

debts that had occurred prior to the coming into effect of the Act, when such debts had been treated as capital because the Business Profits War Tax Act has regard to capital in the determination of the amount that shall be payable.

Mr. PEDLOW: You can easily understand that in many cases a merchant would carry an account when there was no provision to be made for a payment of that kind to the department. He would not be as careful in his accounting in a matter of that kind. When there was no object in deleting such accounts he would allow them to be carried on from year to year in the hope of eventually having them paid. He may have discovered since that that is impossible and that the accounts have to be written off. I think it is hardly fair to ask a merchant to pay income tax on an account that is actually worthless.

Sir THOMAS WHITE: Bad debts incurred since the Act came into effect are allowed, but in dealing with the matter of income it would seem to me that one would not be on sound ground in going back prior to the passage of the Act and making allowance for bad debts then existing which were assumed to be good. I think we can only deal with the accounting period since the beginning of the Act, making whatever adjustments may be necessary in respect of depreciation in the face value of the accounts since that time.

Resolution agreed to.

That the allowance of two hundred dollars for each child under sixteen year of age who is dependent upon the taxpayer for support as enacted in paragraph (b) of subsection one of section three of The Income War Tax Act, 1917 as amended by chapter 25 of the statutes of 1918 be allowed for the purposes of the normal tax only.

Mr. LEMIEUX: It seems to me that my hon. friend should encourage the increase of population in Canada.

Mr. JACOBS: Produce and save.

Mr. LEMIEUX: Instead of making an annual allowance of \$200, my hon. friend should base his exemption in the case of children upon the well known rule adopted by all political economists. A child, according to the doctrines of political economy, is worth to the state \$1,000. That is the average value of a citizen to the state, and it seems to me that the allowance provided for here does not give justice to those who are accomplishing their duty towards the state and towards the country. I am sincere in making this plea. Our country will

not, in spite of all the expectations and the hopes which I would like to share with my hon. friend, get in the years to come a large increase of populations for reasons which are very obvious. The countries of Europe have been devastated. Millions have died on the battlefield. From some allied countries we cannot, under any consideration, expect any flow of emigration. Even from the British Isles, I think, the tide of emigration towards Canada will be rather limited. I am not referring to the enemy countries. From that source the Minister of Immigration and Colonization will not and cannot expect any population for this country. So that we will be limited, so to speak, to the continent of North America. We will encourage the coming of immigrants from the United States. They may not come in very large numbers on account of our financial situation, but many will come because we have such fine lands yet available for settlement left in the West. American settlers will be attracted to Canada only to a certain extent, and we must base all our hopes and expectations, and they are the only legitimate ones, on the birth rate in Canada. Now I do not wish to draw any invidious comparisons between the provinces, but the comparisons are self-evident. In some provinces the people have deserted the old homestead and have drifted to the cities, and in the cities, it is noticed by statisticians, the rate of population has decreased—for what reasons I do not know, and if I did know I would not care to state. At all events, the fact exists that the birth rate in this country has not been as high as it should have been during the last decade. Now, what is the first duty of a government if it is not to encourage the settlement of the country out of its own population? That population must not remain stationary, and it is the duty of the State, as it is the duty of all constituted authorities, lay and civil, to encourage the increase of population, to view favourably a large birth rate. The income tax is an excellent mode of taxation. I have said so on many occasions before the Government adopted the policy, and I repeat it to-night. It is the best mode of taxation, but it is nevertheless taxation and it should rest upon the shoulders which can carry it the more easily. The father, or the mother, of a large family should be considered favourably by the Minister of Finance, and it should be proclaimed throughout the country that the larger the family the lighter the taxation. In the old motherland, France, the birth rate has decreased