

**Special
Taxation.**

In the July number of the "Journal of the Canadian Bankers' Association" is an excellent article by Mr. James Mavor on The Taxation of Corporations in Ontario. The subject is one to which too much attention cannot be given by those who desire to study the question of special taxation from several points of view, and Mr. Mavor in closing his clever presentation of the practical aspect of the ever-increasing tendency towards increased taxation of joint-stock companies very rightly remarks that the confusion of Dominion, Provincial and municipal taxation, and the certainty of double taxation under the existing system, suggests a comprehensive inquiry into the whole subject with a view to the remodelling of it.

While we are unable to reproduce the whole article, our readers may, from the following quotation, gather something to think about:

"In all these movements one sees, no doubt, a current of popular feeling in favour of the taxation of capital. This feeling is of a very much more extensive, serious and practical kind than the furor for the taxation of land values, which seems to a large extent to have spent itself. It would be out of place in a brief sketch of this kind to discuss at any length the theory of taxation, and yet, in order to apply any test to these empirical efforts of legislators, one must relate these efforts to the current theory of taxation. If, with most of the recent writers upon the subject, we dismiss the theory that taxation should be imposed according to benefit or protection accorded, then probably we are shut up as Prof. Edgeworth suggests to the principle of utilitarianism, the principle that is, which "proposes as the end of action the sum total of happiness"—that is, that the total utility of taxation should be as great as possible, or the total pleasure yielded by it as great as possible and the total pain of disutility as little as possible. If we look at it in this way it follows, as Professor Edgeworth points out, that the disutility or pain which ought to rest upon the taxpayers ought to be equal, that is, it ought to cost as much annoyance and distress to put it in that way, to an artisan earning \$5 a week to pay his taxes as it does to Mr. Rockefeller with, say, \$50,000 a week. As a matter of fact, there can be no doubt that this is precisely the way the artisan looks upon it, and, if his rendering of the theory were taken by itself, he would not be satisfied until Mr. Rockefeller's income were reduced by taxation to precisely the same amount as the artisan's net wages. As Professor Edgeworth hints, there here, undoubtedly, a gleam of the extremist socialism, but if we ask whether the "sum-total of happiness" would be increased by an arrangement of that kind the gleam is at once clouded over by "doubts and reservations." In starting for an ideal distribution we may have landed ourselves in a range of production which is anything but ideal; which may be, in fact, so greatly reduced as to diminish the sum total

of happiness. As thus briefly stated, we may apply the principle to the taxation of corporations. If the associative principle makes, as it appears to make, for increased economy of effort, and so for increased production, we must see that we do not unduly hamper its action by exposing it to embargoes which would minimize its powers of effecting this economy of effort.

As regards the practical aspect of taxation, the impulses towards increased taxation of joint-stock companies are no doubt derived from the hold which these great aggregations of capital have upon the public, especially in Democratic States.

Paying Interest on Deposits. At the annual meeting of the New York Bankers' Association, held at Saratoga last week, one of the most interesting addresses was delivered by Mr. F. D. Kilburn, Superintendent of Banks. After dealing with many matters connected with the banking system of the United States, Mr. Kilburn animadverted as follows on the giving of high rates of interest on deposits. His words are deserving of close attention even in this country, where the payment of interest on so-called "daily balances" is by no manner of means "prevalent." Mr. Kilburn says:—

"The great earning power of a bank resides in the deposit fund, and it is a mistaken and unnecessary policy to impair it by offering high rates of interest. With the obligation to carry a reserve, with the losses which will occasionally occur, however careful a management may be, and with the certainty that at times the loan demand will be slack, the rate of interest which a bank can pay on general deposits and said make a profit on them must be low; if, indeed, it can afford to pay any at all. The bank which has had perhaps the greatest success of any in this country has held inflexibly to the rule throughout its existence of three-quarters of a century not to pay interests on deposits, and its example is one which it would be wise for others to follow. The public needs the banks as depositories, and derives enough of accommodation and benefit from the gratuitous incidental services which the banks render in this department to constitute a fair compensation for such use of deposits as the banks enjoy. This question has, perhaps, created more embarrassment to the banking fraternity than any other.

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So prevalent is the custom of paying interest on individual deposits that it to-day constitutes, in my opinion, a greater hindrance to successful banking than any other one thing with which bankers have to deal. In some places it is carried to such extremes that it amounts to more than all other expenses put together. The question is a difficult one to solve. It has existed so long, and has become so prevalent, that the depositors almost generally expect interest as a matter of course on daily balances, no matter how insignificant they may be. During my term of office I have had occasion to call the attention of banks in certain localities to this question, and, wherever action has been taken to discontinue the payment of interest or materially to reduce the rate, results have been, without exception, satisfactory. Heroic treatment must be resorted to if a change is effected. Individual attempts will not prove sufficient. United ac-