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Merchants' Taxes.

The merchants of Ontario will not this year be put on an equal footing with their fellow-citizens in the matter of municipal taxation. Two bills aiming to do them that simple justice were brought before the present session of the provincial legislature. One of them, that introduced by Mr. Waters, was withdrawn upon the motion for its second reading, in deference to the sense of the house that it was too radical and comprehensive. The other, Mr. Tait's was withdrawn on account of the attitude of the municipal committee upon it. It was moderate in its scope, and had the support of the mercantile interests of the province. It was a proposal to amend the Assessment Act by the provision that the capital of any person which is invested in any wholesale or retail mercantile business, and the stock-in-trade, book debts and other assets held for the purposes of or in connection with said business, shall not be taxed, but the income or profits derived from such capital shall be liable to be assessed. Briefly, it proposed to change the basis of merchants' taxes from capital to net income. Two sessions ago a measure to change the basis of merchants' taxes from capital to rental value of premises was passed by the Ontario legislature. This is know as the Permissive Act. It was rendered inoperative by a provision which made its adoption a matter of local choice. Municipal councils were made the custodians of the merchants' rights, and those rights had to be suspended when votes and a strong and sure source of revenue come up for consideration. Something was gained, however. Before the passing of the Permissive Act both the provincial legislature and the municipal councils stood between the merchants and justice. After that measure became law the municipal councils were the only obstacle in the way of equal rights to the merchant.

Grossly unfair as it is to make capital the basis of taxation, it is not so bad as a purely arbitrary basis, one which there is no rule of getting at but the caprice or judgment of the assessor, which is almost certain to err on the long side Guess work, with a percentage added, is the real basis on which our merchants have been taxed. If their actual capital had been really the basis, the total revenue derived from them would most probably have been very much less. But why should capital be taxed? In every other application but that of merchandise and manufacture it has long been emancipated in this province. Money on deposit is also supposed to be taken, but it is hard to get at. Capital, then, unless employed in commerce, manufacture, and rarely when on deposit, is never taxed in this province. Bank stocks, mortgages, bonds, debentures, general securities, grain in transit, the capital of the farmer in stock and plant, are untaxed. Our system of taxation is a rather hybrid one. It was copied in the first instance from that of New York State where all capital is taxed. But it departs from that of New York in its exemption of bank stocks, mortgages, debentures, etc. In these exemptions it imitates the principle that prevails in Europe, where taxation for local purposes is entirely on rental value. No country or part of a country in the world has anything like our merchants' tax. Ontario alone makes a discrimination against the merchant class. The merchant cannot escape it as the man whose money is on deposit can. An illustration, by the way, of the injustice of taxing capital on deposit, is illustrated by a real incident that came under notice. A widow happened to mention to the assessor that she had $60,000 in the bank. It was at once taxed, while of all the rest of the money on deposit in that bank, probably no other yielded a municipal tax. The rich bank directors have the use of it at about 3 per cent., but pay no tax but on dividends.

A differential tax which takes in the merchant class alone is not a less arbitrary and illogical thing than a special tax which would take in only one particular nationality in the community. Imagine all Englishmen required to pay a tax on their capital, while the capital of Irishmen, Scotchmen and all the rest would be exempt. Which class is selected is immaterial. It is as indefensible in one case as in another. Nationality is as rational a principle of selection as occupation. Nor do extra privileges go with extra burdens. The real estate class have the privileges, though they pay only on the value of the land and premises. If a trader fails with the goods of a wholesaler on his shelves, does the wholesaler who pays taxes both on his premises and his capital have any special protection? He does not. On the contrary, he must look on while the landlord exercises his preferential right distraining for rent on the very goods the wholesaler is a creditor for. The business man has no extra vote in virtue of his taxes on capital.

