

is a problem which is easier to talk about than to solve. I suppose there is not a member of this committee who has not given thought to it. But the reason which led to the enactment in Great Britain of a business profits war tax was that it first encouraged industry to develop to the ninth power, and then took away from it practically the entire amount of profits referable to the war.

Mr. WOODSWORTH: May I ask the leader of the opposition this question? In this country we never really followed the lead of Great Britain in this respect, did we?

Mr. BENNETT: We did not carry it to the same extent, but we did apply the principle. For instance, I recall one gentleman in this country telling me that the taxation imposed—as a matter of fact I saw it in the directors' report—amounted to \$70 out of every \$100. In other words, \$70 out of \$100 of profits went to the state.

Mr. HEAPS: In Canada?

Mr. BENNETT: Yes; but that happened to be an enterprise that was capitalized very low and in which particular circumstances brought about an extraordinary condition with respect to profits. That, however is what happened, and it is an illustration of what might happen. The hon. member is right in saying that it has never been applied here to the same extent as in England, but the principle of taxing profits has been applied. When the imperial government created a commission for the purpose of producing munitions the principle was applied to a greater extent than it had been before, and the result was that the state received very large sums of money from profits that accrued on contracts given by Great Britain for the manufacture of munitions in Canada.

I do suggest to the minister that it might be desirable to consider these two factors—the question of making it quite clear that the regulations have the force of law; and the increasing of the penalties to bring them more into keeping with what might be regarded as a reasonable punishment under the circumstances. For I agree with the hon. member for Winnipeg North Centre that \$1,000 would not be important; in fact, it would rather invite a violation of the law. Perhaps an old statement that was once applied by a commentator to a British tax, that "you must tax them until it hurts" is more applicable to the matter now under consideration—fine them until it hurts. That principle should find expression in this particular measure.

[Mr. Bennett.]

Mr. McNIVEN: A good many representations have been made to me similar to those referred to by the hon. member for Winnipeg North Centre, only some go further. I would ask the government to take the necessary steps to control the profits that are being made by manufacturers of war materials which will be accumulated for defensive purposes.

Wheat was mentioned a moment ago and is included in this measure. During the great war, wheat was the only commodity I know of in connection with which any such measure was taken. In February 1917 the price of wheat on the Winnipeg market was \$3.05 a bushel. The Winnipeg grain exchange was closed and the government of Canada took over wheat at \$2.20 a bushel, and the export of wheat except through a government agency was prohibited. A western farmer could have exported his wheat to the United States at that time and received a very much higher price. If the price of wheat had not then been controlled, it is conceivable that wheat would have gone to \$4 or \$5 or even \$6 a bushel. I am not complaining about that, but it had quite definitely the reverse effect in the years following. Farmers purchased land at \$75, \$100 and \$125 an acre, and they were justified in so doing with wheat at a price of \$2.20 per bushel. But when, within a year of the cessation of the war, the price of wheat tobogganed to between 65 and 90 cents a bushel, these farmers found it impossible to pay for the lands which they had purchased at prices ranging from \$75 to \$125 an acre; and that very situation is the basis of much of the debt adjustment that is necessary in the western provinces to-day.

So far as manufactured products and other commodities are concerned, I do not know that there were any similar control, and the manufacturers ever went so far as to exploit the home market. That became apparent, because in 1919 the board of commerce was created and a commission was sent throughout the country to investigate the prices that were being charged for various commodities.

Reference has been made to taxation, and I think it will be generally conceded that there was insufficient taxation on war profits during the war years. That has resulted in the very large national debt we have to-day and the heavy interest charges we have to pay on it.

I commend this measure and hope that the government in the intervening months will be able to amplify it so as to ensure control of war profits.