

Dunning Reveals Total Deficit Of \$162,191,000

Improvement Slow But Consistent In Financial Conditions

Dominion Government's "Over-All" Expenditures Increased by Nearly Fifty Million Dollars in Past Year

OTTAWA, May 1.—(C.P.)—Presenting a picture of slow but consistent economic improvement but warning that difficult economic problems remained to be solved, Finance Minister Dunning in his budget review in the House of Commons today disclosed a deficit of \$162,191,000 in the over-all financial activities of the Dominion during the fiscal year ended last March 31, compared with \$116,134,000 a year ago.

Making his second budget speech since entering federal politics, the first having been delivered six years ago today, Mr. Dunning gave \$372,100,000 as the total revenue of the last fiscal year, against expenditures for all purposes of \$534,291,000.

Total revenues were \$10,229,000 better than the previous year but total ordinary expenditures were \$73,987,000, an increase of \$14,287,000 over last year, but \$16,000,000 less than was authorized by vote and statute. Extraordinary expenditures such as relief and Canadian National Railways deficits brought the

total up to \$534,291,000. A year ago a surplus was shown of ordinary revenue over ordinary expenditures of \$2,700,000, but a deficit when all expenditures were considered, of \$116,134,000, according to Mr. Dunning's figures. The Minister explained the present government was in power slightly over five months of the last fiscal year.

Unemployed Not Diminished

The Minister quoted figures to show a "real and steady" improvement in the economic situation, but removal of unemployed from relief rolls was not keeping step with expansion of industry. Wage rates were higher and there was less part time employment. While trade of 24 leading countries had increased 4.1 per cent, Canada's trade had increased 11.3 per cent, the Minister said, and the Dominion had moved from eighth to sixth place among the nations in world trade.

Imports during the fiscal year were valued at \$562,803,000 as against \$522,416,000 the previous year, while exports, excluding gold and bullion, were \$785,615,000, compared with \$659,869,000. An total surplus of exports over imports was shown amounting to \$216,000,000 apart from gold or invisible exports. To this the speech added \$119,000,000 in gold exports and an estimated favorable balance of \$110,000,000 in tourist trade, bringing the total surplus to \$445,000,000 which would be a valuable item in meeting foreign commitments.

After detailing the steps already taken to expand trade, such as the Canada-United States agreement and the adjustment of differences with Japan, the Minister said it was proposed, in the near future, to open active negotiations with several other countries for bilateral agreements "and the removal of hindrances now hampering international trade."

Attention was now being given trade relations with the United Kingdom, the Minister said, and it was hoped that for some time the discussions will share the place between representatives of the two governments.

Relations With Provinces

Mr. Dunning made special reference to financial relations with the Provinces and observed that the future was "clouded" by the "uncertain" financial position of some of the provinces. It was no secret, he said, that for some years the credit of the four western provinces had been maintained by support from the Federal Treasury despite heroic efforts by the Provincial Governments to curtail expenditures.

It was the intention of the Government, the Minister continued, to proceed with the Loan Council scheme with some modifications. He mentioned with regret the recent default by Alberta on a bond maturity and remarked that both British Columbia and Saskatchewan were finding it possible to meet bond maturities this month without help from the Dominion, the latter through the Bank of Canada, pending passage of loan council legislation.

Loans to provinces under various relief acts had now reached \$116,500,000, having been increased during the last fiscal year by \$42,304,000. To continue making loans for meeting maturing obligations, the quickly make the Dominion the Province's largest single creditor, a condition which he wished to avoid, the Minister said. There was no longer any statutory authority to loan to the Provinces for other than relief costs, nor would any be considered apart from the loan council scheme.

Other loans and investments which had to be provided for during the year, in addition to the \$42,304,000 for relief, were in connection with the railways, farm loan board, harbor commissioners, soldier settlement and housing, bringing the total loans and investments to \$60,403,000.

Loan flotations during the year reached \$50,000,000 with a consistent lowering of interest rates which averaged 3.5 at the end of the fiscal year as compared to 4.15 a year ago. In this connection it

EXCERPTS FROM BUDGET SPEECH

OTTAWA, May 1.—(C.P.)—Excerpts from today's budget address by Finance Minister Dunning.

