above headings has been over \$800,000,000, when "Other Current Loans and Discounts in Canada," representing general business loans, stood at only a little over \$1,000,000,000.

TOTAL GOVERNMENT EXPENDITURES VS INCOME EFFECT ON INTEREST CHARGES

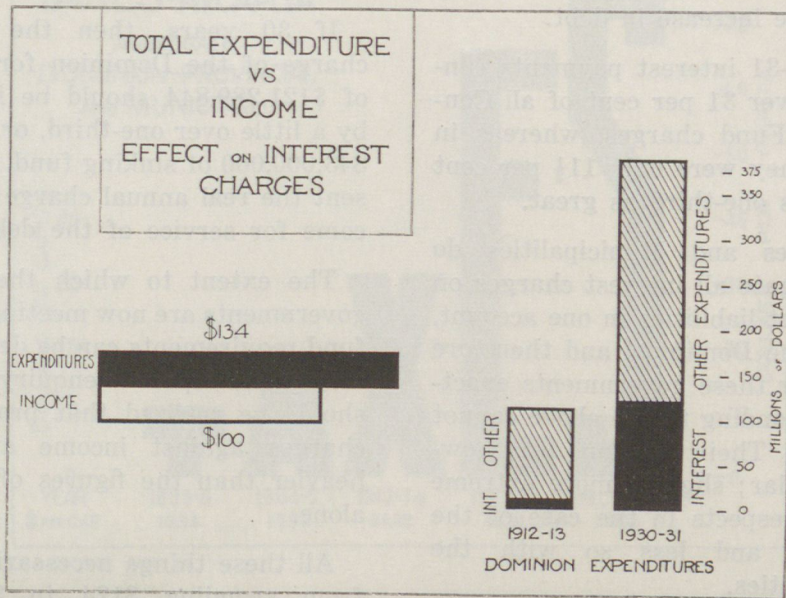


DIAGRAM NO. 7.

Canadian governments on the average during the past 18 years have been expending \$134 for every \$100 of income. The difference has yearly been added to debt.

This average represents also approximately the relative expenditures of the Dominion. Provincial governments have spent \$152 for every \$100 of income. Municipal governments, with their more restricted credit, have not increased debt in the same proportion, having spent only \$124 for every \$100 of income.

These calculations are based on a comparison of total income with increase in gross direct liabilities.

Money borrowed by governments creates a direct charge on income for interest and, moreover, must be repaid. Almost all direct liabilities of governments are for money borrowed

for definite terms at stated rates of interest. If provision for repayment out of income is not made, other money must be borrowed to refund. Interest continues a fixed annual charge.

How interest payments on debt by the Dominion have grown between 1912-13 and 1930-31 is shown in the accompanying diagram.

Interest paid in 1930-31—\$121,289,844—was actually appreciably greater than total Consolidated Fund expenditures for all purposes in 1912-13—\$112,059,537.

Total revenues of the Dominion from all sources were never large enough prior to 1911-12 to have paid the interest bill of 1930-31.

In 1930-31 interest payments by the Dominion were over $9\frac{1}{2}$ times as

great as in 1912-13. This ratio, of course, reflects an increase in average interest rate, because of heavy borrowings when money was dear, as well as the increase in debt.

In 1930-31 interest payments constituted over 31 per cent of all Consolidated Fund charges, whereas in 1912-13 they were only $11\frac{1}{2}$ per cent of charges one-third as great.

Provinces and Municipalities do not segregate all interest charges on their direct liabilities in one account, as does the Dominion, and therefore figures for these governments exactly corresponding to the above cannot be given. Their positions are, however, similar; slightly more extreme in some respects in the case of the Provinces and less so with the Municipalities.

Interest liabilities for the Provinces in 1930-31 would have met all their ordinary expenditures as recently as 1916-17.

If proportionate spending continues, in an easily calculable number of years even present total revenues would not be adequate for interest charges alone.

For repayment of debt, still further real financial obligation exists. Borrowed money must be repaid and repayment should be within the period of effective service of the investment.

