

principle when he imposed the excess profits tax; I believe that principle was involved in the choice given there.

Mr. ILSLEY: Yes.

Mr. STEVENS: Frankly I believe that the sales tax method should be reviewed and studied. I am not authorized by my leader or my colleagues to say what I am about to say; I am just throwing it out as a hint or suggestion of my own. For many years I have studied the sales tax with great care, and from time to time I have sought to find in my own mind and to my own satisfaction some substitute for it, because it is a very valuable tax. I think at the present time it is producing about \$120,000,000 or \$130,000,000 a year.

Mr. ILSLEY: Yes.

Mr. STEVENS: It is a valuable tax, which could not be discarded without substituting something for it. Admitting that it is inequitable, as I think will be admitted by anyone who has studied its application, I believe a turnover tax right across the board, say of two per cent in war-time and one per cent in peace-time, would be more equitable and less burdensome, would produce much more revenue and would injure no business. I realize what is said about the pyramiding, but you have pyramiding under the sales tax; the pyramiding is there. I have taken my pencil and worked it out many times; I have studied it very carefully. I think the pyramiding of the low tax of say one per cent would be so minute that it would be hardly worth bothering about, whereas the pyramiding of the eight per cent tax is quite substantial. The real point of it, however, is this: the industry which is the foundation of your productive activity suffers under the sales tax, whereas if you had a turnover tax that went clean across the board, with everyone paying a small tax, it would not bear down to the point of bankruptcy, as has sometimes happened under the sales tax. I know industries which in these last few years of distressed times have gone bankrupt under the sales tax. A tax of two per cent or one per cent could not vitally affect any industry or business. I know there are those who say that the cost of collection would be too great, but that is not so at all. You have your sales tax organization to-day, together with other media of collection that could be easily invoked. Furthermore, with the class of individuals who might seek to escape it, the individuals carrying on small cash business, to the extent that it might be evaded, in the first place, the revenue would not be affected very much; and in the second place, with a

severe penalty attached and the ease with which you could discover such evasion—it is quite simply done by checking the invoices from their sources—an example could be made of a few of them and there would be very little evasion. In addition, the amount of the evasion would not be worth the risk.

I merely make that suggestion because these are parlous times and we need revenue. I believe that in these days—and I am speaking solely for myself, and may be treading on the toes of some of my colleagues, since I have not discussed the matter with them—we might well try some of these things which perhaps in normal times we would not care to risk. I will admit that politically at first it might have some repercussions, and that might be a reason for not trying it. I do not refer only to this government but to any other government. Even so, I think it is well worth consideration.

I have spoken at greater length than I had intended, Mr. Speaker, and I shall not further prolong the discussion. I simply repeat that in the limited time I have had to consider them I am not inclined to offer any very severe criticism of the minister's suggestions. We know perfectly well that the government must bear down very heavily in taxation at this time, and I see no reason at the moment to criticize the government's policy of establishing, as far as possible, a pay-as-you-go basis, with limited borrowings. In that connection I was glad the minister confirmed what I said yesterday with regard to the possibility of borrowing money at reasonably low interest rates. I think he agrees with the opinion which I believe is held by many that there is no sanction for the rapid increase of interest rates on government security, and I was glad to hear him make that statement. In closing, however, I suggest that he carefully review the possibility of using the gold resources of Canada to a somewhat greater extent.

Mr. M. J. COLDWELL (Rosetown-Biggarr): Probably those of us who listened to the introduction of the war-time budget by the minister were impressed by the fact that the government is making at least some attempt to inaugurate the policy which I believe was generally hoped for on all sides of the house, that as nearly as possible we should pay as we go. From that point of view I think both the minister and the government for which he speaks may be congratulated.

The minister, of course, took note of some of the factors which enter into the difficulties of war-time financing in this country, particularly the tremendous difference between now