"One cannot view the picture broadly without realizing that improvement—however gradual—is real and steady, and that the general undertone is one of definite strength."

"The upward swing of the business cycle is currently establishing higher levels of activity generally throughout the industrial and commercial field."

"Every step which helps to provide markets for agriculture brings nearer that day when the Canadian farmer, receiving more for his products than it costs to produce them, will once more provide, through the stimulus of his purchasing power, a sound basis for national prosperity."

"It has long been clear to everyone, I believe, that this process of making unsecured loans to provinces can not go on indefinitely."

"We are rapidly reaching—if we have not already reached—the impossible position where the Dominion Government will be the largest single creditor of those provincial governments."

"Loan council legislation would merely provide machinery which any province might take advantage of if it considered it to be in accordance with its own interests."

"Since March 31 the government has not had any statutory authority to make loans or give guarantees to any province."

"It was a matter of great regret to us that the government of Alberta did not see its way clear to accept the conditions under which alone our assistance could have been made available."

"The Government will proceed with the resolution designed to initiate the proposed constitutional amendment (to the British North America Act) and thereafter with the legislation providing for the establishment of loan councils and a national finance council."

"The record of Canadian securities in the investment markets of the world has been a most enviable one. It would be unfortunate if that record were seriously marred at this late stage when the outlook appears to be for continuing recovery."

"As long as we have an economy based on private enterprise—based on the willingness of thousands of individuals to make commitments for the future in the hope that profits will accrue—so long will the factor of confidence play an important part."

"Foreign trade is the very lifeblood of Canada."

"The conclusion of this (Canada-United States) trade agreement is probably the most significant step taken by two leading trading nations to reverse the trend of economic nationalism."

"It may be expected that steps will be taken in the near future to enter into active negotiations for the conclusion of trade agreements with several important countries."

"I am pleased to be able to report, for the fiscal year just ended, an important gain in our total trade with other countries, amounting in round figures to \$152,000,000. This is an increase of 12.8 per cent over the previous year."

Seeks To Repair Adverse Effect Of U. S. Treaty

Dunning Removes Duties On British Textiles To Offset Concessions Under Washington Pact

(C. P. By Guardian's Special Wire)

OTTAWA, May 1.—Downward revision of the customs tariff announced in Finance Minister Dunning's budget speech today, and becoming effective at midnight, include the removal of specific duties on British yarns and fabrics of cotton and artificial silk, reduction in the intermediate duties on clothing and articles manufactured from cottons or artificial silks, reduction in intermediate tariff rate on gasoline from 2 1/4 cents a gallon to one cent, and the \$100 exemption to tourists returning from abroad, and the amendments to automobile rates.

"The reference to the tariff board on yarns and fabrics of cotton," Mr. Dunning explained, "arose from a request by His Majesty's government in the United Kingdom, under the provisions of the agreement of 1932, for a review of the duties on those goods under the British preferential tariff. The board was obliged, therefore, in its appraisal of the situation—domestic and British—to use the yardstick stipulated by those agreements, namely, the equation of the relative costs of production in the two countries. The board has kept within the terms of its reference, and within the letter and spirit of the agreement, and the government desires to do the same."

Specific Duty Removed

"It is proposed, therefore, to remove entirely the specific duties on yarns and fabrics of cotton, under the British preferential tariff. It is proposed, further, as properly following the reduction of yarns and fabrics, to revise the specific duties applying to cotton clothing, wearing apparel and manufactured articles of cotton, by removing these duties entirely on imports under the British preferential tariff and by reducing them by one-half on imports under the intermediate tariff.

"In accordance with the results of the board's inquiry into the tariff situation surrounding artificial silk, it is proposed, under the British preferential tariff, to remove entirely the specific duties on both yarns and fabrics, to reduce also the ad-valorem rate on acetate yarns and to adjust the ad-valorem rate on the fabrics.

