

being "perfectly frank and candid with both the old parties in the House, and with the people of Ontario. It has been some job," he added, smilingly, "to grasp in the short time we have been in office all the different branches of the department. I am going to plead to this House my inexperience. I do not claim to be a possessor of any extraordinary ability—just common sense."

#### Explains Changes Made.

Hon. Mr. Smith attributed to The Globe an editorial comment that the Provincial Treasurer was showing a

deficit this year in order that it might be easier next year for him to show a surplus. "Such," he said, "was not my intention. I think every fair-minded man in the House will agree that the showing of a deficit is perfectly right."

He proceeded to explain book-keeping changes instituted under his regime. Under Hon. Mr. McGarry's system, he said, there would have been a deficit shown for this year of only \$632,813. Last year, the Provincial Treasurer reminded the House, Hon. Mr. McGarry had predicted a small deficit this year.

"He was perfectly right in his prediction," commented Hon. Mr. Smith. But he thought it would be a big responsibility for a man to stand up in the Legislature and foretell future financial events. He had changed from "ordinary revenue" to "capital receipts" certain of the revenues of the Department of Lands, Forests and Mines. "The amount put into capital receipts from the Forests and Lands branch," he said, "was arrived at by deducting the total cost of operation from the total receipts."

#### No Profit From T. & N. O.

Hon. Mr. Smith proceeded to explain that the whole of the war tax had been placed in ordinary revenue, so that war expenditures and receipts might be kept separate. "There is nobody in this House," he commented, "who will find fault with the late Government for its war expenditures. The only comment there might be was that it did not spend enough. The war expenditures of the late Government he estimated at \$10,210,000; receipts from war tax, \$8,186,964; war deficit, \$1,813,225.

Last year's Provincial proportion of the Hydro-electric expenses, \$202,537, had been put down in ordinary expenditure; Northern development expenditure (\$1,077,860) he claimed to be capital expenditure. The improvement of highways and colonization roads was entered in the Budget as capital expenditure.

The Government, he declared, had not got a cent out of the T. & N. O. Railway, "although it has twenty-two million dollars tied up as a capital asset in the T. & N. O. I have my doubts whether you would call anything an asset that has no value—from which we get no returns. The chances are that the future may change things for the railway. There is no doubt it has revenue-producing value, because it opens up the North country and induces settlers to go up there."

#### A Growing Liability.

The Provincial Treasurer took a serious view of the Teachers' Superannuation Fund. "We stand in this position to-day," he said. "We are assuming a liability with the superannuation fund that is going to grow very fast in the next few years. To-day, if the Government were to pay into it the money it owes that fund it would cost it a little over a million and a half dollars. And it should be paid. If the amount had been paid our deficit would have been a million dollars more."

Loans in 1919, according to Hon. Mr. Smith, totalled \$28,462,899. He told the House that the valuation of Ontario's natural resources was only "the wildest guess," and could be nothing more. The Province must be careful in guaranteeing bonds, and the Government would not guarantee bonds for anything that might be considered a luxury.

Mr. Dewart—Is there any estimate of what the statutory expenditure will be this coming year?

Hon. Mr. Smith—It will not be as much this year.

"It doesn't make any difference," he proceeded, "whether the Province of Ontario has a deficit this year or

not. We show a deficit of a million and a half dollars. But what difference does it make if the Government goes on? We have got to go on and do our duty by the Province of Ontario, and it is utterly impossible for

anybody to estimate what the expenditures are going to be. They are increasing every day."

#### Revenue is Delayed.

"We made some changes in the revenue for this year," he continued, "by which we hoped to be able to offset some of these items of expenditure. But it would be impossible for us to entirely offset them, for the reason that the Succession Duty Act, which was expected to bring in a good deal of extra money, cannot show full and correct returns until eighteen months after it is placed on the statute books. Estates have that length of time in which to pay.

"We anticipate increased revenues," he said, "from the corporation tax. We have increased the amount on the insurance companies and the banks." An act was to be brought down, he said, which would give explanations of the amounts of this corporation tax. At this point he also made announcement of the Government policy with regard to racetracks.

In conclusion, he declared that the Government had cut down capital expenditure in every possible instance. It was not building any new buildings where it could possibly avoid it. "We cannot cut down very much on the institutions, nor can we cut down on education," he said. "If anything, we have to increase expenditures on education. It is one of the things that we cannot possibly make any change in, save to increase it as the years go by. Any money that is spent on the education or the health of this Province, if wisely spent, is money extremely well spent."

#### Regrets Repeal of Tax.

The Provincial Treasurer was inclined to lament the passing of the mill-on-the-dollar war tax, which, he said, it would have been quite justifiable in the old Government to have continued it. If there had been no 20th of October last year he believed it would have still been continued. This revenue, he said, could have been applied very nicely to the needs of the soldiers, which he expected would not decrease in the next year.

Mr. Marshall (Lincoln) moved the adjournment of the debate.

According to estimates submitted by the Provincial Treasurer, Ontario's total receipts for the fiscal year ending October 31, 1929, will be \$20,211,378.

He anticipates expenditures of \$17,932,830, which would leave a balance of approximately \$2,300,000. Further supplementary estimates will probably consume a great portion of that amount.