will find, under such a programme, that their economic position is weakened in the same measure and degree as though the State had repudiated a part of its obligations.

From the extreme radical standpoint, this scheme may appear to preserve the national credit and to work substantial economic justice. On getting under the surface, however, it will be found no less reprehensible, and scarcely less fatal in its results, than direct repudiation. A capital levy can be secured on all property in only one of two ways: By cash contributions, or by the taking over of physical property, or the securities representing that property. If cash contributions are demanded, the well-to-do and capitalist classes will be forced to borrow from the banks and other lending institutions; for it is scarcely to be expected that liquid capital will be available to the extent required for furnishing several billions to the treasury within a definite point of time. Under these circumstances the liquid capital, so essential for the proper functioning of the nation's industry, will be tied up in long-time, unproductive loans on nondescript property. The result could only bring calamity to the industry and commerce of the United Kingdom.

Nor, as the London Economist so ably demonstrates, would a capital levy on concrete property, on bonds and stocks and other certificates of indebtedness, bring better results. In the first place, a veritable army of government officials would be required to appraise and select property; and in the second place, such property would be worthless to the government, unless sold. Whether disposed of by government officers, or by capitalists themselves, it is perfectly plain that all would be sellers in a falling market, where there would be few buyers. This in itself would break the market, and knock the bottom out of prices of securities and property of all descriptions; the fatal effects of which would be felt all along the line, and especially upon government credit. The difficulties involved in selecting and appraising property would be formidable and almost insurmountable. Consider, for a moment, the extent and variety of stocks and other securities held; the nondescript parcels of real estate; the odds and ends and bizarre accumulations gathered from all corners of the earth. It would be a physical and economic impossibility to work out anything approaching substantial justice, with respect to a capital levy on property, of the nature advocated by Mr. Gardiner.

The simple fact is, that all ideas of conscription or confiscation of wealth must be abandoned, whether in the United Kingdom or upon this continent. The great need of the Western World, and all countries coming within the scope of Western civilization, will be a fund of investment capital at the close of the war. Heavy taxation, that approaches either conscription or confiscation, is equally unthinkable. Capital is not created by any process of legerdemain; but by abstinence, by self-denial and by saving, up to the point of privation. Only by the adoption of the principle of self-sacrifice, and by hard resolution, has the world been able to recover in the centuries gone by from the scourge of war; and for the present generation there is no other way out.

Capital will not be accumulated if the only reward for abstinence is the confiscation of its fruits.

Nevertheless, as every thinking citizen knows, it is of imperative importance to safeguard and protect the credit of the State. To that end industrial forces must be marshalled for the extinguishment, in due time, of the principal of the war debt, and for the taking care of interest payments. This will require in our own country heavy taxation and greater economic effort than ever before. At the end of February of the present year the gross national debt of Canada stood at $1,900,000,000, and the net debt at $1,300,000,000 as compared with $350,000,000 and $650,000,000 respectively, in the year before the outbreak of war. And the end is not yet; still heavier sacrifices must be borne. It goes without saying that the economic power and the potential resources of the Dominion are quite able to stand even this colossal strain, provided that an equitable, just and scientific fiscal policy is pursued by the authorities.

Our national obligations can be discharged by the creation of wealth, and by that method alone. No nation has yet succeeded in taxing itself into prosperity. To secure the fullest returns from our economic equipment, from our factories, mines, railroads and farms, they must be made to pay, and produce a surplus over the costs of operation. It is a futile and foolish policy that would so burden enterprise, in whatever form it takes, as to cause a slowing down of economic effort. This fact must be kept in mind in formulatng any scheme of taxation that will leave the producer little or no return above his cost of production—even including in the cost of production the wages of superintendence. For risk is inevitably associated with the productive process, and must receive its due reward. It is plain as a pikestaff that when taxation is carried up to the point where the producer retains only the costs of production, there is no reward for risk; and where there is no reward for risk, there is no incentive to enterprise, no incentive for introducing new methods, no incentive for throwing on the scrapheap obsolete machinery, and no incentive for saving. Under these conditions the man who has a fund of capital, great or small, may as well invest in mortgages, or tax-free securities wherever they can be found. The pure interest rate never has, and never will, afford incentive for audacity, for enterprise, for risk-taking in business.

This brings us to the root of the whole discussion, and brushes aside many of the sophistries that befog the controversy on the tariff, on income taxes, the tax on the unearned increment, and various other forms of land taxation. The fiscal problem is essentially simple in its formulation, although bristling with difficulties in programme and practice. Revenues for federal, provincial and municipal purposes are required, and will be needed after the war, in amounts greater than ever before: How shall they be secured without killing industry and commerce, and without harming agricultural interests? The problem is clear enough, and evident enough; but the answer exceedingly difficult. One fact, however, stands out above all others—taxation must not proceed to the extent of cutting the nerve of economic enterprise.

Mr. Otto Kahn, in the pamphlet already mentioned, suggests, by way of a partial answer, the imposition of a tax upon expenditures, as a supplement to the various taxes already in use. As Mr. Kahn points out, however, a tax on consumption must not be levied on foods and the necessaries of life. Such a tax would be new to this continent; although we have always had taxes on consumption, indirectly, under the tariff, throughout our history. Nevertheless—and especially during these years of war—there seems abundant justification for the imposition of stamp taxes on all purchases of luxuries,—on pleasure cars, silks and satins, jewelry and all articles that are plainly beyond the scope of "necessaries." It is admitted that it would be difficult to define accurately the articles coming within the term "luxuries"; but at any rate no great obstacles lie in the way. Obviously, tobaccos, snuff, liquors, and so forth, would be exempted, as these are already taxed under the excise duties.

While consumption taxes would be altogether new in Canada and the United States, they have long been used