

of collection of the turnover tax would be substantially greater, the turnover tax would not in the aggregate produce a revenue materially differing from that which the present sales tax produces.

If this is so, it is hardly worth considering the fairness of one as against the other, but obviously the turnover tax penalises industries dealing in goods having a larger number of turnovers and favours those with a small number, and there does not seem to be any advantage or any fairness in that.

Dismissing for the above reasons the turnover tax, there remains the general question of how to meet the fiscal needs of the country. I believe that a high income tax has a discouraging effect on enterprise and that the tax should be reduced at the earliest opportunity. The Memorandum (p.11) questions the validity of the argument that a high income tax discriminates against new enterprise with an element of risk and puts a premium on investment in securities with fixed yields. "It seem to us", they say, "that there are independent causes for this preference," and they mention some. The existence of independent causes does not invalidate the argument.

A married man, without dependents, with an income of \$200,000. pays \$97,849.50 in income tax. If he could by increased effort and enterprise raise his income to \$300,000, he has to pay \$169,249.00; that is, out of the additional \$100,000. he could earn, he has to give up \$71,400. or 71.4%. What a man will do for the sake of earning a dollar is considerably different from what he will do if he is only to get 29 cents.