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## The Journal of Commerce

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### Special Articles

Realizable Assets Supporting Our War Loans,  
By H. M. P. Eckardt.

Retail Marketing and the Productive Process,  
By W. W. Swanson, Ph.D.

Comments on Current Commerce,  
By E. S. Bates.

Conditions in the West,  
By E. Cora Hind.

Banking and Business Affairs in the U. S.  
By Elmer H. Youngman.

Editorials:	Page
The Income Tax .....	1
Tax Exempt Bonds .....	1
The Question of Excessive Profits .....	2
The Irish Convention .....	2
Another School Question .....	2
Realizable Assets Supporting Our War Loans ..	3
Banking and Business Affairs in the U.S. ....	4
Conditions in the West .....	5
Retail Marketing and the Productive Process....	6
Comments on Current Commerce .....	7
English After-the-War Problems .....	8
The Japanese Silk Trade .....	8
Public Opinion .....	9
Among the Companies .....	10
Canadian Bank Clearings .....	12
Summary of Proposed Income Tax .....	17
News of the Week .....	14
"A Little Nonsense Now and Then" .....	15
Guide to Investors .....	17
The Exporter's Field .....	18
The Allan Line .....	19
Commodity Markets .....	20-22

### The Income Tax

WHEN details come to be considered room for criticism and for amendment may be found, but so far as their principle and purpose are concerned there should be general approval of the Government's proposals for an income tax. Taxes of any kind are not usually pleasing to those who have to pay them and the present proposals will not be exempt from that general rule. An income tax is sometimes objected to as one of an inquisitorial character. On the other hand it is a fair tax inasmuch as it "tempers the wind to the shorn lamb"—adjusts the burden in accordance with the ability to bear it.

Hitherto income tax has been employed in Canada for municipal purposes only, and not generally for them. As a local tax some objection may be raised to it. There is sometimes a seeming unfairness in it, for it taxes for local purposes income derived from operations far away, which receive no benefit whatever from the funds into which the tax is paid. Cases of that kind are very numerous. A man who has investments in British Columbia and comes to reside in an Ontario town is obliged to pay to the town a tax on his income, though he does no business there and receives no more benefit from the town's service than his neighbor who may pay little or no income tax. This seems to be unjust. Some argument can thus be used against such a tax for local purposes. But in the case of a national tax such objections disappear almost wholly. It is true that there may be cases in which there will still be an appearance of similar injustice, where the income of a Canadian arises from investments abroad, but such cases will be comparatively few. With few exceptions Canadian capital is invested in Canada and the income from it is a legitimate subject for taxation for the purposes of the Dominion at large.

The general plan adopted by the Minister of Finance seems fair and reasonable. The income of a single man up to \$2,000 and that of a married man up to \$3,000 are to be exempt from the tax. Thus the mass of the people, those whose incomes are of a very modest character, will not be called on to pay this new tax. These, however, are already paying indirectly through the operation of the customs and excise laws their full share of the burdens of the time. Those who are fortunate enough to have incomes in excess of the figures given are to pay taxes beginning at 4 per cent and increasing in percentage until a rate of 25 per cent is reached in the case of the most wealthy. If there is room for amendment of the scale it is probably on the 25 per cent rate, which might well be higher. The tax of 4 per cent on the man who is assessed on \$2,000 income may be quite a burden to him, and the payment of it, in addition to his other obligations, may mean considerable self-denial,

while the payment of the 25 per cent by the rich man means no self-denial of any of the comforts of life, but only operates as a check on the accumulation of wealth.

It is war-time and the war service which the country is firmly resolved to give calls for large additional revenues. The system of indirect taxation on which we have hitherto relied for revenue is probably yielding to-day nearly all that can be obtained from such methods. The adoption of an income tax seems therefore to be the best way in which the additional revenue can be obtained. And while the measure is adopted now as one for war purposes, the probability is that after the war it will not be abandoned. Revision there doubtless will be, in the light of experience, but the principle of an income tax for national purposes now introduced will probably be found to be useful as a permanent part of Canada's fiscal policy.

### Tax Exempt Bonds

THE Minister of Finance has been adversely criticized by a member of Parliament because he has exempted the Dominion loans from taxation. Sir Thomas White's very natural reply was that the promise of exemption from taxation was of material value as an attraction to investors, and that he believed it had much to do with the success of the loans. In transactions of this kind there is a very strong temptation to a Finance Minister to follow the line of least resistance. Unquestionably the exemption from taxation is an attractive bait on the hook which is thrown out to catch the investors' money.

Without questioning the past action of the Minister one may well ask him to consider whether he will be wise in adopting such exemption in his further loan operations. Hitherto there have been no Dominion taxes which could conveniently have applied to Government bonds. The promise of exemption from a form of taxation that did not exist was an easy policy for the purposes of the moment. But if the exemption policy is to be adopted hereafter it may be a case of serving the present at the cost of embarrassment in the future. Now, for the first time, we are to have a Dominion income tax. To give the buyer of a Dominion bond exemption from taxation will hereafter be to give a real exemption, which may easily prove a serious inconvenience to the Government and otherwise open to objections that have not yet been encountered. The chief aim of the income tax is to tax the wealthy classes. These are likely to have a large part of their wealth in the form of Government bonds. If all such bonds are to be exempt from taxation many of the wealthy people will pay little income tax. The reflection that these people, when they bought their bonds, paid a shade more for them than they would have