On this principle, what is a reasonable term within which existing debts should be liquidated. They cover objects ranging from funding current

deficits, or grading roads, to the defence of national interests in war. Would a fair average of effective service be 20 years, 25 years, 30 years?

If 30 years, then the interest charge of the Dominion for 1930-31 of \$121,289,844 should be increased by a little over one-third, or by some \$43,000,000 of sinking fund, to represent the real annual charge upon income for service of the debt.

The extent to which the various governments are now meeting sinking fund requirements can be determined only after special enquiry, but it should be realized that proper debt charges against income are much heavier than the figures of interest alone.

All these things necessarily follow from spending \$124 to \$152 for every \$100 of income.

That large expenditures by governments have been for undertakings that are, or were expected to be, revenue producing, does not alter the financial position indicated above. It is total incomes, including any net revenues from government business enterprises, that have thus been over-expanded.

What the taxpayer, as such, as distinguished from the business customer of governments, has had to bear of all the charges of government is the best practical test of general spending policy.

The position of the taxpayer will next be examined.

TAXATION IN CANADA

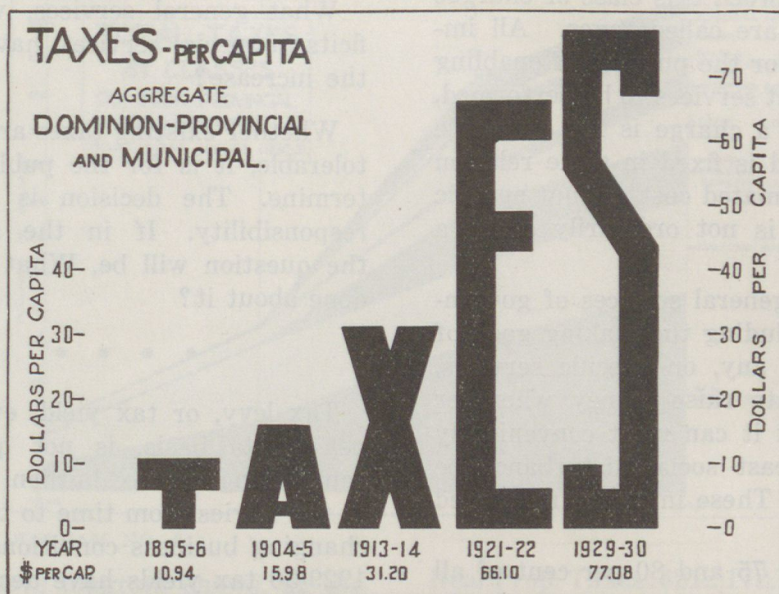


DIAGRAM NO. 8.

Combined taxes levied by Dominion, Provincial and Municipal Governments in Canada were \$55,000,000 in 1895-6, \$93,091,361 in 1904-5, \$238,036,485 in 1913-14, \$580,851,718 in 1921-22 and \$772,969,645 in 1929-30.

Per capita, the levies are as shown in the diagram; \$10.94 in 1895-6, \$15.98 in 1904-5, \$31.20 in 1913-14, \$66.10 in 1921-22 and \$77.08 in 1929-30.

Most tax bills are paid by heads of families. Adopting the census returns of 1921 of 4.62 persons as the average per family, then taxes per family of \$144.14 in 1913-14 had grown almost 2½ times to \$356.10 per family in 1929-30, or almost \$30 per month.

As with government expenditures and debts, these increases have far outrun the indices of basic industrial and financial development.

Whether or not taxes are unduly heavy at any time, or are fairly distributed, cannot however, be left to comparative statistics to decide. Taxes are the point at which the practical side of government comes home to individual citizens, and the people have constitutionally gained and preserved the right to determine, judging for themselves, how great a burden by way of levies may be imposed upon them.

Taxes are compulsory levies by a government for purposes of its revenues. Not all government income is derived from taxes. Sales or leases of the public domain, fines for infraction of laws, regulatory licenses, etc., yield revenues. Then fees, or payments for special services, such as postage for mail services and charges for water, light, power or transportation when supplied by governments, are important contributing sources.

