

that no more interest would be paid on those bonds unless they converted. If they converted they would get 100% conversion, otherwise they would get no interest. It's all been converted except a very small figure left outstanding.

Mr. Smallwood How much of the total is in sterling and how much in dollars?

Mr. Wild It is all sterling. All the guaranteed money is sterling.

Mr. Smallwood There are dollar bonds?

Mr. Wild No. Oh well, there are about \$12,000 worth that people did not convert.

Mr. Smallwood Then the total of dollar bonds indebtedness is roughly what?

Mr. Wild About \$5 million. We have got that railway loan which is about \$1.5 million.

Mr. Smallwood We owe no dollars out of Newfoundland except the regular loan, and all the sterling is guaranteed by the UK?

Mr. Wild All except what I have mentioned.

Mr. Harrington There is one sentence here: "There is considerable increase in direct taxation since the war, and it now amounts to more than half the yield from customs duties, on which we used mainly to depend." Could you foresee the time when all our revenue would be raised by direct taxation?

Mr. Wild If you mean by income tax I would not like to say anything for the future, but may I put it this way. I assume you mean that in regard to balancing our budget, can we get the whole thing without some other taxation?

Mr. Harrington Well, the greater portion.

Mr. Wild I think the answer physically could be "yes", but it's going to be the devil of a job to do. It means that you have got to drop your exemption. You have to start collecting taxes from your fishermen. The small farmer or fisherman does not pay taxes in Canada. The trouble is your small farmer and fisherman is, in a small way, a capitalist. He is in business on his own, but if we ask him to pay taxes we have to ask him to render a balance sheet, etc., and how many fishermen are going to do that? If the country wanted to tax workers in industry then we would be getting somewhere, but we are a long way from that. The larger proportion will always have to be gotten by some other taxes than income tax. There are many things to be said for it. Income tax may not be quite fair. Why should anybody pay a tax on his smokes and drinks? If you dropped customs

duties I think we should have to have sales taxes, and sales taxes are rather difficult in application. In Canada they have a very successful tax through the wholesalers, but the other retail taxes mean an awful lot of trouble, you have to have a system of stamps or an army of accountants. One might check on the merchants in St. John's and the big towns, but it would be very difficult in other districts. Sales taxes are possible, but they mean a lot of work.

Mr. Smallwood Would they be very much more difficult to enforce in this country than income tax is now?

Mr. Wild Income tax is not difficult in this country now.

Mr. Smallwood Judging by all the talk it is.

Mr. Wild It is a gradual process and is going to take some years, but I think as time goes on we can do better. We have got 10,000 income tax payers now as against 2,000 previously. It is surprising how many people are getting used to paying income tax.

Mr. Smallwood You are getting about \$2 million in direct taxation from liquor, licenses, etc.

Mr. Wild Well, I call liquor an indirect tax.

Mr. Smallwood You said the other day that the least amount necessary to maintain ordinary expenditure at its present level would be \$23 million a year, and then as to the capacity of the country to pay that \$23 million you looked ahead a bit and saw newsprint fairly good for a few years to come, some minerals, etc., and the possibility that for the next three or four years the country would be fairly well off to pay the \$23 million, and maybe more. But you mentioned the possibility that it is anyone's guess as to when the slump might come. If we have to devise a system of government, it is not for five or ten years, but for 50 or a 100. Have you formed any personal opinion as to the capacity of this country's economy, beginning five or ten years from now, to produce that amount of money yearly?

Mr. Wild I said that I expected that it would not be below that, but I said that that included nothing for unemployment relief. That \$24 or \$25 million contains little or nothing for public relief. If you have a slump in trade it may not be enough to cover your \$25 million, it would not be enough to meet the \$28 million to cover your public relief.

Mr. Smallwood Well, if the slump comes we