The country merchants suffer most, for their tax on realty is most generally on their own capital, as they are most usually the owners of their own stores. Take the instance of a man who has $10,000 capital to start with, and uses this to buy a lot and erect a store. To get the money to buy a stock of goods he gives a mortgage on his realty as security for a loan of say $8,000. Such a man pays a tax on nearly twice this capital. He has a capital of $10,000, but pays a tax on $18,000.

The personality tax is absurdly unequal, because it rests upon the very irregular stratum of human veracity. Take three merchants, A, B and C, in the same town, doing a business of equal magnitude. A lives sumptuously and just manages to hold his assets and liabilities in a state of chronic balance. He candidly shows the condition of his affairs to the assessor, and is credited with having no personality to assess. He therefore escapes the tax. B is a shrewd, economical business man, and has all his stock paid for, but being something of a liar, he professes to have a very small margin of the stock to call his own. His personality tax is accordingly a small affair. C is a thrifty, frugal man, making money fast, and the assured owner of every cent's worth in his business. He is a very honest man, and owns up to the property he has in the store. The man bears the full brunt of the personalty tax. The knavish and the improvident trader escape, but the honest and prosperous man is caught every time. And C gets no more benefit from the municipality than A or B does.

A grocer and millionaire live on opposite sides of the same street. The capital in the grocer's store is heavily taxed, but is the capital in the millionaire's house? It is not. The grocer is trading on a capital of $5,000, while his wealthy neighbor has works of art and costly furniture within his house to the value of $100,000. But the struggling capital is what is taxed. Yet who gets the special privileges when they go round? If the family in the mansion leaves for the seaside the police department is asked to have a man constantly near the house to protect it and the untaxed property it contains. The request is graciously granted. If the grocer, who pays a heavy tax on the premises and an unjust one on his capital, presumes to ask such a favor he is chided for his effrontery. In Ontario we follow merchandise with taxes as if it were a proscribed calling. The carter who draws goods from warehouse to station must pay a tax on his lowly business, but the class of people who deign to wear the streets out with their carriages in pursuit of pleasure pay no tax on the capital they have in horses and carriages. In Philadelphia everything is the other way. The exemptions are in favor of the small owner of furniture and horses—*Hardware.*

The Progress of Indian Railways.

The *Pall Mall Gazette* says: "The results of Indian railways for 1891 are very favorable. Additions of 975 miles were made to the mileage of open lines, which are now 17,208 miles in all. Gross earnings increased by 331 lakhs, or 16 per cent.; net earnings increased by 234 lakhs, or 22½ per cent. The aggregate net earnings on all lines came to 5⅝ per cent. on the total capital outlay. In 1890-91 the Indian Treasury lost 68 lakhs on the whole railway account. This year there will be no less on this account, notwithstanding that the fall in silver has caused an expenditure of 50 lakhs more than last year in converting the rupee earnings into gold dividends, and notwithstanding that 90 lakhs of surplus earnings over 5 per cent went into the pockets of guaranteed railway shareholders. Three or four years ago the Indian Treasury used to be 200 lakhs to the bad every year on its railway account. In 1877 the heavy famine traffic and the comparatively favorable rate of exchange brought the Indian railway account almost to equilibrium. But with that exception 1891 is the first year in which the Indian Treasury has not been a heavy loser on the railway account since Indian railways were begun, forty years ago. Of course the country has benefitted hugely by the railways, but the recurring railway deficit was a heavy trouble to Indian financiers. Wild-cat lines on the frontiers are a heavy drain on Indian railway finance, but we may hope that equilibrium will be kept now that it has once been attained."

A certificate of incorporation has been filed in the office of the county clerk of Middlesex, N.J., for the United States Rubber Co., capital $[illegible],000,000. The object is to manufacture and deal in rubber goods and to buy material for manufacturers. Nearly every rubber company of any size in the country is in the combination which has bought a controlling interest in the stock, except one in Boston. The combination takes effect today.

The membership of the Patrons of Industry in Michigan has decreased in a year's time from 60,000 to less than 15,000.