

and your expenditure, you will have to materially increase taxes. I do not know to what limit that could go, but there is one thing, I think the Government should bear in mind, and that is that the backbone of our revenue to-day is the tariff. Now our tariff for the most part is an ad valorem tariff, and the result is that you get your revenue upon the value of imports. If prices gradually come down, as I think they are bound to, over the next few years, unquestionably, unless the volume of imports is increased, your customs revenue is going to decline, it must go down. Personally I would look forward with some certainty to seeing our customs revenue decline with decline in prices, although I do not look for decline in prices in the immediate future. I think it will be a gradual process. But your customs revenue will decline, and then you will have to make your regular expenditure in some other way. Now, so much for those phases—that is the amount of the material debt and the charges.

Q. Mr. Boville gave us last night, the amount of the National debt as \$1,950,000?

—A. That is our estimate.

Q. That is exclusive of—A. That is not.

Q. That takes into consideration what is owed us by Great Britain?—A. That is net, we owe that. Anything that is owed us by Great Britain will be an asset, set off against the gross debt, which I think is considerably over two and a half billion dollars.

Q. What have been our main sources of revenue, Sir Thomas?—A. The main sources of revenue have been the customs, inland revenue, post office, and, since the war, the income tax and the business profits' tax.

Q. Broadly speaking, how does our income tax compare with the income tax in the United States?—A. My instructions were—and I think they were carried out—to put it exactly on the same basis. The American income tax was higher a year ago, then I think it was reduced. I was informed by experts of my department that our tax is on all fours with the tax of the United States. Personally, I have held the view that it would be a mistake to make it materially higher.

Q. Why?—A. For two reasons. In the first place if it was materially higher I think it would have some influence on people coming into this country, especially business people to establish industries, and further I think if it was materially higher we should lose some people to the United States. Then another thing is this—This is not generally known with regard to the income tax—we are in quite a different condition to England with regard to the income tax. We have in our Federal system provinces and municipalities, some of which raise part of their revenue by income tax, for example in British Columbia there is a very heavy Provincial tax, there is the Municipal tax and the Federal tax. There are three sets of taxes imposed upon income tax payers in British Columbia. In Nova Scotia the Provincial Government brought in an income tax for this year, there will be added on a Federal tax, and therefore they have two sets of taxes there. In the province of Ontario a man pays income tax to the city. My own view is that all the provinces and many of the municipalities will be obliged to resort in a greater degree to the income tax, because their requirements are going to be heavier. I had many requisitions made to me from time to time by Provincial Governments for increased subsidies and sometimes the question was raised as to why we should invade the field of income taxation. But it was necessary, and our income tax to-day, answering your question, Mr. Chairman, is I think upon all fours almost precisely with the American income tax.

By Mr. Tweedie:

Q. The debt has been estimated at \$1,950,000,000, and then you say the amount owed us by Great Britain and other countries is an asset?—A. That net debt of \$1,950,000,000 compares squarely with \$350,000,000 before the war.

By the Chairman:

Q. Before we get away from income tax, comparing Great Britain to Canada, what are the opportunities in Canada of raising revenue from income tax as compared with