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The Finance Department of Canada.

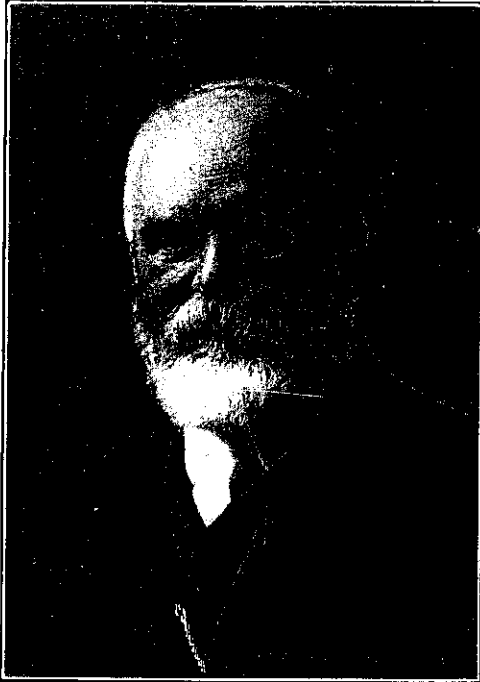
BY MR. J. M. COURTNEY, OTTAWA.

ADDRESSING the Canadian Club on "The Finance Department of Canada," Mr. J. M. Courtney, of Ottawa, said:—

Mr. Chairman and Gentlemen,—When your worthy secretary did me the honor of asking in your behalf that I should be this day your guest I told him that it was a change to come from behind the scenes after 37 years and advance towards the footlights, and that in the novel position, besides being untried, no doubt there would be many imperfections. For these you must forgive me while I try to say something on the subject of the Finance Department of Canada.

I served under every Prime Minister of Canada since Confederation. With each of them in turn I had the most friendly relations. I have served under every Finance Minister but one, Sir Alexander Galt, since Confederation, and with them also my intercourse has been frank and confidential. The one I did not serve under, Sir Alexander Galt, asked me to become the secretary of the office when he was High Commissioner, and in his case as in his successors, Sir Charles Tupper and Lord Strathcona, the Finance Department has received and continues to receive the greatest aid when matters touching Canadian finances are being dealt with in London.

When I entered the public service of Canada in 1869 the revenue of the Dominion was about \$13,000,000, last year it was over \$80,000—over six times as great. But although the scale of transactions was lesser, yet it was not altogether the day of small things. There were kings before Agamemnon, and the men who laid the foundations of Confederation, who thought out and thrashed out the details of the measure were men not to be despised. The result of the work is the Dominion of to-day. And while we hear of the fathers of Confederation and see their faces on the canvas, yet no one as far as I know has given a thought to the members of the public service who gave their assistance in framing the measure. I believe I am correct in saying that the financial clauses of the British North America Act were largely the work of John Langton, a man of great ability who, besides his work



J. M. COURTNEY, C. M. G.
Ex. Deputy Minister of Finance, Ottawa.

in the public service, did much in developing the higher education of Canada, as can be shown in your university, of which he was at one time the vice-chancellor.

Time would be too short to tell the tale of the financial progress of Canada—how stage by stage it has reached its present dimensions. All this is very interesting, and was not arrived at without labor and pain—sometimes the prospect seemed hopeless. In 1885, during the construction of the Canadian Pacific Railway the Dominion had obligations to all the leading banks in Canada; it had obligations in London; it had a \$25,000,000 loan immediately falling due, and on the arrival of Sir Leonard Tilley and myself in London to arrange matters, the first news we heard was of the resignation of the Gladstone Administration, with a possible war prospect, and a heavy drooping money market. I just mention this to show that to run matters smoothly requires constant thought and care.

