he would pay $681 – $10 less than the present top rate in both cases.)

This is because of Carter's principle that it is "what you get, not how you get it" that should be the criterion for determining taxes. In other words, "a buck is a buck", no matter how obtained, and all bucks should be taxed if we are to have a fair tax system.

At present, many forms of income are tax exempt, because of the conviction this is a necessary incentive to investment, and, hence, to economic growth. For example, oil and mining companies, life insurance companies, and capital gains are either not taxed, or taxed at greatly reduced rates. (Capital gains occur when an investment grows to an amount greater than orginally invested, for example, if you bought stock at $10 and sold it for $25, you would have made a capital gain of $15 .

Without reducing federal tax revenues or jeopordizing economic growth, the Commission worked to make our system more equitable. To accomplish this difficult task it was found necessary to integrate corporate and personal income, tax family earnings as a single unit, and tax all forms of income from family allowances to capital gains. Each one of these basic reforms involves a revolution in thinking which gives rise to many questions as yet only imperfectly answered.

Is it, for example, necessary that the family be taxed as a single unit? Such a change would mean that it would be cheaper for a man and a woman to live together without the benefit of a marriage license. Certainly that is not the best way to encourage better morality.

Also, is it necessary to tax gifts and estates without consideration of the special nature of such income? Under Carter rules it would be very difficult for small businesses to survive the inheritance procedure. Ontario's Institute of Chartered Accountants calculated, in a case of a family firm passed on to an adult son, that the son would have to pay $59,500 in capital gains on a $264,000 firm, and another $132,000 in income tax, in total, a crippling 72% of the company's value.

Tax Concessions vs Subsidies

The central problem is to try to reconcile the seemingly conflicting objectives of economic growth and equity. The incentives (tax concessions) supposedly required to achieve the former render the attainment of the latter impossible. In spite of this, Carter has found a reasonable and effective method yeilding the best of both worlds.

His plan is to achieve equity by taxing all income, yet maintain dynamic economic growth by the institution of a system of specific, highly selective, and direct subsidies to firms which require them for good reasons. In Carter's words, "We are convinced that preserving and developing the system by fair taxes must override all other objectives."

However, he later adds, "There is little to be gained, if, in the name of equity the reformed tax system were to erode the source of future income. But, he continues, "inefficient concessions can be replaced by equally effective concessions that have a lower revenue cost, and unnecessary concessions can be withdrawn without sacrificing economic growth."

Briefly, Carter is simply saying that in most cases the tax system is too blunt a weapon to be used to promote economic growth. Such promotion naturally means some privileged people, or firms pay less than they otherwise would, in the hope that they will use the money so saved to foster Canadian growth. But, there is no compulsion for them to do this and many simply pocket the money. It was from depletion allowances that the great oil barons made their fortunes.

Subsidies are not only more easily discountable than blanket tax concessions, but, can be more effective by providing aid when needed, and, Carter believes, since the public would be made aware of the subsidies, more difficult to grant.

I think this idea is very good when applied to our larger businesses, but, it would seem to complicate things unnecessarily if applied to small businesses. Few would deny that our small businesses (almost 200,000 with less than 100 employees) are vitally important to our economy and our way of life. Today, even with their present concessions, many go bankrupt each year. The vast bureaucracy required to apply the subsidy system to these businesses could hardly be more efficient than the present blanket concession, knowing, as we all do, how slow and cumbersome the government can often be.

Also there is no way to subsidize our capital markets if a capital gains tax is imposed. Canada's capital markets are severely strained even now to supply our investment needs. Every year we use heavy doses of foreign capital to balance our international payments. Canada needs much more capital, and if a capital gains tax must be imposed for equity's sake, it should be a moderate one as used in the United States and Britain at 25% not as Carter suggests at 50%.

Under Carter rules, skilled accountants and economists would study the company's operation and recommend what subsidy, if any, is required. At present they get a 331/3% subsidy (tax concession) Whether they need it or not. It is an inefficient system.

Incentive to Canadian Ownership

The effects of tax changes on foreign ownership of Canadian based industry was also within the Commission's terms of reference. Accordingly, Carter endeavored to change the present system which gives Canadians scant hope of ever increasing their share of investment in Canadian industry. Carter describes his reforms as follows: "Rather than attempting to drive foreign direct investment out of Canada, we recommend a tax system that would encourage Canadian equity investment by Canadian residents. If our reforms have the impact