"As a corollary to this reduction, the government proposes to reduce both the British preferential and intermediate duties on clothing wearing apparel and manufactured articles of artificial silk, this reduction on the completely-finished articles being designed to pass on to the consumer the advantage in reduction of raw-material duties given to those who cut up the materials and manufacture the garments.

"In the case of many commodities covered by today's resolutions, downward revision of duty has been confined to the British preferential tariff. These—additional to cotton and artificial silk products already dealt with—include many of outstanding importance to United Kingdom producers and Canadian consumers.

"Closely related to these are those items on which reductions, while operative under both British preferential and intermediate tariffs, will, in most instances, give the

"Canada has moved up from eighth to sixth place among the nations in total trade."

United Kingdom producer a better trading position in this market.

U. S. Negotiations

"May I at this point say a few words regarding changes at this time in the British preferential tariff. In negotiating recently with the United States, the government took scrupulous care to respect in letter and spirit every syllable of the agreements effected in 1932 with various countries of the British Empire.

"Although the Liberal opposition of that day had registered disapproval of the conference arrangements on the ground that in too many instances these established preferences by raising duties against other countries, that opposition, now become the government of the day, has seen to it that every commitment was respected.

"No guaranteed British margin was impaired. Nay, more, many preferences that might with warrant have been deemed not to be in that class were deliberately set aside as not open to negotiation—such as such as considerable cost to Canada in the matter of bargaining.

Effect on British Trade

"And yet it is obvious that, although the agreements have been respected, the trading advantage here of British countries—notably of course, the United Kingdom—is not so great as it was prior to the Canada-United States agreement. The very fact of admitting the United States to the benefits of our intermediate tariff produced that result.

"In the near future Canada must again sit at a table with the United Kingdom to consider a new agreement. It is obvious that, in such negotiations, Great Britain will seek such concessions as will, in her opinion, enable her to increase her trade with Canada. In such negotiations, needless to say, the Canadian government will take equally scrupulous care to observe to the letter and the spirit of the Canada-United States trade agreement.

"Canada cannot give everything today and bargain tomorrow, but Canada can, and this government does, give today to Empire countries such concessions as will, I am sure, be accepted in the spirit in which the British preference was conceived. In this spirit this government, since coming into office, has seen to it that unnecessary impediments to intra-Empire trade have been removed, that vexatious restrictions have been lessened and that arbitrary regulations have been altered or abolished.

Not a "Bargain"

"It has interested itself in the increase of intra-Empire trade both by imports from the Empire as well as exports to the Empire; and under today's resolutions it proposes easier access to this country for certain Empire commodities. The proposed reductions in the British preferential tariff are in no sense elements in a bargain. They are both to Canadian consumers and British producers, but concessions made in the firm belief that only from mutually advantageous exchange of commodities can come that common benefit in which should lie both the origin and the objective of intra-Empire trade arrangements.

WIGAN, England.—The Wigan Duesby League club has put G. Bennett, international stand-off half, on the transfer list, Bennett turned pro for Wigan, leaving the Westonsuper-Mare Rugby Union team. He is regarded as one of the finest halfbacks in the game.

DUNNING SHOWS BIG GAINS IN EMPIRE TRADE

Benefits of Bennett Empire Trade Pacts Shown Conclusively by Liberal Minister

(C.P. by Guardian's Special Wire)

OTTAWA, May 1.—(C.P.)—During the 11 months ending last Feb. 29, the British Empire purchased from Canada goods worth \$32,178,467, Finance Minister Dunning informed the House of Commons in his budget address today. For the same period the preceding year the value was \$313,865,822.

Imports from the British Empire totalled \$163,429,300, against \$143,989,314 in the same 11 months of the 1934-35 fiscal year.

Canadian exports to the United Kingdom jumped approximately \$19,500,000, imports \$5,500,000.

"Within the Empire," said Mr. Dunning, "the increased purchases from us were distributed as follows: The United Kingdom 15.6 per cent, Australia 35.1 per cent, New Zealand 28.7 per cent, South Africa 7.1 per cent. Exports to British India dropped 17.3 per cent."