No sharp boundary line can be drawn, either theoretically or practically, between this class of charges and what are called taxes. All imposts are for the purpose of enabling government services to be performed, but where a charge is for a specific service and is fixed in some relation to the estimated cost of that specific service it is not ordinarily called a tax.

For all general services of governments, including the making good of deficits, if any, on specific services, governments raise money wherever they think it can most conveniently or with least social disturbance be obtained. These imposts are classed as taxes.

Between 75 and 80 per cent of all government revenues, as appearing in their accounts, are derived from taxes, and the percentage has not declined despite the great extension of special service charges. As in some cases governments take into their accounts all details of cost and income of their special business undertakings and in others only the net balances, no exact percentages could be worked out until all accounts were recast to the same form.

After users of government utilities had paid all that was charged for postage, water, light, power, transportation, money loans, etc., etc., the taxpayers in 1929-30 were required to pay \$772,969,645, as against \$238,036,485 in 1913-14.

It may be said there is the war debt. But there are also the war taxes. Deduct the war taxes for 1929-30, \$134,086,005, and the balance is still \$638,883,640, or 270 per cent of the tax bill of 1913-14.

Per family, exclusive of war taxes, \$150 more was required in 1929-30

than in 1913-14, or \$294.29 as against \$144.14.

What general services, what deficits in special services, have caused the increase?

Whether existing taxes are wise or tolerable, it is for the public to determine. The decision is a public responsibility. If in the negative, the question will be, What is to be done about it?

* * * *

Tax levy, or tax yield, even on a per capita basis, is not quite the same thing as tax burden. Ability to pay varies from time to time with changing business conditions. Since 1929-30 tax yields have declined, although rates have been increased in many cases and the burden has been heavier than before. Some enquiry into the course of ability to pay may later be made.

As for the years selected for discussion in this chapter, which are not in all cases even periods apart, 1913-14 was the peak year of tax yield before the war, the next peak being reached in 1921-22, and after a decline in the period of deflation, a new peak appeared in 1929-30. It seemed fair to compare these peak years. Of the earlier periods, 1895-6 marked approximately a turning point in general business and 1904-5 the beginning of a new spending policy in governments.

The figures of taxes for 1895-6 are in good part an estimate, but the figures for subsequent years have been specially compiled for this study by the Citizens' Research Institute.

Classes of taxes and their relative yields will next be examined.

KINDS OF TAXES LEVIED

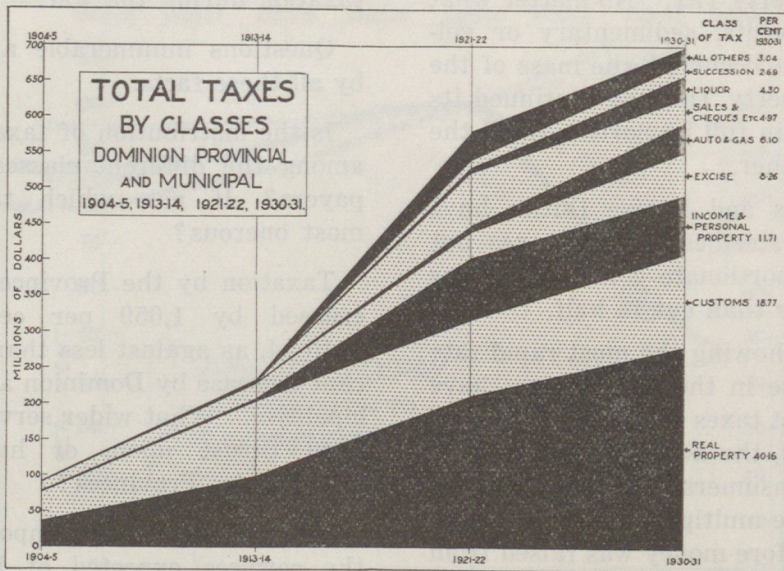


DIAGRAM NO. 9.

The above diagram shows, at the stated periods, the proportions of the principal classes of taxes in the total tax levies of all governments combined—the varying stratification of Canada's tax-mountain in the course of its upheaval.

