

Ordinary expenditures of governments were actually larger in 1930-31 by 5.4 per cent, which made the real increase 33.4 per cent.

Government debts increased still more, or 8.6 per cent, and their real potential weight was augmented by no less than 37.4 per cent.

What will the current year show? For the first nine months of 1932 the index of ability to pay a fixed number of dollars stood at only 45.3 per cent of 1929. That is, general business activity had not quite  $\frac{2}{3}$  the volume of 1929, at average prices 30 per cent lower.

Government debts and, it is to be feared, also ordinary expenditures have kept on increasing, but even if at the end of 1932-33 there has been no further increase than that shown in 1930-31, their potential burden will have more than doubled in the three years.

Despite new taxes and many higher rates, tax yields are not being maintained, but, even if the rate of reduction shown in 1930-31 has continued, the taxes for 1932-33 will represent a greater sacrifice by 55 per cent than those of 1929-30.

These are all very large percentages and their practical significance for individual budgets should be well pondered, for this is the real present position in terms of ability to pay as measured by this one standard.

Undoubtedly one of the most common and most serious weaknesses, or defects, of governmental administration is failure to adjust government costs to variations in other values. Most government services are perhaps not readily adaptable, but a more important reason is that, whereas private finance must accommodate itself to income, government finance has power by statute to compel income, even to the theoretical limit of general confiscation, and is apt to resort to its use, at least partially, before attempting the alternative and more complicated course.

Because of the conditions of the times, new expenditures, it is true, are required of governments. But what expenditures have become relatively less essential in consequence? If a bit more is demanded by emergency, is it to be a bit more or a substitute? It is a question of relative importance, or of proportion; but of all proportions, that between demand and ability must be preserved if greater emergency is to be averted.

Whether even yet the speedily accumulating burdens of public finance are unduly heavy, it is for the people to judge, and say. But the situation must be faced from today's real position. Taxpayers now stand, not on the heights of 1929, but where the tip of the arrow touches, or thereabout.

#### INDEX OF ABILITY TO PAY (as used in this study)

| 1925  | 1926  | 1927  | 1928  | 1929  | 1930  | 1931  | 9 months<br>1932 |
|-------|-------|-------|-------|-------|-------|-------|------------------|
| 77.73 | 83.35 | 86.40 | 94.25 | 100.0 | 79.04 | 56.27 | 45.30            |