An upward trend in Canadian imports from Empire countries was also indicated. This increase, the Minister said, was shared as follows: From the United Kingdom 5.4 per cent, Australia 16 per cent, British India 13.4 per cent, New Zealand 21.7 per cent, South Africa 41.3 per cent.

It was shown that taking an index figure of 100 for 1926 interest rates in Canada had dropped in 1935 to 69.9.

Three Billion Net Debt

Gross liabilities of the Dominion at the close of the fiscal year amounted to \$3,432,000,000, which, after deducting cash and investment assets, left a net public debt of \$3,008,000,000 which Mr. Dunning said was an increase of \$967,000,000 in the six years since he presented the last budget of the Dominion Government.

While cheered by evidences of recovery, he saw in the distance yet to go and the problems yet to be solved the most impressive and at the same time the most distressing features of Canada's economic record. Improvement, however, was real and steady.

The business cycle was currently establishing higher levels. In March of this year the economic index of the Bureau of Statistics stood at 103.3, compared with 94.2 in March, 1935. In Feb., 1933, the lowest point of the depression, the index was 67.0.

For the first three months of the present calendar year manufacturing of all kinds showed an average expansion of 8.5 per cent. Lumber production on the Pacific Coast last year was 20 per cent greater than in 1934, and had reached the highest point since 1929.

"The Dark Spot"

The dark spot was agriculture which last year suffered climatic hazards, restricted markets and low

SUMMARY OF REVENUE AND EXPENDITURES

| | 1934-35 | Estimated 1935-36 |
|---------------------------------------|---------------|-------------------|
| Ordinary Expenditures | \$359,700,000 | \$373,987,000 |
| Ordinary Revenues | 358,474,000 | 371,780,000 |
| Deficit on Ordinary Account | 1,226,000 | 2,207,000 |
| Special Expenditures | 61,130,000 | 102,770,000 |
| Less Special Receipts | 3,397,000 | 320,000 |
| Balance | 57,733,000 | 102,450,000 |
| Add Capital Expenditures | 7,027,000 | 6,576,000 |
| Government Owned Enterprises | 50,148,000 | 80,958,000 |
| Total | 114,908,000 | 189,984,000 |
| Add deficit on ordinary account | 1,226,000 | 2,207,000 |
| Total deficit or increase of net debt | 116,134,000 | 192,191,000 |

TAX REVENUES

| | | |
|-----------------------|---------------|---------------|
| Customs import duties | \$ 76,862,000 | \$ 74,000,000 |
| Excise duties | 43,190,000 | 44,410,000 |

WAR TAX REVENUES

| | | |
|--|-------------|-------------|
| Banks | 1,368,000 | 1,805,000 |
| Insurance Companies | 750,000 | 760,000 |
| Income Tax | 66,908,000 | 82,700,000 |
| Sales Tax | 72,447,000 | 77,000,000 |
| Manufacturers' importation stamp, transportation taxes, etc. | 39,746,000 | 35,700,000 |
| Tax on gold | 3,873,000 | 1,413,000 |
| Total revenues from taxes | 304,443,000 | 317,288,000 |
| Non-tax revenues | 84,031,000 | 84,492,000 |
| Total ordinary revenues | 388,474,000 | 371,780,000 |
| Sundry receipts and credits | 3,397,000 | 320,000 |
| Total revenues | 391,871,000 | 372,100,000 |

Financial Highlights Of Past Fiscal Year

(C. P. By Guardian's Special Wire)

OTTAWA, May 1.—Following are highlights of the financial review for the fiscal year ended March 31, 1936, presented today by Finance Minister Dunning in the course of his budget speech:

Total "over-all" deficits of \$162,191,000 compared with \$116,134,000 a year ago.

Revenues for the last fiscal year \$372,100,000, an increase of \$10,229,000 over the previous year; expenditures for all purposes, \$534,291,000.

General decrease in interest rates and increase in volume of security flotations, both government and private.

Canada's trade increase in last year 11.3 per cent compared with average increase for 24 leading countries of 4.1 per cent.

