

By the end of the present fiscal year it may reach \$1,200,000,000.

From the beginning it has been clear that it would not be possible for the people of Canada to pay, during the war, more than a part of the principal of our war expenditure. The policy of the Government has therefore been directed along two main lines: first, to fund the war indebtedness so as to postpone its maturities to periods well beyond the end of the war, and secondly, by increased taxation on the one hand and the reduction of current expenditure on works on the other to be in a position to meet from annual income all annual outlays including increased interest and pension charges and in addition a substantial amount of the war expenditure itself.

In order to carry out this programme it will be necessary, as our war expenditure, and consequently our interest and pension charges increase, to increase also our income. This raises the question of the sources of revenue still open to us. A higher customs taxation upon luxuries has been frequently suggested, but this proposal overlooks the fact that most articles of this character are embraced under fixed rates in the treaty with France, and the tariff cannot therefore be raised in respect of these. Apart from this we should hesitate at a time when France needs the advantage of all her sales on this side of the Atlantic to assist her exchange, to place a prohibition or increased duty against importations from our great Ally.

Then it has been frequently suggested that following the example of Great Britain and the United States, we should adopt an income tax upon all incomes beyond say \$1,000 or \$2,000. The comparison in this regard, however, of Canada with either of these countries is fallacious. We are not a country of large accumulated wealth and of incomes derived from investments. Canadian incomes are derived mostly from personal earnings, and while there are many exceptions, the rule prevails generally throughout the Dominion. So far as I am aware the incomes of the professional and salaried classes throughout Canada have not materially increased since the outbreak of the war. In the case of many they have actually declined. This being so, it does not seem equitable to impose upon these the burden of an additional income tax—for they are taxed now upon their incomes by municipalities and provinces—at a time when owing to the war the cost of living has so greatly increased. If such a tax is

to be imposed, it seems to me that so far as the great majority of Canadians are concerned, it might better be levied in time of peace, when the cost of living is again normal. It is further to be pointed out that the maximum amount which would be obtained from such a tax in Canada would in terms of Dominion finance be comparatively small and that its administration would require almost a second Civil Service sufficient in number to cover every municipality, rural and urban, throughout the Dominion. The cost of levy and collection of such a tax would be much higher proportionately than in a geographically small, wealthy, densely populated country like Great Britain or than in the United States, which although of the same area as Canada has twelve times the population and much more than twelve times our wealth. On the whole it would appear to me that the income tax should not be resorted to by the Dominion Government until its necessity becomes clearly and unmistakably apparent notwithstanding the drawbacks which I have mentioned. In connection with this tax it is also to be observed that the larger incomes in so far as they are not personally earned are derived in part from holdings in joint stock companies already subject to taxation under the provisions of the Business Profits War Tax Act. It must also be remembered that the Canadian public are voluntarily supporting the Canadian Patriotic, Red Cross, and other funds. The amount contributed annually to these funds is much in excess of the amount likely to be realized from any income tax. It is true that some wealthy men do not contribute their fair share to these funds. But this would also be true in any scheme of income taxation especially with issues of Dominion bonds exempt from Dominion taxation.

The question of further revenue then narrows down to abnormal profits made by business firms during the period of the war and this in my view is the proper and legitimate source to which to look for increased revenue to meet the increased cost of the war. If a business is making, in war time, profits above the normal, they must be due to the abnormal conditions created by the war, that is to say such a business is deriving advantage from the war. It follows that it may properly be required to contribute a share of such profits to the Government for the purposes of the war. I do not see, Mr. Speaker, that