6. The proportion of the national income of Canada which is annually taken by Governments in taxes and other governmental revenues has grown from 14.7% in 1928 to 25% in 1934. Also the total spendings of Governments (as indicated by adding the total of ordinary revenues to the annual increases in public debts) in relation to the annual national income have grown from 14.7% in 1928 to 33% in 1934.

Questions Arising from a Study of the Statement and the Trends Disclosed Therein

1. If public debts continue to mount disproportionately to national income, how soon must default, already existing as to certain municipal issues, be faced by provincial and even Dominion issues?

2. To what extent must the existing guarantees of railroad and other obligations by the Dominion, provinces and municipalities, be considered to have become in fact direct rather than contingent liabilities?

Recommendation

An investigation of public finance by a Royal Commission to determine the nature, form and scope of measures necessary to avert disintegration of the country's financial structure is recommended.

Note:—

The British Committee on National Debt and Taxation in 1927 took the opinions of spokesmen for such bodies as His Majesty's Treasury, The Federation of British Industries, The Trades Union Congress Council, The Institute of Chartered Accountants of England and Wales, and The Land Union, to name only a few. In addition to these representative spokesmen, the individual opinions of many eminent private citizens were also sought and obtained, while on the Committee itself sat such men as The Right Honorable Lord Colwyn, Sir Charles Addis, K.C.M.G., Sir Arthur Balfour, K.B.E., and Sir Josiah Stamp, K.B.E. All witnesses were requested in their representative or individual capacities, as the case might be, to submit answers to sixteen questions, of which at least the following nine are pertinent to the present situation of Canadian public finances.

1. How does the national debt affect the supply of credit and the supply of permanent capital for trade and industry?

2. How does it affect the terms on which capital can be raised?

3. To what extent is it desirable to pursue a policy of debt repayment during a period of trade depression, or to what extent should it rather wait upon the prosperity of trade? In other words, should repayment be adjusted according to the conditions of trade, and if so, on what principle?

4. How far does the burden of taxation fall upon businss itself and hamper its operations? In particular, does it contribute to handicap the exporter in competing in foreign markets against world prices?

5. What is the effect of income tax on companies' undistributed reserves?

6. What is the effect of the existing taxes on the supply of capital?

7. How far do the existing taxes act as a deterrent to savings and to enterprise on the part of the individual engaged in trade and the investor generally? Do they similarly affect joint stock companies?

8. To what extent—

(a) in the present depression, and

(b) in a period of normal trade,

is the original assumption correct: that the tax on commodities is borne by the consumer?

9. What is the effect of the customs and excise duties on the price of commodities? How does this affect internal and external trade?

Investigators of Canadian public finance would recognize the magnitude, in the aggregate, of provincial and municipal financial operations and the manner in which these operations involve the credit of the Dominion as a whole, which should lead to consideration of a central authority to be set up by the Dominion to pass on the borrowings of provinces and municipalities, even though such a measure would require a change in the B.N.A. Act.

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