

## SOME ARGUMENTS FOR AN ADVISORY TAX COMMISSION

Would Apply Scientific Methods to the Tariff And Other Revenue Problems Now of Vital Importance to the Nation.

J. Courtland Elliott, Department of Economics, University of Saskatchewan, writes in the Financial Post:

A minister of finance knows that all that glitters is not gold and that it is an exceedingly difficult task to tap the sources of national wealth in such a way that they do not tend to dry up. However desirous he may be to apply his system of taxation in conformity with the cardinal principles of universality in scope, uniformity in incidence, suitability in application and efficiency in administration, his ideals must be continually modified in practice by the pressing exigencies of a score of influences.

To most men an ideal system of taxation is probably a mirage—a dream to be effected only when a cigar and a shoe shine can be secured for a nickel or other more remotely possible hopes of modern mankind are fulfilled. From the indications of present interest in our tax problems, however, it is not improbable that with sane and reasoning discussion rather than with wild-eyed enthusiasm Canadians may, in some measure at least, some day reach the promised land by keeping their eyes on their particular mirage.

For the present the journey to ideal taxation is impeded in Canada by many obstructing influences, political, social, economic and selfish. It is certain that the increasing complexity and interdependence of social and business relations from national, imperial and international standpoints, as well as the progressive advance since 1914 in Canada's foreign trade relations must cause us to halt before we rashly attempt to rush forward into new paths when the time comes to revise our tax system and especially our tariff schedules. The desire to advance the truly productive agencies of the country as distinguished from the industries engaged in the production of mere fripperies and follies, the need to ponder over our future relations with the rest of the British Empire before extending preferential trade relations, and the ability of Canadians to assist in the rehabilitation of Europe must ever remind us to be wary lest we make unreasonable levies upon our own productive capital or indiscriminately grant untimely favors or be so self-centered in our international relations to fail to recognize that our destiny is inextricably bound up with the restoration of European economic conditions and especially of European currency.

Moreover, the authority of the

Federal Government to levy taxation is limited in practice, if not in law, by the jurisdictional division of tax authority in the British North American Act. The successful tax system of the future must be consummated by closer relations with the provincial legislatures if equity is to result. The intrusion of the federal authority into the hitherto exclusive jurisdiction of the provinces in the matter of levying direct taxes is today resulting in considerable unfairness, evinced most clearly by the federal, provincial and municipal authorities in at least two provinces. It would seem desirable, therefore, that an amicable arrangement must be made by conferences between the dominion and the provincial officers in effecting a more discreet division of tax authority before the principle of uniformity is attained. There is, in addition, a real need for a study of the incidence of taxation and the adaptability of certain forms of taxation to Canadian conditions particularly when the federal authority has entered upon the collection of taxes upon bases also utilized by the provincial governments, a violation of what was formerly considered a tacit agreement.

The geography of Canada and the diversity of population limit effectually the possibilities of efficient tax collection by some very desirable methods, illustrated by the failure of the federal income tax to touch all the people, and there are also administrative difficulties arising with respect to the proper co-ordination of different taxes in the federal sphere for the purpose of making their collection most economical.

### More Revenue Needed.

Finally the recent estimates presented to parliament emphasize the need for revenue not only for current and capital expenditures, but also in the course of a few years for a sinking fund to amortize our heavy war debt. Nations, like men, are apt to replenish their funds from the readiest sources when hard pressed, and the rule of expediency rather than of reason prevents the formulation of idealistic schemes.

It has been possible to outline in the merest skeleton from some of the limitations that must always be considered before the final acceptance of any tax, but their importance cannot be over-emphasized, for they are the bed rock of Canadian conditions. It should be apparent that it is a matter of exceeding difficulty with which Canada is faced when an attempt is made to levy adequately and collect efficiently taxes from nine million persons scattered from coast to coast.

With tremendous natural resources, the successful development of which is contingent in large part upon the tax system in vogue, with the possibility of greater expansion of our foreign trade, with the destiny of the dominion being in the balance the opportunity for sane tax legislation was never so great. The immediate decision with particular reference to our taxation policy lies with the government of the day. At the present time the larger programme of tariff protection must rest with the will and pleasure of the people, and it is eminently desirable that when the decision comes to be made adequate facts will have been produced upon which to base judgment. Whatever may be the final result of the people's will it is evident from the declarations of the various leaders that the tariff will not be wiped from the slate.

### Information Needed.

Bidding that time and more especially after the poll has been taken



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the formulation of the tax and tariff policy should not be left to the discretion—or indiscretion—of legislators without wide information concerning the status of industries which might be affected. Under present conditions the average parliamentarian is prevented by pressure of other duties from an investigation of the multitudinous details of tax and tariff intricacies, and it is the contention of a growing body of public opinion that the studios and scientific preliminary researches should be conducted by a competent and impartial advisory commission, appointed to supply necessary information not only to the legislators, but to the electorate for interpretation.