But it is with the present and the future more especially I propose to-day to call your attention. In ten short years the Canadian budget has doubled. The progress is real and substantial. But with this great expansion new conditions have arisen and are constantly arising. To recall my first remark, the scenes require constant shifting. In one respect alone, the money order business of Canada, in the last three or four years there has been a transformation. Formerly, many of our people went to the States and made small remittances to their families and relatives in Canada. As a result the United States postal authorities had to remit to this side funds to meet the orders as presented. The reverse is now the case. To Great Britain, the United States, to the Scandinavian countries, to Italy, large remittances have to be sent to meet the money orders largely procured by immigrants for remittances to their families in the home lands. To Italy alone I estimate there will be sent over \$700,000 this year—these constant evidences of progress entailing new conditions require care and provision to be made by the Finance Department.

But beside the \$80,000,000 revenue and the \$81,000,000 expenditure of which I will treat later on, there are other matters which require the attention of the Finance Department. The Dominion is a common carrier running a railway; the Dominion is a banker, having savings bank deposits of about \$60,000,000, against which the law compels a reserve of gold to be held of ten per cent.; the Dominion issues notes against a gold reserve, the reserve being 25 per cent. for an issue up to \$30,000,000, and dollar for dollar beyond that

amount. The present issue on the 31st October was \$58,080,025, of which \$15,324,060 was in \$1 and \$2, the small change of the Dominion—and in that regard it may be stated that the circulation of \$1 and \$2 on the 31st October, 1896, was \$7,583,712. Another instance of the wonderful progress that has been made during the last decade.

The Dominion to meet the payment of interest on the loans domiciled in London is throughout the year largely in the market as a purchaser of sterling exchange, letting alone the amounts required for payments for stores, the postal exchanges and other services. In fact the turnover in cash under the control of the Finance Department runs to about \$1,000,000 each working day. To gather in the revenues the Department keeps some 24 bank accounts in Canada. Besides all these matters the Treasury Board, of which the Minister of Finance is the chairman and the Deputy Minister is the secretary, keeps guard over every appointment, promotion, retirement or superannuation in the public service; it looks after the refunds and remissions of duties; it settles differences between the Departments and the Auditor-General; it reviews all deposits and exchange of securities made by the licensed insurance companies with the Government; it grants certificates to banks on commencing business.

And here I may say that to the Department are rendered monthly the statements made by the chartered banks of the conditions of their affairs. While Parliament is in session the Minister of Finance brings down the estimates of the expenditures required by the several departments, which have been duly collated and put together by his officers. The officers of the Department also prepare the statements required for the budget speech. Two of the great Parliamentary committees are the subject of the concern of the Finance Department, the Public Accounts Committee and the Committee of Banking and Commerce. All bills referred to this latter committee are carefully reviewed by the officers of the Finance Department to ascertain if any of the powers sought are inimical to the public interest, and I may say that the financial clauses of bills referred to the Miscellaneous Private Bills Committee are also carefully scrutinized.

Rarely a session passes that the Department has not to bring in legislation regarding matters under its control, such, for instance, as currency. But the Finance Department, besides attending to all these matters, is a Department of reference and enquiry, and does a lot of silent work in all directions. Many are the imaginary claims that are inquired into;

many are the letters received during the year from England and the United States that a son or a brother had left England half a century ago and is believed to have left money in some bank in Canada, and asking for advice or assistance; many are the batches of students in colleges and universities on both sides of the border who are filled with ideas as to the best methods of governing the bodies corporate, and who ask for copies of all legislative enactments respecting banks, currency *et id genus omne*. To all are sent, to the best of the ability of the Department, the most grave and courteous replies. These and scores of other matters incidental thereto daily occupy the attention of the Department.

If this is the condition of affairs now, what of the future? If in ten years the figures have doubled, what may not happen as time rolls on? Sir Wilfrid Laurier has said the twentieth century belongs to Canada. From my heart I believe it to be true, and not a mere rhetorical phrase. To my mind Canada is now in a similar position to that of the United States anterior to their Civil War. Then their West began to be peopled, now the tide has set towards our West. As the years roll on Canada will make out a higher destiny, in what shape we know not, but I believe that the millions who will occupy our land will be true to the traditions of the mighty Empire of which this Canada of ours is a part. The budgets of future Finance Ministers will deal with figures beyond our present conception; and to my mind, beyond the occasional drawbacks incidental to development such as tight times, moderate harvests or over-speculation. I can see only in the future steady and universal progress.

