

productivity and the productivity of the country at large. That it is not the place to tax them excessively. When these dividends have been distributed, when they come to you and to me and reach their final destination, tax them then as heavily as you like, because so long as these dividends are undistributed in the coffers of the corporation they are used for the public good in increasing the production of the country. But when they come to me, I can do anything I like with them, I can spend them in any frivolous way I want to. It is proper for the Government to say: we are going to take such a large amount of your dividends, which are your own exclusive personal property, that you will not be able to indulge in these frivolities, but that money will have to go for war purposes. That is fair to my mind. But, in my judgment, it is unwise to tax too heavily undistributed earnings of industrial enterprises of the country.

I have even another proposal to make to the Government, a proposal that I wish other ministers were present to listen to. It is this: If you cannot see your way clear to reduce in any way the severity of that schedule where it takes 50 and 75 per cent, then permit a company to take part of the money which it would pay you in taxation, half of it, let us say, and invest it in Government bonds. You get the money immediately just the same for war purposes. Let these bonds be registered bonds if you like; let them be non-interest bearing bonds for the time. Make it impossible for these bonds to be disposed of unless the minister's permission is given. Now, what do I mean by that? I mean just this: that these business firms, who will have to make industrial readjustments after the war will feel that if they go to the minister and show him that that money will be used in necessary alterations to their plants, the minister will release these bonds and allow them to be sold for the credit of the company. In that way, a company will feel that it has something to fall back upon, and that it will be able, after the war, to find that capital which it cannot find in England or the United States, or secure from the banks of Canada. It would thus be able to get a certain portion of the capital required for its development.

As regards income tax, I have only a few observations to make. Until the war came, the Federal Government always relied upon indirect taxation for its revenue. The business war profits tax and the income tax were the first real measures we have

had of direct taxation. We used to leave direct taxation to the provinces. I believe British Columbia is the only province which has really imposed that tax to an extent that the people feel. The war has forced upon us the direct tax, and we are likely hereafter to secure a very large portion of our revenues from such taxation. Last year, when we met here, we passed the income tax. At that time the United States was considering amendments to their Act. Since Parliament adjourned a year ago, the United States have passed an amended income tax, and I was glad to-day to see that the Acting Minister of Finance was proposing to modify our income tax very much along the same lines as the American income tax of October, 1917. I wonder if he realizes what it is going to mean to reduce his exemption from \$3,000 to \$2,000, in the case of married men, and from \$1,500 to \$1,000 in the case of single men? I think our exemption has been too high. I have many a time said from the public platform that unless a man was earning \$10 a day every working day of the year, the income tax would not touch him. That is quite true. A single man has had to make \$5 a day in order to pay income tax. Now, we are going to tax incomes from \$2,000 upwards. In addition to that, there is to be an exemption for each child under the ages where they cannot work. What did the United States find when they reduced their exemption from \$4,000 to \$2,000 in the case of married men, and from \$3,000 to \$1,000 in the case of single men? They found that it multiplied the number of contributors eight times. Our income tax at the present time will touch only about one per cent of our whole population. I very much doubt whether there will be one hundred thousand people paying such a tax this year under the legislation passed last year. You will have eight times as many under the new proposals, if our experience is the same as the United States. And that is right, because the experience of every one who has touched the great heart of the Canadian people at this time since the war began is that the people as a whole are sympathetic. I have had experience with the Patriotic Fund for four years, and I know that we get thousands of subscriptions from people making less than \$10 a day, and I know that the people are ready and willing to bear their fair share of the war taxation, and the widening of the base of taxation suggested this afternoon will meet, I think,