

Because in each case the big man is being hit by the land-tax and also by the income-tax?—Yes, that is the point. And I claim, further than that, that you want to encourage industry. Take boot-manufacturing: it might be said that boot-manufacturers are in competition with the imported article, but you can put a very high duty on. I say you should encourage local manufacture; and the same with woollen goods. If we manufactured more of our wool it would be beneficial for the country. In England I think there are only 18 per cent. of the people engaged in agriculture, and I believe that in America the proportion has been brought down to 28 per cent. I mention those figures to show the immense importance of manufacturing industries in those countries. Supposing the United States did not encourage manufacturing industries, they would not hold that 28 per cent. of agricultural population that they have to-day, because a large number of those people engaged in agriculture are so engaged because there is the manufacturing population to supply. If you cut the manufacturing population out of America there would be an immense drop in the farming population.

*Mr. Begg.*] That would apply the other way round even more, would it not? If you cut out the agricultural population the manufacturing population would tend to fall very speedily?—Yes. I know I cannot run my mill if I have not got raw material.

*Mr. Shirlcliffe.*] You will understand, of course, that America, as regards its manufacturing industries, has its raw material, and it has the labour?—Yes; but the point is this: it manufactures. You can hardly point to a single product that the people of America do not supply themselves with, and yet America can only employ about thirty millions of its people in agriculture. My point is that agriculture alone will not employ a very large population. If this country is ever to carry a large population a good portion of that population must be engaged in manufacturing.

*Mr. Begg.*] I notice you say that the Income-tax Department has collected about thirty-four millions sterling in the last six years. We must presume that it needed that and had to collect it. And you go on to say, "This money was taken from firms who could have used it to good advantage towards improving the country." We will assume that that had been collected from individuals instead of from companies—that is, individuals would have had thirty-four millions taken from them and the companies would have gone on without paying it directly. In what respect do you think that would have enabled manufacturers to establish themselves more firmly and to increase their businesses more rapidly?—Supposing you had a lighter load on—for instance, the woollen industry. As far as I can see, a large part of the money that is made in a business is reinvested to extend or improve the business, and it would be quite easy to imagine the woollen industry employing a great many more people than it employs to-day, and it could have taken risks that it could not take now.

Do you mean that there would be much less personal extravagance in the country and more money put into development?—No. When you take money away by income-tax and graduated land-tax you are taking it away from the successful men—from the people that have got some organizing ability and enterprise; and it is a bad thing to take money away from those people in excessive quantities. To my mind, it is as bad to do that through the Tax Department as it would be for me to go to my cutters and take from them a larger amount of what they have earned than I should take. You hit the successful man, because the Tax Department cannot collect money from unsuccessful firms.

I do not think you quite grasped what I wanted to get at. We have to get assume that the Government had to get thirty-four millions. If they had collected it from individuals instead of from companies, I want to know how you come to the conclusion that that would have been good for the industries of this country?—I think it would have been good because the companies then would not have had their funds depleted. They would have been able to build up funds to extend their business.

You think the effect would have been that there would have been a great deal less individual extravagance and more building-up of the industries of the country?—I think you are right, though I never thought of it in that way before. But the point is that the high rate of graduated tax must be taken from the successful firms. You are taking the very life-blood away from an industrial concern when you take away its money. I cannot run my business to-day if I have not got capital. You take that away and I am done.

It must be successful men that pay taxes, must it not, on any scale?—It is a mistake to graduate the taxation up to a rate that cripples them and breaks their hearts.

*Mr. Weston.*] You mean that the taxation has been excessive?—Yes.

*Mr. Shirlcliffe.*] Have we had any suggestion from Mr. Seifert as to what alteration he thinks should be made?—

*The Chairman.*] I understand that what Mr. Seifert is here to support is the maintenance of the present condition of affairs so far as the flax industry is concerned. He does not want that disturbed. And do you not approve, Mr. Seifert, of the heavy taxation on companies?—No, I do not approve of heavy taxation on companies.

You think the maximum should be somewhere about half a crown?—Yes.

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WELLINGTON: TUESDAY, 15TH APRIL, 1924.

D. G. CLARK, Commissioner of Inland Revenue, further examined.

*The Chairman.*] We shall be glad to hear your statement, Mr. Clark?—It was suggested that I might have an ideal system of taxation to submit. I must confess that I have not, nor do I think that such a thing can be attained. Even if there was universal agreement as to what was an ideal system, which is far from being the case, I believe that the amount of elaborate detail that would be