In 1904-5 the order was:

	%
Customs Duties...\$41,437,569	44.51
Real Prop. Taxes... 35,648,431	38.30
Excise Duties --- 12,586,475	13.52
All Others ----- 3,418,886	3.67

TOTAL -----\$93,091,361

In 1913-14 the order was the same:

	%
Customs Duties...\$104,691,238	43.98
Real Prop. Taxes 99,277,904	41.71
Excise Duties -- 21,452,037	9.01
All Others ----- 12,615,306	5.30

TOTAL -----\$238,036,485

In 1921-22 the order had changed and other taxes had become important:

	%
Real Prop. Taxes...\$212,172,109	36.53
Customs Duties - 105,686,645	18.19
Income & Pers'l	
Prop. Taxes --- 85,844,141	14.78
Sales Tax, Taxes	
on Cheques, etc. 73,656,487	12.68
Excise Duties -- 36,755,207	6.33
Bus. Profits Tax 22,815,667	3.93
Succession ----- 11,389,966	1.96
Corporation ----- 11,237,526	1.93
Liquor Profits -- 6,831,027	1.17
All Others ----- 14,462,943	2.50
TOTAL -----	\$580,851,718

In 1930-31 there were again some changes:

	%
Real Prop. Taxes...\$280,744,331	40.16
Customs Duties - 131,208,955	18.77
Income & Pers'l	
Prop. Taxes --- 81,864,764	11.71
Excise Duties -- 57,746,808	8.26
Auto & Gas ----- 42,644,771	6.10
Sales & Cheques,	
Etc. ----- 34,734,661	4.97
Liquor Profits -- 30,061,083	4.30
Succession ----- 18,793,458	2.69
Corporation ----- 15,427,077	2.20
All Others ----- 5,818,431	.84
TOTAL -----	\$699,044,339

The outstanding feature is the Real Property Tax. No matter what other deposits, sedimentary or volcanic, have occurred, the mass of the Real Property Tax has continued its accretion in full proportion to all the rest together.

Customs and Excise Duties have been the steadiest of the taxes but their proportionate contribution has been more than cut in half.

Taxes showing the most rapid rate of increase in the last 9 years have been direct taxes on special classes of the public, the automobile users and liquor consumers. Yields of these taxes were multiplied $4\frac{1}{2}$ times in the period. More money was raised from automobile users in 1930-31 than from all Customs Duties in 1904-5.

In general, it is notable that Canadian taxation, from being predominantly indirect has become predominantly direct. In 1913-14 over one-half of the taxes were levied indirectly and in 1930-31 only one-third. Of the total increase in taxes between these periods of some \$460,000,000, no less than \$360,000,000 was in direct taxes.

This is due not only to the great increase in taxation by Provinces and Municipalities, which are restricted by the constitution to direct taxation, but to the serious incursion of the

Dominion into the field of direct taxation during the war.

Questions innumerable are raised by all these facts.

Is the distribution of taxation fair among the different classes of taxpayers? If not, which taxes are most onerous?

Taxation by the Provinces has increased by 1,059 per cent since 1913-14, as against less than 200 per cent increase by Dominion and Municipalities. What wider services have been thrust upon, or have been assumed by Provinces?

What is the relative importance of the services expected of Provinces and Municipalities, on the one hand, and of the Dominion on the other?

Can the former be discharged without distress out of the tax resources fixed by the constitution, which, moreover, the Dominion is free to draw upon?

Is the distribution of necessary services fair as between governments? If not, must services be redistributed or must fields of taxation, or both?

