

tax could be increased if you reduced the exemptions, but then you get down to the man with less than \$1,500 a year who is already exposed to a municipal tax, and in some provinces to a provincial tax, so that you have to work within limitations.

By the Chairman:

Q. Would there be any objection, in your judgment, to increasing the Business Profits Tax so as to raise the moneys required?—A. The Business Profits Tax could not be raised, and personally I have grave doubt whether it can be continued over any considerable time without grave damage to the trade of the country.

Q. For what reason?—A. Because the limiting of business to a certain percentage in the first place discourages enterprise from coming into Canada, and in the second place tends to prevent merchants and manufacturers from creating reserves with which to extend their business, especially extensions. It came to my attention many times during the war that concerns would establish in Canada but for our Business Profits Tax; they are afraid of it; and this being a country that invites immigration and business enterprise I always thought that we should have regard to that fact and to our future in the imposition of our taxation. My own view is that with the declining profits—and they are bound to decline; they are declining—the income tax will prove, in the case of most companies, to be larger than the Business Profits Tax; in other words, it will, so to speak, automatically go out. It has yielded a very large amount of money. The last time I inquired I think it was \$75,000,000 or \$80,000,000. When I imposed it I estimated that it would realize \$30,000,000 in three years; it raised about three times that amount, I think.

Q. Do you know whether any action has been taken by the United States Congress in reference to their Business Profits Tax?—A. No, I do not know; I heard something of it, but I have no knowledge.

By Mr. Nesbitt:

Q. They reduced it to a certain extent last year?—A. I have no information on that point.

Q. Do you know of any action taken in Great Britain?—A. Yes, the tendency has been to reduce there; they reduced it from eighty per cent to fifty per cent. In the last Budget we held our Business Profits Tax just as it stood, because we thought this was a war year with abnormal expenditures by the Government, and that therefore the Business Profits Tax might well be held during this year. I made no statement as to what was to happen after this year; that is a matter for the Government to consider.

Q. Would you give us an outline of the situation of Canada at the present time as to railways?—A. I have no accurate figures as to that, and I do not like to speak without them, but I might make a few general observations. Undoubtedly there will be a considerable deficit upon the Canadian National Railways, and there will be a large expenditure by way of loans for extensions. For example, take the Canadian Northern, there are a number of extensions which had been projected in the West and which are really needed, and this year we thought—I am speaking now as a former member of the Government—that as those extensions had to be made they might usefully be made this year, because of the employment which they would give. We were taking every means possible to prevent a period of unemployment in Canada at the time when the soldiers were coming home in such large numbers. It gave me an immense amount of anxiety as one member of the Government, and I am sure it gave the others quite as much, but we met the situation by providing the credits, and, as I say, the money for the extension of the Canadian National Railways, for the purchase of rolling stock which they needed, and by giving orders for ship-building on a very large scale. I think if we had not given orders for ship-building, and if the Government had not given the credits I have spoken of and had not taken