

is being crushed between the millstones of collapsing land-values and rising taxes." But this Board may take this opportunity to say that to it the most inexplicable part of the strange economic phenomena referred to is that no individual or body of men, no financier, no Board of Trade or other body, not even the press or any one else to whom the people might look to for guidance, raised a note of warning during that whole spasm of wild riot of borrowing and spending. On the contrary, some of our big financial institutions and public corporations "set the pace and led the race" in establishing false values.

This being the case, it is no wonder that the wage-earner, the man on the street, and even farmers, who should know better, lost all sense of proportion in respect to land-values.

It is a pity that some one with the wisdom of Dr. Adam Shortt did not have the power to stop all this wild orgy of speculation. Even now there are those amongst us who say that if capital is brought and spent, no matter how, even if it is wasted, it is a benefit, in spite of the teaching of our best economists, who show, as experience teaches, that capital squandered or misdirected is harmful, since it directs labour into channels of employment that cannot be permanent and are destructive rather than productive of wealth.

The conditions in the Province when the war broke out may be summarized as follows: Highly inflated real-estate values, heavy indebtedness resulting from reckless borrowing by the Government, municipalities, and private individuals, all of which led to wasteful expenditure and a misdirection of the energies of the people. It is estimated that more than two-thirds of the people were living in cities or the suburbs of cities, most of whom were depending on an increase of real-estate values to recoup their investments and to bring in a revenue to live on. The reaction came and thoroughly demoralized the community commercially and industrially, except in the lines above mentioned. The war relieved the situation, at least temporarily, but the debts remain, and the real-estate values are sought to be maintained by the owners except for purposes of taxation.

This review of the history and present condition of the Province, prompted by the remarks of the Royal Commission on Taxation in 1911 on its condition at that time, might be amplified and the facts emphasized by quotations from evidence from many sources, and is made for the purpose of showing a basis, and, in some degree, to justify some of

the opinions and recommendations herein contained, especially in respect to land-values and the taxation thereof.

This Board, keeping in mind the duties prescribed for it by the "Board of Taxation Act," when investigating the present system of Provincial taxation and the taxation laws of the Province, and comparing these with the principles and methods of taxation in the other Provinces of Canada and other countries, has kept in view, also, the conditions in this Province arising from its "newness," its resources, the stages of their development, and the distribution and character of its inhabitants, in order to realize the similarities to and differences from the conditions, resources, and population of the various countries with whose systems the taxation of this Province has been compared.

This Board recognizes the fact that comparative "ability to pay," which is the just guide in taxation, may not have the same basis for measurement as between the several classes in different communities. For instance, "ability to pay" in an old, highly organized, and densely populated country will have a different basis for measurement from that of new and sparsely populated ones. In a new country like this, where population is sparse and natural resources still open for appropriation by individuals, and where in consequence there is no circumscribed area out of which it is difficult for the wage-earning class to get, such as exists in old countries, comparative "ability to pay" may indicate the justice of levying a portion of the revenue required by the Government on a lower stratum of economic units of the population than could be justified in the older communities. For, as Adam Smith pointed out in respect to the then American Colonies, cheap land brought cheap food and high wages, and that condition should obtain in this Province under natural development.

When Adam Smith wrote, the Eastern part of this continent was being developed in what may be called the natural way—developing first the agricultural resources and slowly accumulating capital to be applied later on for industrial undertakings. In that period the farmers lived mostly on what they grew on their farms, and, indeed, produced within their own homes most of their clothing and bought very little of commercial goods. The same process of development was taking place on this Coast, as the early history of Oregon will show, when a new and disturbing factor to that process was introduced by the discovery of gold in California and by a similar event in British Columbia about ten years later. This led to a reversal of the order of development which took place on the Eastern side of the continent, for in California agricultural development followed rather than preceded other development, because gold-mining raised wages for a time far above any scale of wages that farming could afford. But this was only for a short time, as her rich lands soon attracted the less adventurous souls and those whose first attempts at mining were unsuccessful, which soon brought her agricultural production up to a point where it not only supplied her own population, but left large quantities for exportation.

In British Columbia the reversal was still more marked and still continues, for we are, up to the present, far from raising enough farm products for our own consumption, and this Province cannot hope to succeed in developing widely on the many lines of production for which she has raw material without the first pre-requisites—namely, cheap food and consequent lower wages.

In following, further, the example in the report of the Royal Commission of 1911, this Board hopes it will not appear superfluous for it to refer to some of the principles underlying taxation as set forth by students of political economy, of which science taxation is a very important branch.

Political economy is defined as that part of science which investigates the production and distribution of wealth, and wealth may be defined as those things produced by mankind that yield to individuals the support and com-

The Standard Bank of Canada

Quarterly Dividend Notice No. 114

Notice is hereby given that a Dividend at the rate of THIRTEEN PER CENT. PER ANNUM upon the Capital Stock of this Bank has this day been declared for the quarter ending 30th of April, 1919, and that the same will be payable at the Head Office in this city, and at its branches on and after THURSDAY, the 1st day of May, to Shareholders of record of the 19th of April, 1919.

By order of the Board,

C. H. EASSON
General Manager.

Toronto, March 21st, 1919.

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