How total taxes have been divided among the governments and what increases have been made by each, will appear in the following table:

TOTAL TAXES BY CLASS OF GOVERNMENT

(From compilations of Citizens' Research Institute)

	Dominion	Provinces	Municipalities	Total
1904-05 -----	\$ 54,024,044	\$ 3,248,169	\$ 35,819,148	\$ 93,091,361
1913-14 -----	127,478,067	10,485,538	100,072,880	238,036,485
1921-22 -----	319,926,012	54,092,495	206,833,211	580,851,718
1929-30 -----	378,551,626	126,147,195	268,270,824	772,969,645
1930-31 -----	296,276,395	121,577,855	281,190,089	699,044,339

TAXES AND ABILITY TO PAY

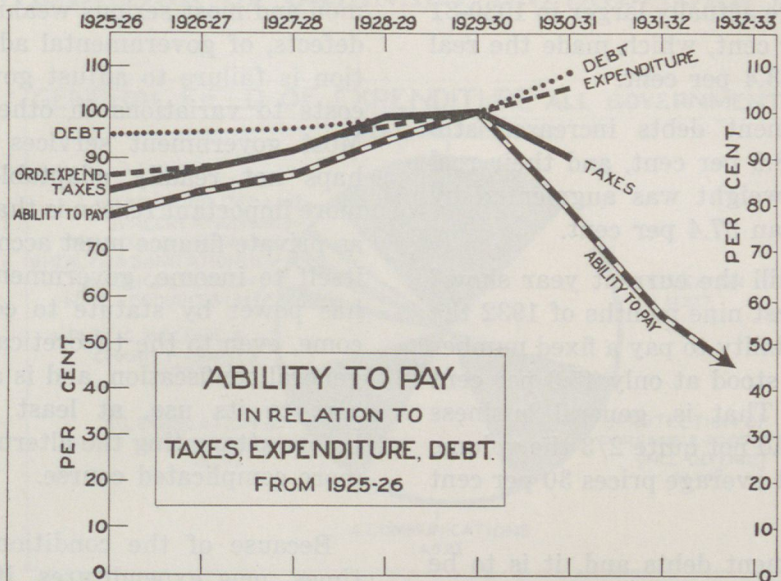


DIAGRAM NO. 10.

Measured by ability to earn and pay, the price of government has again risen very sharply during the past three years—perhaps more sharply than in any previous period.

Certain elements in the present position and in developments to date are here suggested for consideration. Government accounts are not, of course, available beyond 1930-31.

Everyone knows that the number of dollars he has to pay today is really many more dollars than the same number three years ago. Individual differences are infinite, but for the ability to pay of a country as a whole some sort of yardstick may more easily be found.

A country's ability to pay dollars must be in some direct relationship to the dollar value of the aggregate of all business activities that enter into the creation of values. The Dominion Bureau of Statistics has compiled as from 1919 an index of the Physical Volume of Business, which has just been recalculated on a still

more comprehensive basis. Then there is the index of general wholesale price levels. By combining the two, the index of Ability to Pay used in the above diagram was worked out.

Whether or not this stick measures exactly a yard and is suitable to measure all elements in the complex conditions, it is probably the best single standard obtainable. Unfortunately it can be used only in comparing post-war years among themselves.

From 1925 to 1929, ability to pay, as thus measured, was increasing, up to 1928 about in pace with rising government costs and in 1929 faster. But a great change has since occurred.

Tax yields in 1930-31, as will be seen, fell 9.6 per cent below those of 1929-30, but ability to pay had fallen 21.0 per cent and therefore real taxes, instead of declining, had increased 14.4 per cent in the year.

Ordinary expenditures of governments were actually larger in 1930-31 by 5.4 per cent, which made the real increase 33.4 per cent.

Government debts increased still more, or 8.6 per cent, and their real potential weight was augmented by no less than 37.4 per cent.

What will the current year show? For the first nine months of 1932 the index of ability to pay a fixed number of dollars stood at only 45.3 per cent of 1929. That is, general business activity had not quite $\frac{2}{3}$ the volume of 1929, at average prices 30 per cent lower.

Government debts and, it is to be feared, also ordinary expenditures have kept on increasing, but even if at the end of 1932-33 there has been no further increase than that shown in 1930-31, their potential burden will have more than doubled in the three years.

Despite new taxes and many higher rates, tax yields are not being maintained, but, even if the rate of reduction shown in 1930-31 has continued, the taxes for 1932-33 will represent a greater sacrifice by 55 per cent than those of 1929-30.

These are all very large percentages and their practical significance for individual budgets should be well pondered, for this is the real present position in terms of ability to pay as measured by this one standard.