I now come to another subject and here I wish to speak carefully. I mentioned that with a revenue of \$80,000,000 Canada spent last year \$81,000,000. Now all this expenditure has been sanctioned by Parliament. Each item was duly submitted and passed. If any division occurred in any vote it was so infinitesimal as to be put aside and forgotten. I wish to emphasize that all this expenditure was sanctioned by Parliament. Now, Parliament represents the people, and in no country in the world have the people such control as in Canada. In their municipalities, in their Provincial Legislatures, and in the Dominion Parliament the people, through their elected representatives, govern. There is no troublesome closure and the discussion of grievances precedes the granting of supply.

Occasionally the people rise and shake off their rulers; but, as a rule, when the time of an election approaches what do we see in the cartoons, what are the phrases in the election

addresses, what is the talk of the man in the street? Mainly that so and so is a strong man who can get favors for the district. Nearly all the arguments used in behalf of a candidate are materialistic. And when the turmoil is over and Parliament is called together and a vote is taken for a drill hall here, or a wharf there, or for a Custom House or a Post Office in some other place, however doubtful or perhaps unnecessary the vote may be, it is not for anyone to oppose and so the game goes on.

I am not blaming this Government or any Government, nor do I blame all electoral districts, but as long as the average voter considers that the great impersonal thing called Parliament is created to find money to be spent in his own locality, so long will present conditions exist. But I see signs of a change. I think recent events will make thoughtful people sit up and think, and, I believe, the day is fast coming when members will be sent to Parliament who will consider that a great trust has been placed in their hands to be used for higher things than securing votes of Parliament.

Now all this \$81,000,000 was spent under conditions laid down in the statute book. The money was placed under the control of the departments charged with the several services—certificates were given by the proper officers that the services were performed and the prices charged were fair and just. The expenditure was reviewed by an independent official, the Auditor-General, an official accountable to Parliament, and who can only be removed by Parliament. He had to see that all the gross revenues were paid into the Treasury and not the net, as in Great Britain, when large payments are deducted before cash is paid over. For much of the expenditure there is a pre-audit, and not, as in the motherland where all expenditures are audited after payment.

Beyond all, there is a great committee of Parliament, the Public Accounts Committee, whose duty it is to examine into expenditures.

Now there is a great difference between the Public Accounts Committee of the Imperial Parliament and the same committee here. At Westminster the Public Accounts Committee is made up of 15 members and is more of the nature of a judicial committee. The chairman is always a member of the Opposition. The present chairman is Mr. Victor Cavendish, a son-in-law of Lord Lansdowne. It sits frequently and reviews the expenditures seriatim. It is very interesting to see the members at their horseshoe-shaped table. The Secretary of the Treasury at one end, the Auditor-General at the

other, and the witness facing the members—everything is calm, business-like and judicial.

At Ottawa the committee is made up of more than a third of the House. It sits when it can at the call of the chair, and its business is apparently to exploit scandals. I do not for one moment say that iniquity should not be exposed. Perhaps it might be possible to keep the large committee at Ottawa and out of its number appoint a small sub-committee who might make and receive suggestions and lay down principles regarding public finance.

But leaving that question, as regards the public expenditure, there are three sets of people concerned—there is first the authorizing the expenditures, there is second the finding the moneys, and in the third place the spenders. In other words there are the givers, the finders and the spenders. Now I suppose that the mere fact of having to find funds develops and hardens the faculties of resistance and restraint which are characteristic of treasury officials all the world over. They are generally unpopular, even a man so great as the late Lord Salisbury flouted and jeered at the Treasury.

I do not for one moment wish to lay down any rule respecting expenditure. There are certain expenditures which properly regulated are eminently desirable to be made, as, for instance, the bringing into the Dominion a good class of immigrants; the working out the schemes connected with agriculture, such as experimental farms, dairying, buttermaking, cold storage; the protection and development of fisheries; the watching over our forests; all these are productive expenditures and should be encouraged. I can even allow that in the recent great development there may be excused a little swagger and possible extravagance. But allowing all this, I am afraid Canada is spending too much.

