had been first recommended by a written message of the Governor-General. The British Government surrendered all control of the hereditary or casual revenues, which were thenceforth paid into the treasury of the province to be disposed of as its legislature should direct.

At the interprovincial conferences which took place prior to Confederation it was decided that the new Dominion Government, which was to take over permanently as its chief source of revenue the customs and excise duties that had yielded the greater part of the revenues of the separate provinces, (direct taxation being as unpopular in British North America as in other new countries), was also to assume the provincial debts and to provide out of Dominion revenues definite cash subsidies for the support of the Provincial Governments. (See Tables **16** and **17**.) Until the Great War, which made other taxes necessary, the customs and excise revenue constituted the chief resource of the Dominion Government for general purposes—the post office revenue and railway receipts which, properly speaking, are not taxes at all, being mainly or entirely absorbed by the expense of administering these services. Indeed, for many years preceding the war, customs and excise duties, together with the revenue secured by the head tax on Chinese immigrants, were the only items of receipts which were classified by the Department of Finance as taxes. In the last fiscal year of peace, these two items aggregated $126,143,275 out of total receipts on consolidated fund account amounting to $163,174,395, the post office and government railways furnishing between them $26,348,847 of the remainder, offset, however, by expenditure on these two services amounting to $27,757,196. Miscellaneous revenue, largely fees, amounted in that year to $10,682,273—a comparatively small fraction of the total. As both customs and excise taxes were indirect, the average Canadian felt but little the pressure of taxation for Dominion purposes.

The war enormously increased the expenditure and this increase had in the main to be met by loans, It is, however, a cardinal maxim of public finance that where loans are contracted, sufficient new taxation should be imposed to meet the interest charge upon the loans and to provide a sinking fund for their ultimate extinction. This war taxation was begun in Canada within the first weeks of the war, when in the short war session of August, 1914, increases were made in the customs and excise duties on various commodities, including coffee, sugar, spirituous liquors and tobacco. In 1915 special additional duties of 5 p.c. ad valorem were imposed on commodities imported under the British Preferential Tariff and 7½ p.c. ad valorem on commodities imported under the Intermediate and General Tariff, certain commodities being exempted. New internal taxes were also imposed on bank circulation, on the income of trust and loan companies, on insurance other than life and marine companies, on telegrams and cablegrams, railway tickets, sleeping car berths, etc., also on cheques, postal notes, money orders, letters and post cards. In the following year the Business War Profits Tax (dropped