

The conclusions reached by me therefore are: the greater the number of turnovers, & the smaller the amount added by each intermediary to cover his overhead charges, and the less the elasticity of demand, the more favourable will the turnover tax appear in comparison with a sales tax, but, considering a 1% turnover tax as against a 5% sales tax and assuming the average number of turnovers to be seven, though the turnover tax would yield a comparatively small excess on the average individual article, yet considering that the increased ultimate selling price would diminish total sales & that the cost of collection of the turnover tax would be substantially greater, the turnover tax would not in the aggregate produce a revenue materially differing from that which the present sales tax produces.

If this is so, it is hardly worth considering the fairness of one as against the other, but obviously the turnover tax penalises industries dealing in goods having a larger number of turnovers and favours those with a small number, and there does not seem to be any advantage or any fairness in that.

Dismissing for the above reasons the turnover tax, there remains the general question of how to meet the fiscal needs of the country. [Here the question is no longer one of preventing a further accumulation of debt - the revenue is already greater than the expenditure. The question is how to maintain this position and yet give some relief to the income tax payer.] I believe that a high income tax has a discouraging effect on enterprise and that the tax should be reduced at the earliest opportunity. The Memorandum (811) questions the validity of the argument that a high income tax discriminates against new enterprise with an element of risk & puts a premium on investment in securities with fixed yields. "It seems to us," they say, "that there are independent causes for this preference," and they mention some. The existence of independent causes does not invalidate the argument.

A married man, without dependents, with an income of \$200,000 pays \$97,849.50 in income tax. If he could by increased effort and enterprise raise his income to \$300,000, he has to pay \$169,249.50; that is, out of the additional \$100,000 he could earn, he has to give up \$71,400 or 71.4%. What a man will do for the sake of earning a dollar is considerably different from what he will do if he is only to get 29 cents.