Total trade gain of \$152,000,000 with surplus of exports over imports \$216,000,000, exclusive of gold or tourist trade which bring total surplus to estimated \$445,000,000.

Trade negotiations proceeded with several countries and discussions with United Kingdom on Ottawa conference trade agreements to be opened soon.

Loans to provinces reach grand total \$116,500,000. Further loans to be made only under proposed loan council scheme which will be proceeded with.

DANCE RECITAL AND FASHION PARADE HELD

The poetry of Motion was very beautifully defined at the Prince Edward Theatre last evening on the occasion of the annual dance recital by the pupils of Miss Vera Williams. Combined with the smartest Spring and Summer styles in sport afternoon and evening wear exhibited by Hoyt's and demonstrated very gracefully by Miss Dorothy Dumont, Miss Betsy Gaudet, Miss Joan McKenzie, Mrs. Vera Murray, Miss Esther Rattenbury, Miss Ruth Rattenbury and Mrs. Hal Stewart.

It was an altogether delightful entertainment. The senior and junior children beautifully costumed to suit the different characters, cleverly expounded the intricate steps of the folk, waltz, Scotch and Irish dances, and were gracefully agile in the different toe dances. Each number was heartily applauded but owing to the length of the program, it was impossible to respond to encores except in two numbers, "My Lady Goes A-Walking" by little Elizabeth Lantz and "Song and Taps" by Mary Walsh.

Miss Williams, who is to be congratulated on the fine showing made by her pupils, was the recipient of an exquisite bouquet and she in thanking the audience took the opportunity to present Miss Miriam Notting, who sold the largest number of tickets, with a dainty gift.

The following was the program: PART I Turkey in the Straw—Intermediates. Hungarian Dance—Joan McIntyre and Barbara Belcher. Highland Fling—Elizabeth Martin. Valentine Polka—Intermediates. Daisy Bell—Teen Age. Tap Routine—Juniors. Irish Lilt—Intermediates. Blue Danube—Teen Age. My Lady Goes A-Walking—Elizabeth Lantz (encored).

The second part of the program was a thrills playlet which was very beautifully presented. The scene in the first act was laid in a daisy field. A number of girls daintily dressed to represent daisies took part in this act. The last two acts were in Fairland.

The characters in order of appearance were: Daisies—Phyllis Arsenault, Teddy—Joan McIntyre, Daisies—Bessie Conrad, Billy Fitzgerald, Billy Bourke, Barbara Nash, Joan Gillis, Ann Sadder, Paula Arsenault. Evening Breezes—Miriam Notting, Mary Hooper. Run-away Fairy— Sylvia Chandler. Fairy Queen—Eileen McPhee.

Brisk demand brought gains of a point and 1/2, respectively for Hollinger and Noranda while Nickel mined is at 45 1/2. Smelters eased on odd-lots. Among the papers slightly higher prices were shown by St. Lawrence Corporation preferred, Bathurst and Howard Smith.

Canadian Hydro-Electric, up five points at 31, scored a smart comeback, but Bell Telephone lost more than a point. Shawinigan was 1/2 lower and other utilities remained stationary.

Rapid absorption of Distillers Seagrams pushed the price up 1/2 to 20 1/2, best level in more than a week. Bruck Silk, Canada Cement and "A" and "B" shares of Canadian Industrial Alcohol eased fractions.

Sales 15,053 shares; bonds \$4,780.

CAMBRIDGE WELL-COACHED CAMBRIDGE, England.—Four well-known pros are putting Cambridge University cricketers through their paces these days. Supervising training are "Pat" Hendren, idol of Middlesex's supporters at Lord's, James Outmore and Peter Smith, Essex, and Austin Matthews, Northamptonshire.

Cheerful Tone On Mt'l. Exchange

(C. P. By Guardian's Special Wire)

MONTREAL, May 1.—Montreal Stock Exchange list started the new month today with a somewhat more cheerful tone and gains had the margin at the close.

A couple of weak spots marked the list, but higher prices ruled for metals, papers and individual liquors and utilities. Textiles eased a bit.

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