

ped in and seized say two-thirds of all the commercial profits made in the country, and had spent them on current revenue. The money would for the most part have been disbursed and lost at once. The Mercantile Class would have been hampered and discouraged. The risks incidental to fishery outfits would have been much more difficult to face. Vessels would not have been built. Wholesale Merchants would have been less able to carry large stocks. Speculators would have been afraid to pay high prices for produce and would have been financially unable to hold against foreign buyers for good prices. The value of the Colony's products would have suffered. Imports would have fallen off and the revenue would probably have lost much more from these causes than it would have gained by the suggested heavy Direct Tax, while all, from the poorest to the richest, would have had a much more difficult round to travel so far. This is not an argument against ANY direct taxation. It is an argument in favour of making any direct taxation as moderate as it is possible to make it under normal conditions, not in the interests of the well to do, but in the interests of the whole community.

The two requisites about Direct Taxation are, first that it should be as moderate as possible, and second that it should be equitable and fair between man and man. It is in the latter point that the PROFIT TAX of 1917 failed, though owing to general misapprehension when the measure was before the Legislature in 1917 this has never been very generally understood. The inequity embodied in the Act has since been practically rectified through the Income Tax enactment.

The above discussion upon principles of taxation has injected itself

naturally as a result of the consideration of what Capital really is and what function it has to perform in the modern world with special reference to our own small community.

As between Capital, Labour and the State, there must be equity; there must be mutual understanding; there must be toleration; for until there is evolved some new and workable system, to replace our present system, upon which is based all modern civilisation worth the name, Labour and Capital are interdependent and the existence, maintenance, rights and progress of each must be preserved in the interests of both; and there is no other practical system of life in sight at the present time.

It has already been stated that the peculiar conditions existing in Newfoundland should help in the avoidance of that degree of enmity and misunderstanding which has in the past and which probably will for sometime in the future, beset the paths of many Industrial Communities. The line of demarkation between Capital and Labour is less marked here than it is in most places. For an unusually large proportion of the inhabitants of Newfoundland are in the strict sense of the word Capitalists, though not large or wealthy Capitalists. They are Capitalists because they themselves are the owners of the machinery of production. Outside of St. John's and a few other centres a major part of our population own their own boats, schooners, stages, fishing implements, stores and houses. They combine in themselves the essential and fundamental elements of both Capital and Labour. Comparatively few are working for fixed wages and the machinery for the most part is their own. I am dealing with the broad