

considerations regarding wages and their proper limitations in both directions, without reference to any specific rates or to any special situation, which may arise here or elsewhere.

It seems opportune at this stage also to refer briefly to the vexed question of Direct vs. Indirect Taxation. By Direct Taxation of course is meant such direct levies as are embodied in Death Duties, Income Taxes, and Profit Taxes. Indirect Taxation is that which is generally levied upon Imports.

In well developed Industrial Communities, possessing much permanently invested and liquid Capital, large and wealthy populations, and with the country's resources already brought into operation, a major proportion of the requirements of the Government can with safety be raised by Direct Taxation. It is a matter that requires much more consideration in the case of poorer and more backward countries. It is not suggested that even in such countries there should be no such thing as Direct Taxation, but that the amount of Direct Taxation that can be wisely imposed depends upon the special conditions and circumstances existing in the country to which it is to be applied. Direct Taxation from the point of view of the community as a whole, (and entirely irrespective of the individuals affected), has this drawback—it takes away surplus savings that in the ordinary course of events would be reinvested permanently in increasing the machinery for production and transport—in other words it seizes potential reproductive capital, in the wise investment of which every man, woman and child in the community has a personal and permanent interest—withdraws it from permanent use and disburses it, often very unwisely and extravagant-

ly, upon current governmental expenditure. As reproductive capital it is to a large extent lost.

There is this difference between Direct and Indirect Taxation, that in the case of Indirect Taxation the amounts taken would not for the most part be added to the reproductive invested capital of the country at all, at least under present conditions, while the contrary holds good in the case of Direct Taxation. On the other hand it must be of course emphasised that Indirect Taxation is paid to a greater extent than Direct Taxation by those who cannot so well afford it. It will thus be seen that the question of the wisest course between Direct and Indirect Taxation, becomes like so many things in this imperfect world a question of judicious compromise. While conditions might easily arise where very heavy and indeed crippling Direct Taxation might in the general interest have to be superimposed upon heavy Indirect Taxation, it would be in normal times and particularly in countries which are not very fully developed industrially, a very serious mistake, and especially for the interests of the less opulent classes, to have Direct Taxation made more onerous than is absolutely necessary. For thereby you are apt to cut off the natural growth and increase in new capital investment without which there can be to-day no improvement in the conditions of life for anyone. For when new Capital is being constantly invested, no matter who happens to provide it, it means more competition and greater demand for human activities of every kind. It means cheapened production, advancing wages, and increasing comfort and happiness.

Consider for instance what the condition of this Colony would be to-day if in the first two years of the War the Government had step-