

If we assume that the amount on this account will be of the order of \$200 million, we may conclude that our total cash requirements for the year will be roughly of the order of \$750 million to \$800 million. However, we began the year with cash in hand of approximately \$187 million and as a result of the sale of war savings certificates and stamps we expect to raise during the balance of the year approximately \$50 million. This would leave approximately \$550 million to \$600 million to be raised by the issue of new long-term loans. These are impressive sums but I know that they are not beyond the capacity of our markets to absorb under the conditions of expanding business and rising national income which I believe we have every reason to expect. I repeat, the limits of our war programme are not fiscal, but physical, mental and moral.

In the foregoing calculations I have, you will note, included in revenue only the yield of the new and increased taxes which we expect to be actually paid into the treasury before March 31st, namely, \$110 million. But all our tax proposals relate to incomes, profits or transactions that will be earned or made during the current fiscal year. Not for the purpose of government accounting but in order to learn the answer to the question which I posed earlier this afternoon as to the relative reliance we intend to place on taxation and borrowing, it would be appropriate to take into account the total yield of our new or increased taxes, whether or not the proceeds will be actually received before the end of the fiscal year. On this basis we would add to the \$650 million estimated as the probable total revenue from our existing tax structure during the year, the whole \$280 million which is the expected yield of the new or increased taxes which I have proposed, making a total of \$930 million instead of \$760 million. This would mean that if our total war expenditures should amount to \$900 million, the programme which we are proposing is designed to secure for such war expenditures from tax revenues the sum of \$482 million (that is, the difference between the figure of \$930 million I have just given and \$448 million of anticipated government expenditures on non-war activities). As compared with this \$482 million, there would be left a gap of \$448 million to be financed by borrowing or by cash already in hand. I think the house will agree that a very serious effort is being made to carry the pay-as-you-go policy as far as is practicable. Of course, this comparison of the relative amounts to be provided by taxation and by borrowing will be less favourable if our war expenditures exceed \$900 million.

[Mr. Ralston.]

It is natural, Mr. Speaker, that comparisons should be made between the new tax rates and rates previously levied, and such comparisons will reveal great increases, particularly in income taxes, corporation and personal. But there are some other considerations which should be remembered. In the first place, we have not, in the lower and middle brackets at least, come near to the levels of income tax imposed in the United Kingdom. In the second place, there is every likelihood that during the present fiscal year our national income may be expected to show a very substantial increase. The government will be pouring into the income stream many hundreds of millions of dollars, while much of the taxes payable under the measures we propose will not be withdrawn from incomes until late this year, or in some cases until next year. Thirdly, with rising incomes, taxes even of this degree of severity can be borne without deprivation, and their imposition at this time will avoid the necessity of still heavier increases in taxation in the days after the war when incomes may be falling.

Fourthly, to those who may have any fear of the effects of these taxes on business in this country, I say that businessmen and individuals alike must strain every nerve to meet the needs of this hour. The taxes herein imposed on business are heavy taxes, but for the most part they fall on profits, and the more we can find practical means of paying as we go, the more we will improve the long-run outlook for business as well as individual prosperity in this country.

The proposals, Mr. Speaker, which I have outlined are an attempt to help to meet the crisis in terms of taxation. They bear upon all classes in the community. If the taxation provisions are the most drastic which have ever been imposed upon this country, they are certainly no more drastic than the present hour and the present need demand. The future may well demand still more.

I ask those who think that they are too drastic to bring both their common sense and their idealism to the rescue of their opinions. Common sense will ask them what will become of their property or incomes if Germany and Italy should conquer the British empire. Idealism will teach them that money and material things are as nothing compared with the freedom and the dignity which it alone can bring as a benediction to the life of man.

At this time everything which we treasure and the survival of the things of the spirit and mind and soul which are the most precious of all, will depend upon the willingness and the capacity of men of our blood and kith and kin to endure and to die.