

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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STOPPING THE NATIONAL WASTAGE

During the past fortnight, attention has again been called to the necessity for still further economies. Sir George Foster in speaking of the cost of the war to Canada, said we had no idea of the burden that was resting on the country and would be for years to come. "The gospel of thrift," he said, "must sift into the Canadian people; it is making progress but the goal is not yet reached." There seems, in fact, to be a general agreement upon this point. It is when the question of ways and means is discussed that differences of opinion arise. During the past two weeks, however, two or three events have impressed upon us the necessity and advisability of further increases in taxation. There is no lack of evidence of ability to bear a much heavier burden than is at present imposed. Taxation in Canada is much lighter than in Great Britain, but even there it was reported the other day that musical instruments, which if not luxuries, are, at least, not articles of necessity, are in greater demand than ever before.

In our own case in Canada, while imports have been heavily taxed, the income tax, even as revised this year, merely touches the surface, and the individual who restricts his expenditures to necessities or near-necessities has a large margin still. In fact, were this not the case, there would be no necessity whatever for such government regulations as those regarding the consumption of food and other restrictions of expenditure.

President Wilson, in addressing a joint session of Congress on the 27th of May, emphasized the same point. "Only fair, equitably distributed taxation," he said, "of the widest incidence and drawing chiefly from the sources which would be likely to demoralize credit by their very abundance, can prevent inflation and keep our industrial system free from speculation and waste. We shall

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naturally turn, therefore, I suppose, to war profits and incomes and luxuries for the additional taxes."

There could be no more direct acknowledgment of the fact that economy is more satisfactorily realized by taxation than by any other means, and by cutting off the income of the individual, unnecessary expenditure is prevented at its very source. This is the case with the income tax, and once the machinery for collection is created in Canada, an increase in the tax will involve little or no increase in the cost of collection. Taxation of the incomes of corporations is the next great source to which the President referred. In this case, income is obtained immediately after its acquisition and before it is distributed among individuals. The war profits tax or excess profits tax is merely a special case of the business profits tax, which is considered a fit subject for a special high rate of taxation.

In the report of the Cost of Living Department on millers' profits, the fact that millers' profits have increased enormously since the commencement of the war appears to be clearly established, but the method of dealing with these excess profits that is recommended by the report is not that of legislation of a regulative character, but as the report states: "It is clear the only way to reach the profits of the milling companies is to increase the tax on the net profits on total investment for the year." The same point is brought out in the speech of President Wilson mentioned above. "Profiteering that cannot be got at by restrictions of conscience can be got at by taxation."

The simplest and obviously the most effective method of restricting private expenditure, is taxation, which taps springs of extravagance at their very source. The best judge of individual necessities is always the individual himself, and a more satisfactory result can be secured by permitting the individual to decide upon what he shall expend his income, than by prescribing it by government regulations.