Undoubtedly one of the most common and most serious weaknesses, or defects, of governmental administration is failure to adjust government costs to variations in other values. Most government services are perhaps not readily adaptable, but a more important reason is that, whereas private finance must accommodate itself to income, government finance has power by statute to compel income, even to the theoretical limit of general confiscation, and is apt to resort to its use, at least partially, before attempting the alternative and more complicated course.

Because of the conditions of the times, new expenditures, it is true, are required of governments. But what expenditures have become relatively less essential in consequence? If a bit more is demanded by emergency, is it to be a bit more or a substitute? It is a question of relative importance, or of proportion; but of all proportions, that between demand and ability must be preserved if greater emergency is to be averted.

Whether even yet the speedily accumulating burdens of public finance are unduly heavy, it is for the people to judge, and say. But the situation must be faced from today's real position. Taxpayers now stand, not on the heights of 1929, but where the tip of the arrow touches, or thereabout.

INDEX OF ABILITY TO PAY (as used in this study)

1925	1926	1927	1928	1929	1930	1931	9 months 1932
77.73	83.35	86.40	94.25	100.0	79.04	56.27	45.30

DISTRIBUTION OF ORDINARY EXPENDITURE 1930-31

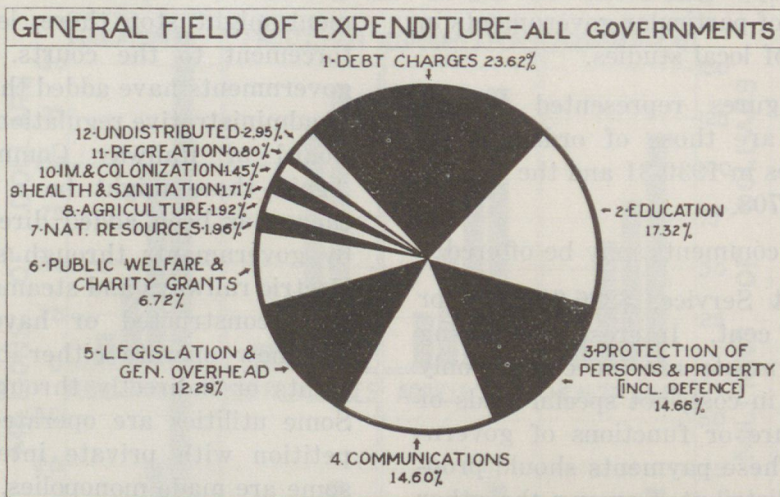


DIAGRAM NO. 11.

It is substantially true to say that governments of sovereign states can do, and in the end must do, everything majorities approve and insist upon, and that they can in the end be stopped from doing whatever majorities disapprove.

The possible field of government activities is as wide as human interests in an organized society. Within this field, or any part of it, governments may perform many different kinds of functions and employ many different methods of operation. Certain functions, few in number, are capable of being performed only by governments, but they can also undertake anything individuals can do.

If costs are to be lessened, it must be in one or more of the following ways: by narrowing the field of activities, if it is unnecessarily wide for the conditions of the times; by reducing the number of functions performed over the whole field or in some section of it; by better organ-

ization and more efficient management of details.

As now set up, government accounts do not present any such analysis by field, function and method as would form a basis for clear understanding and sound decision.

In a special compilation for this study, the Citizens' Research Institute has assembled, under general headings, figures of expenditure of all governments combined. The headings were selected to suit the classifications now common to government accounts and the results are represented in the diagram.

These figures, thus classified, are of interest as suggesting the extent of the general field now covered by government expenditures and as indicating some, at least, of its logical subdivisions. It is probably the first time aggregate figures have been grouped in Canada under any one set of headings.

That the information conveyed by this compilation should be supple-

mented by further analysis is, however, quite evident. This analysis could be applied to the details of the accounts of particular governments in a series of local studies.

The figures represented in the diagram are those of ordinary expenditures in 1930-31 and the total is \$959,544,708.