Indeed, an intelligent electorate is essential for stability and upon the tariff issue to-day there is an unsettled attitude based in large part upon inadequate information concerning its specific aspects which might readily be remedied by the results of investigations by technical experts. While it certainly cannot be denied that there is glib talk about protection and free trade as if it required only a wave of the hand to wipe out the tariff and introduce a New Jerusalem into Canada, there are, on the other hand, certain stand-pat advocates of the privilege of protection whose uncompromising attitude must work their own undoing. A reasonable attitude can only result from the publication of facts and figures, and it is becoming apparent that any arguments advanced in the tariff controversy must be single-sided, but comprehensive in including reference, first, to the attitude towards industries already established under the "National policy," and, secondly, towards the establishment of desirable and new industries.

Consequently, without reference to the extent to which protection or free trade may be considered advantageous by the electorate, the tariff policy must recognize the necessity of assisting in the rehabilitation of Europe and more particularly include a definite appraisal of the value of the three classes of industries mentioned below:

(1) Vested interests, i.e., the proportion of Canadian industry which was given the first stimulus under the policy of protection and justifies its continuance to-day as a vested right to be rescinded only when investigation determines that the privilege is no longer necessary or inimical to the social welfare.

(2) Key industries, i.e., those industries manufacturing a vital product for other production or essential in times of emergency, including industries created in Canada as a result of the needs of the last war.

(3) Proposed industries which careful investigation might show Canada would have an advantage in production and eventually of marketing, thus being able to stand without protection in open competition within a reasonable number of years when markets have been established.

Whatever may be the final decision of the Canadian people upon the merits or demerits of protection and whatever may be the attitude of the members of parliament to legislation brought forward, it is evident that the appointment of a Federal Advisory Tax Commission is an imperative necessity in the

days of readjustment—not, in truth, to usher in the scientific tariff or ideal taxation—miracles of the mirage—but to study scientifically and propose rationally a programme of taxation best adapted to the peculiar Canadian conditions.

In addition to the preparation of reports upon the tax and tariff problems mentioned above, especially with reference to the difficulties arising in the determination of a taxation policy, the problems as well as the supplying of information on Canadian economic conditions upon which to base the tariff policy I venture to suggest, as briefly as possible, some additional functions which the commission might advantageously assume.

The commission might be invested with powers:

(1) To co-operate with provincial tax commissions as they are established in arriving at some agreement with respect to tax jurisdiction and to aid in the unification of provincial tax systems, subject, of course, to sanction by parliament and the powers conferred in the British North America Act.

(2) To co-operate with such government departments and bureaus as customs, trade and commerce, census and statistics, labor, commercial, intelligence, and so forth in analysis material relevant to taxation.

(3) To draft relevant tax legislation and commercial treaties for revision and ratification.

(4) To secure such information as will facilitate the formulation of a relatively stable tax and tariff policy.

(5) To investigate the administrative, fiscal and industrial effects of the customs tariff.

(6) To supply information relating to the arrangement of schedules and classifications of articles in the tariff, and to investigate the operation of customs laws, including their relation to the federal revenues and their effect upon industry and labor.

(7) To arrange for a classification of industries and the preparation of a tariff catalogue by special investigations and by utilizing relevant reports prepared in foreign countries.

(8) To investigate the relations between the rates of duty on raw materials and finished or partly finished products.

(9) To enquire into the distribution of population as affected by the tariff and generally the economic consequences of the tax system.

(10) To lay down rules of procedure in the administration of tax and tariff laws, to investigate the effects of ad valorem and specific duties, to suggest the advisability of tariff retaliation arising out of foreign trade discrimination, to advise concerning maximum and minimum rates, and so forth.

(11) Possibly to act as a court of appeal for rulings in technical and administrative disputes.

The personnel of such a permanent advisory commission would be most important and might include accountants, industrial experts, chemical analysts, economists and statisticians, lawyers, and such other expert advisers as might be found necessary, in addition to the impartial directors of investigation, say, five or six, who, it would seem advisable, should not be representative of any special classes in the country.

Every group and class today is tired of ill-adapted tax experiments not only by the Federal Government, but also in the provincial and municipal jurisdictions, and anxious that finance ministers shall no longer be called upon to tread the primrose path of expediency, but rather that they should be able to make some progress, at least, on the road to the mirage. (It is with that end in view that I have endeavored constructively, though inadequately, I realize, to deal with this vital Canadian problem.)

The Late Joseph E. Thorne There passed away in Lowell, Mass., on March 1st, Joseph E. Thorne, who several years ago was a resident of this city. He was the youngest son of Dr. Woodbury Thorne, and was born in the Annapolis Valley, Nova Scotia, on February 23rd, 1847. When but a child his father died and his mother shortly afterwards brought her young family to Kingston. In his young manhood he was engaged in the lumber business in Batterssea and Perth Road, but over thirty years ago he

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