

Surplus Announced, Another Forecast, In Budget Speech

**Taxes Remain as They
Were, But Decreases
Expected in Both Reve-
nue and Outlay—Pre-
mier in Spirited Repar-
tee With Nixon**

BETTER PROSPECT SEEN FOR TRADE

Showing a \$476,425 surplus in ordinary account for last fiscal year, and estimating a \$215,000 one for 1934, Provincial Treasurer George S. Henry presented his balanced Budget to the Ontario Legislature yesterday afternoon. It brought no change in taxation, and it forecast that both revenue and expenditure would be slightly lower this year.

Direct relief costs for 1934 are estimated at \$15,000,000, or about \$1,500,000 more than last year. This item forms part of capital payments forecast to total \$36,500,000. Public accounts for the year ended Oct 31, last, tabled coincidentally with the Budget, showed an increase of \$21,767,475 in the Province's net debt.

The Budget contained an indication that the Civil Service would be relieved of part of its salary assessment.

Mr. Henry's speech was optimistic, exultant and highly partizan. He defined the Province's taxation policy as the sale of services to those who wanted to buy; he answered Opposition criticism of Provincial borrowing, and in this connection engaged in violet argument with Progressive Leader Harry C. Nixon; he claimed his Government had the full confidence of the people, and, exhorting Liberals to abandon pessimism, he waved repeatedly before the Opposition a slogan culled from a Globe editorial: "Optimism ends depression."

Tribute to Mr. Dunlop.

First, Mr. Henry paid tribute to his dead predecessor as Provincial Treasurer, Hon. E. A. Dunlop, said the Premier, had been responsible to a very great extent for the success of Provincial financial operations during the last year. "He had been looking forward to presenting this budget," continued Mr. Henry, "especially as ill health last year had denied him the privilege of addressing the House on budget day. The last time I saw him, he was extremely enthusiastic over the prospect. I feel that, in a sense, I am speaking for him today."

The main financial operations of the Province already had been made public at that time, said Mr. Henry. It was only necessary for him to touch upon the more important items in the financial set-up.

Two Deaths.

He remarked on the tragic coincidence that the two Ministers of the Crown who had died since the begin-

ning of the present year, both had held the treasury portfolio. For himself, it was the second year he had delivered the Budget Speech, but the first that he had done so as Provincial Treasurer.

He interjected an appreciation of the Budget Committee efforts. In co-operation with the late Mr. Dunlop, officials of the Treasury Department, the Audit Department, an outside accountant, Colonel Gordon and the Attorney-General and the Prime Minister had worked on the budget problem in a very thorough manner last year, and much credit was due departmental chiefs for the co-operation given by their staffs.

Trying Circumstances.

Launching into his main discussion, the Premier said that government of the Province had been carried on under the most trying circumstances during the year under review. Demands on the Government steadily increased, mainly as result of privation and suffering on the part of needy citizens; hospital capacity was taxed, and all social agencies augmented their demands for assistance. "While we have lived within our means we have not reduced the standard of living throughout the Province," the Premier believed; "that standard had been maintained in spite of the economies in government we have practiced."

Turning to the public accounts, the Premier recalled the quoted remark of Mitchell F. Hepburn, M.P., Ontario Liberal Leader, at a meeting in Alexandria last July. Mr. Hepburn then, it was reported, had forecast a Provincial election before the end of the fiscal year, "because Henry dare not face another Legislature with the deficits accrued up to now."

Says Surplus is Answer.

"That," said Premier Henry, with a finger pointing at the documents which detailed a \$476,425 surplus, "That's my answer to the champion of the Liberal Party, who hasn't dared to take a seat in this Legislature, although it was offered to him, who hasn't taken a seat and settled down to Parliamentary discussion of the Province's affairs."

He himself felt like the man of ninety years who found himself "stronger today than when he started in life." That could be said of Old Man Ontario, and of the Conservative Party.