I am not a politician, but it would seem to me that either of three methods, to use Mr. Gladstone's favorite formula, might be adopted. Canada out of its abundance might redeem its indebtedness, or Canada might reduce its taxation, or it might, without adding to its debt, pay for its great national works. At the present time every effort should be made to save. It is true the debt has not been materially increased of late, but to repeat, every effort should be made to save.

The times are hard, the Bank of England rate is 6 per cent., there are no immediate prospects of cheaper money, for all the world, especially on this continent, is bent on expansion. The Canadian credit ranks high, very nearly equal to that of England. There are large maturing liabilities

to be met of loans made some 25 to 30 years back, and it will require all the wisdom of Government to meet the future and preserve our high credit. For these reasons I think that expenditures should be critically scanned and that a halt should be called in many instances. In all this I have made no remarks respecting capital or ordinary expenditures, for time is too short, and the distinctions began long before I entered the services. But there is a tendency in dealing with capital expenditures to forget that they add to the debt.

If time permitted I would enlarge upon what may possibly become dangerous to Canada, and that is a possible undue exploitation of foreign capital in developing Canadian interests. In a normal state of affairs the floating of high-class securities, such as Dominion, Provincial or municipal issues, in England, France or other countries where generally a low rate of interest prevails, is good. But I have seen the bad effect in India in the sixties, when owing to the war in the States large amounts of capital were poured into the country. In recent times the same evil effect happened in Australia, when only two banks, I believe, survived the crash. It behoves Canadian financiers to be careful in floating Canadian enterprises abroad; and above all things to keep Canadian credit at a high level. Any enterprises floated outside Canada should be undoubted in every way.

And now for one last word, which to the members of Canadian Clubs united together to work out the highest ideals in Canadian public affairs, need not, I think, require any apology. Canada, although a magnificent and lavish spender in many directions, is towards those who serve her a beggarly paymaster. I have tried to show you what the Finance Department is like. Can you imagine that the man who sets its policy is paid less than many a manager of a branch of a chartered bank? If this is the case with its political chief, what of the permanent officials?

What are the hours of work of a Finance Minister in the session? He is generally in his Department at ten; he goes to a Parliamentary committee at eleven, where he remains until one. He is with his colleagues from two to three, then to the House, where he may be till the small hours. He has somehow to receive deputations, and confer with his officers out of the session; he has to consider his constituents and aid his friends in making speeches—at all times there is the possible danger of reverse, and for this he is paid \$7,000 a year. All round the same niggardliness exists. Our public service, although perhaps I ought not to say so, is a magnificent

service. It stands well with any service in the world, but is miserably underpaid. It lives up to the ideal that the highest form of service is to save the State. It is not even a stable service, for the tie which attracted many to it has been removed in the doing away with the Superannuation Act. One of the problems of the future is to attract and keep able men in the public service. I would like to live to see a less materialistic community and a better remunerated service. It is for you, gentlemen, members of this Club and for members of your sister clubs, men who are actuated by a high degree of patriotism, to help and set forward these aims. To act rightly and to have the wisdom and strength to do so is the highest form of life, and this combination of right and wise living tends to righteousness, which, by the best authority we are told, is that which exalts a nation.

I am very much obliged for the kind way in which my few remarks have been received, and I must tender my apologies for the unusual position I was placed in.

Mr. D. R. Wilkie, Manager of the Imperial Bank, Toronto, said: I am glad to have the privilege of moving a vote of thanks for the able and elevating address to which we have just listened. It is not often that a public officer has served so many years with so little material return to himself, and Mr. Courtney retired universally honored and esteemed. Those who know him know he has elevated the civil service and protected the interests of Canada. He has always acted independently according to public opinion. Whenever he had the opportunity he has kept the country on the right lines and he has discouraged extravagance.

The banks of Canada are indebted to Mr. Courtney. He has been the watch-dog to keep them in line. If, in the future, he should choose to run for Parliament there are many seats in which he would do excellent service. I am glad of the opportunity to pay my respects to Mr. Courtney, and it gives me much pleasure to move this vote of thanks.