

more, I would have thought that you would get some change there in the mark up. This is a point that might well be worth taking up with experts on distribution who may appear before the committee.

Some of the arguments for having a retail sales tax, rather than a manufacturer's tax, is that you do not get into these problems.

When the provinces change their sales tax at the retail level, you do not get into this question of whether it alters the mark-ups, whether it is passed on, more or less, between one level of distribution and the other.

On the other hand, you have many other questions in a retail sales tax.

Co-Chairman Senator CROLL: What I understand you to say is this, that at the manufacturer's level we impose a tax, he takes his mark-up on it, and passes it on to the retailer, who takes his mark-up on it, and finally it gets to the consumer; so that in effect what they are doing is a mark-up on the increased tax, whatever it may be.

Mr. BRYCE: Senator, I think the problem is this. Our tax has been at this level for many years. If the existence of it has led to higher incomes in the wholesale and retail distribution, you would expect that, over a period of years, to have some effect on the competition within the distribution process. I would think that those mark-ups would not stay rigid through a period like that. I think the long-term effects are apt to be less certain along those lines that you mention, than the immediate effects, because competition between various distributors is apt to even out these mark-ups to what are economically necessary to support that process in the economy.

I will see if I can find any studies on this matter, sir, that will be helpful.

Co-Chairman Senator CROLL: It is not the federal Government alone, it is the provincial government direct tax, too. It is the combination of these that affect it.

Mr. BRYCE: Yes, though they do not give rise to quite the same problem, because they apply them right at the final stage in the process. By law, they are restricted to that.

Mr. BELL: May I ask Mr. Bryce, if he has not already said so, with respect to these tables, why farm income is treated separately? Why, of all the sectors of our economic life, are farmers segregated in this way? Is this traditional, or has farming got greater ramifications in our economy?

Mr. BRYCE: One could lump items 6 and 7 together, I suppose, but it has been traditional in our national accounts to show agriculture separately. First of all, that is because it has been a matter of great public interest in the past to show it separately. Secondly, you will notice that it fluctuates in a way that the other elements do not fluctuate. For example, between 1960 and 1961 it fell by 15 per cent. Between 1961 and 1962 it increased by 48 per cent. These are far greater fluctuations than the other elements in the economy have; and so I think there is considerable value in making clear what is going on by taking this volatile and important element and showing it separately.

Co-Chairman Mr. BASFORD: If there are no further questions, we will go on to table 6.

Mr. BRYCE: Table 6, sir, is similar to table 2. It is a percentage distribution of the items in table 5. There is quite an interesting point to observe in this table. If you look at line 1, you will see a remarkable stability in the percentage of the gross national product going into labour income. It started out in 1949 at 49 per cent. It has ended up in 1965 at 50.1 per cent.

It fluctuates somewhat there, but the stability is remarkable, when you consider all that has been happening through this period that affects labour's position in the economy, and things of that nature.