"We have a balanced Budget," boasted Mr. Henry, adding an aside that he was glad to see Dr. Simpson, Liberal financial critic, donning his glasses. "Our financial statement will bear scrutiny, and after careful study of it the people of Ontario will endorse it and congratulate us on our success."

Why a Balanced Budget?

Why, he inquired, need a Government Budget be balanced? He recalled that the then-absent S. C. Tweed (Liberal, Waterloo North) once had put that question to the Administration. He could only say that what was needed by the men on the farm or in the home was needed as well by the Government. A balanced Budget was the first essential needed to carry on in an efficient manner, to face the world with confidence, to be able to borrow for one's needs. No criticism could attach to borrowing if the funds were needed for a productive purpose, for the creation of assets. "That's what we're doing, year by year," he said. "Our assets are producing increased wealth."

The key to all success in business, said Mr. Henry, was a watchful eye on expenditure. For two years the Government had been cutting down expenditure, without starving the services that had to be maintained. Unemployment relief was an immense item, and was charged to capital account, "as it has been during the last three years. Following the example

of the other Provinces and of the Dominion, we decided it wouldn't be fitting to try to meet expenditures on behalf of the suffering and destitute by attempting to raise it from the people. The cost has borne upon us in increasing amounts; this year it is \$13,000,000. We have no apology to offer, for none is required to justify this more than ordinary expenditure."

Applause for Surplus.

Wild applause from Conservative benches greeted the Premier's first announcement of a \$476,000 surplus. He recalled that a deficit of \$2,000,000, rather than a surplus, first had been forecast. Why the difference? The Premier explained that, "we collected \$1,600,000 more than we expected." Miscellaneous items in the Attorney-General's Department had been underestimated by more than \$256,000, he stated as an example; Lands and Forests receipts were underestimated by \$338,000; motor vehicles' receipts by \$676,000, gasoline tax by \$1,000,000. Further, the Government had spent less in some departments than had been foreseen. Against these gains, certain sources of revenue had produced less than was expected. He instanced liquor revenue, down by \$3,745,000 from 1932.

"On the whole, it showed a better picture than we had anticipated," said Premier Henry. Greater economies cut ordinary expenditure by \$5,300,000, and capital expenditure by \$9,000,000. On the other hand, the Labor Department's costs were \$157,000 above estimate, "because of pressure there, largely as a result of relief administration."

Seller of Services.

Stating the Government's taxation policy, the Premier said: "We are not a taxing body, but a seller of services. If a person doesn't care to use them, he doesn't pay. It is significant that we derive our revenues mainly from luxuries; unlike some other Provinces, we have no Provincial income tax. Dominion subsidy, licenses, fees, liquor profits, payments for privileges, gasoline tax—that is, roughly, the picture of our sources of revenue. Out of \$51,000,000 less than \$5,000,000 can be called direct taxation. The municipalities are called on to pay \$1,250,000 toward mothers' allowances, \$850,000-odd toward old-age pensions, highway construction costs of \$2,655,000, and care of patients in mental hospitals, \$160,000, a total of \$4,926,000. That's all the direct taxation we can be held accountable for."

There was, he said, an increase in the debt. The financial statement showed the net debt \$21,767,475 higher than in 1932. But as for capital expenditure, if one excluded unemployment relief—"which we have to take care of, no matter what happens"—the total was a little over \$6,000,000 for the last fiscal year.

Borrowings.

Reviewing Provincial borrowings, the Premier recalled that last June the Province had sold over the Treasury Department counter a \$25,000,000 issue for debt retirement. The average yield was 4.602, and the cost to the Province was the most favorable obtained for an issue of similar term by any Province in Canada, and the best Ontario had received since 1902. Answering the criticism that the demand of the small investor had been overlooked, the Premier cited figures to prove that a large percentage of the loan had been issued in denominations of \$100 and \$500. The spread in price between what the Province received and what the purchaser paid was .86, less than that of any other Province's loan. He instanced a British Columbia issue with a spread of 2.56.

"There is abundant evidence that Mr. Dunlop took advantage of an excellent market, and that the Province got the cheapest money available," said Mr. Henry.

Another financial achievement had