A few comments may be offered:

1. Debt Service, \$226,603,554, or 23.62 per cent. Interest and sinking fund payments are, of course, only elements in cost, not special fields of expenditure or functions of government. These payments should properly be distributed among the other groups according to the purposes for which the money was borrowed, but this distribution was not practicable with the information available. This is the largest single item in the compilation, and would be materially larger if all governments segregated in one account their entire interest liabilities.

2. Education, \$166,190,565, or 17.32 per cent. Of all the services performed by governments in 1930-31 the provisions for education involved the largest expenditure.

3. Protection of Persons and Property, \$140,682,134, or 14.66 per cent. Under this heading are grouped many different services, from the administration of justice to national defence and including fire protection.

4. Communications, \$140,080,176, or 14.60 per cent. This is a clearly defined section of the general field and includes railways, waterways, highways, airways, the post office, etc. All will agree as to its importance, but this is a case where the necessity for an examination of functions and methods clearly appears.

There is the legislative function, as in the passing of the Railway Act, the Traffic Acts, etc., etc. A government might stop there, leaving enforcement to the courts. But our governments have added the function of administrative regulation, as in the Board of Railway Commissioners. Again there might be a stop, but there has been added direct service by governments through steam and electric railways and steamships they have constructed or have bought, and now operate either by departments or indirectly through boards. Some utilities are operated in competition with private interests and some are made monopolies. Another function or method is the granting of rail, steamship and highway subsidies.

Communications, as well as other important interests, must, of course, be served, but the question is by what functions or methods?

The other classes of expenditure are:

5. Legislation and General Overhead, \$117,909,778, or 12.29 per cent.

6. Public Welfare and Charity Grants, \$64,526,466, or 6.72 per cent.

7. Development and Conservation of National Resources, \$18,832,626, or 1.96 per cent.

8. Agriculture, \$18,396,080, or 1.92 per cent.

9. Health and Sanitation, \$16,380,322, or 1.71 per cent.

10. Immigration and Colonization, \$13,952,048, or 1.45 per cent.

11. Recreation, including National Parks, \$7,672,192, or .80 per cent.

12. Undistributed, \$28,318,767.

How these services have grown will next be examined.

HOW SPENDING HAS INCREASED SINCE 1904-5

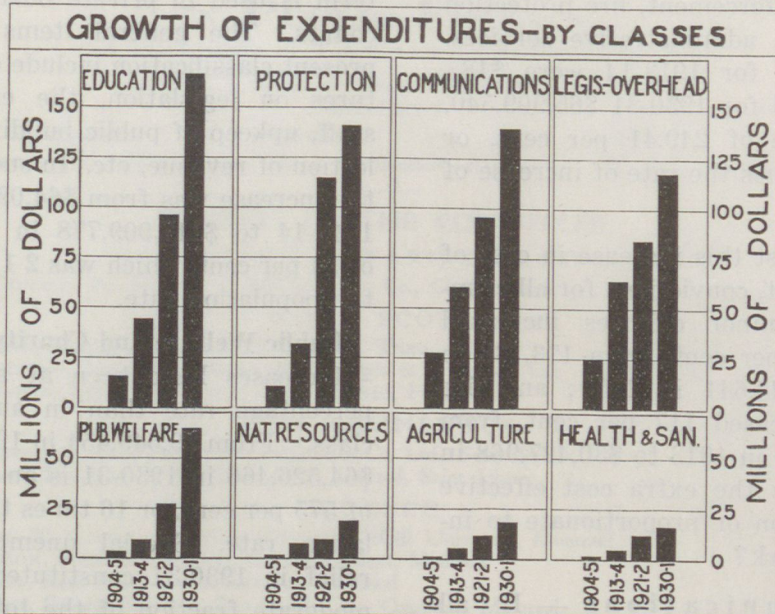


DIAGRAM NO. 12.

How expenditures have increased from 1904-5 to 1930-31 in the eight government services on which most money is spent, is shown in the diagram.

Education—Between 1913-14 and 1930-31 expenditures increased from \$44,258,732 to \$166,190,565, an increase of 275.24 per cent. Population of school age (6 to 16 years) increased in the same period by some 36 per cent, so that the rate of increase of cost was 7.6 times that of numbers of children. Comparison by numbers enrolled and in attendance cannot be satisfactorily made without special enquiry because available statistics are not on quite the same basis in the two periods.

Per head of the general population, \$5.80 was spent on education in 1913-14 and a little over \$16 in 1930-31. Most of the present active generation below middle age were educated on the 1913-14 scale. Are proportionately better results being

attained with the children now at school? What new facilities are provided? Is relatively more done in the higher branches? What part is due to larger capital charges on buildings and plant?

Most debt charges on educational account are included in the above figures of expenditure. Debt charges in the table below are only those not distributed to special services and belong mainly to other services. Complete distribution might alter the order in which the various services appear as to cost, but the education figures are on the same basis in all periods and are comparable among themselves.

Protection of Persons and Property—As National Defence is included under this heading, expenditures due to the war, such as pensions, soldiers' re-establishment, etc., account in considerable part for an increase from \$32,332,374 in 1913-14 to \$140,682,134 in 1930-31. Excluding all de-

fence costs, however, and leaving only law enforcement, fire protection and certain administrative services, the figures for 1913-14 were \$18,862,925 and for 1930-31 \$65,909,540, an increase of 249.41 per cent, or nearly 7 times the rate of increase of population.

As against this increase in cost of 249 per cent, convictions for all criminal and minor offences increased about 100 per cent, from 173,138 in 1913 to 345,641 in 1930; and fire losses increased 117 per cent, from \$14,003,759 in 1913 to \$30,427,968 in 1930. Was the extra cost effective in protection or proportionate to increased work?

Communications — If all debt charges were distributed according to services, figures under this heading would be much larger. The increase shown in the diagram between 1913-14 and 1930-31 was from \$60,376,231 to \$140,080,176, an increase of 132 per cent, or 3 2/3 times the rate of increase of population.

Legislation and General Overhead — A careful, detailed analysis of the accounts of all governments would have to be made before the items could be segregated which would cor-

rectly represent overhead as this term is used in private business accounts. The general items in the present classification include expenditures on legislation, the executive staff, upkeep of public buildings, collection of revenue, etc. In such items the increase was from \$64,092,835 in 1913-14 to \$117,909,778 in 1930-31, or 84 per cent, which was 2 1/3 times the population rate.

Public Welfare and Charity Grants — Increases have been at a higher percentage rate than in any other class. From \$9,549,454 in 1913-14 to \$64,526,466 in 1930-31 is an increase of 575 per cent, or 16 times the population rate. Special unemployment relief in 1930-31 constituted only a moderate fraction of the total.

Administration of Natural Resources — Expenditure more than doubled since 1913-14.

Agriculture — The rate of increase was 2.9 times that of acreage in field crops.

Health and Sanitation — Increased at 6 times the population rate.

Totals for all periods in each of the classifications dealt with in this and the last preceding chapter are, in dollars:

	1930-31	1921-22	1913-14	1904-05
1. Debt Service	\$226,603,554	\$213,105,270	\$ 46,180,823	\$ 26,131,320
2. Education	166,190,565	96,245,235	44,258,732	16,030,241
3. Protection of Persons & Property	140,682,134	114,996,522	32,332,374	10,617,964
4. Communications	140,080,176	95,284,280	60,376,231	27,670,527
5. Legislation & Overhead	117,909,778	84,261,466	64,092,835	25,165,505
6. Pub. Welfare & Charity	64,526,466	27,258,282	9,549,454	3,804,916
7. Natural Resources	18,832,626	9,610,845	7,518,023	2,035,231
8. Agriculture	18,396,080	12,079,428	5,793,889	1,451,485
9. Health & Sanitation ..	16,380,322	12,261,989	5,045,528	2,132,677
10. Im'grat'n & Col'zation	13,952,048	4,358,341	2,138,658	1,040,540
11. Recreation	7,672,192	4,864,943	1,979,000	680,000
12. Undistributed	28,318,767	44,417,486	17,863,583	4,520,000
GRAND TOTAL	\$959,544,708	\$718,744,087	\$297,129,130	\$121,280,406

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