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**July 19, 2016**

**William Stephenson  
Procedural Services  
House of Commons  
Room 6-11  
131 Queen Street  
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***My justification for appearance before the Committee is having experienced 86 volatile years of our economic history as a Chartered Accountant, entrepreneur, consultant to Government and business, Member of the NS Legislative Assembly and Candidate for Member of Parliament. I have studied Economic Growth and Distributive Justice and have written and spoken on my economic and political opinions. I fear that Canadian legislators have been deprived of the knowledge necessary to adequately evaluate economic and taxation options. A favourite quote states; "The only thing new, is the history you don't know". Canadian policies have been good and have been bad. Policies of the 1920's were bad, the policies of W.L. MacKenzie King and others led us through the growth decades of the Golden Years and we now have policies that are leading back to the 1920's. Canada must stop following policies dictated by other countries and corporate interests.***



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**July 29, 2016**

**2017 Pre-Budget Consultations**

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## **Executive Summary**

Very few citizens understand, or try to understand, the country's economy. They may feel too dumb or uneducated, but it is really just failure to use their ability for rational thought. They elect MPs to do it for them. To understand and legislate economic policies, to benefit all citizens, is the greatest responsibility and duty of every MP. Economic policy is the foundation of every other facet of Government. MPs must research the necessary concepts and data and apply rational thought. Policies should assure maximum wealth creation (goods and services), and lesser wealth consumption, in order to sustain productive capacity. Policies should assure fair allocation of production and distribution between individuals and society as a whole.

It is rational that tax influences citizens decisions to work and produce and to spend and consume. The elimination of tax on money received as income could easily be replaced by taxing payments that are unproductive. The current tax statutes and regulations have become complicated and confusing by efforts trying to correct the economic and personal harm caused by taxing income.

The complications of determining the taxable amount could be reduced by simply totaling the money received in any year and deducting

- (a) an amount for median standard of living ;
- (b) total amount saved
- (c) amounts paid that are determined to benefit others than the taxpayer

Taxation that would replace the income tax would include:

- (d) applying equal, or higher, tax on imported goods and services;
- (e) applying a tax on secondary market security transactions;
- (f) applying a progressive tax on total receipts less (a), (b), (c)above.

The effect of such taxation changes would be to shift the taxation base from the production of goods and services, the creation of wealth, to consumption, the destruction of wealth.

### **Background and history**

Most Members of Parliament would have no personal recollection of the “Great Depression” , “World War II” or the “Golden Years” of Canada. Nor are they knowledgeable about the economic policies of those days and have little knowledge of the days since the “Golden Years”, the years of greatest growth. Let me outline some of the changes and their effect on Canadians.

The influence of the banking and financial interests’ over Government's policies led, prior to the Great Depression, and again after 1970, to economic bubbles, high debt levels and concentration of income and wealth in the hands of the few. MacKenzie King stated “The Liberal party declares itself in favour of the immediate establishment of a duly constituted national bank for the control of the issue of money in terms of public needs.” So he formed the Bank of Canada with the mandate of creating the money to finance all levels of Government. The recovery from the Great Depression, wars, the seaway, the TC highway, much infrastructure and social policies were so financed. This was all done with little government debt and need for taxpayers to pay debt charges.

The “Golden Years” of Canada ended when the banking and financial interests regained control during the 1970 decade. MacKenzie King warned that loss of control of the money supply would “wreck any nation”, and it is happening.

WWII saw Canadian production expand, much of that production only to be destroyed, saw maximum employment, saw personal savings rise. If we could contribute that much effort for war, we should make equal effort to produce infrastructure and more goods and services for Canadians and for others less fortunate. Such would increase employment and growth. We did just that, for decades after WWII, the Golden Years. The TCH, Seaway, schools, hospitals, social programs, basic research, the arts, all were funded without significant government or household debt.

During the Golden Years, in addition to the creation of money by the Bank of Canada, Canadians were employed and could earn, and loan, money to the government or to the private economy. And there were income taxes. During the 1950's and 1960's, the rates on taxable income ranged from a low bracket of 17.4% to a high of 91% on the top bracket. Such high rates of taxes did not discourage work effort or production. Those who were in that workforce will vouch that the opposite was true. The complex changes to income tax determination over the last 50 years have included additional deductions in the calculation of the highest taxable incomes as well as reducing the tax rates of those incomes over \$300,000 by 38% while increasing the rates for those reporting under \$300,000 by 18%.

## **Imports, fair tax**

Federal, Provincial and Municipal taxation equals over one third of GDP. Presently, all cost of government must be absorbed in the price of goods and services produced in Canada. Imported goods and services bear none of those costs of maintaining our society. Canadian production would be more competitive, in Canadian and other markets, if imports were levied the same tax amount as borne by Canadian production. The manufacturing sector in Canada is shrinking because it bears all the costs of government, not because our workers are any less competitive.

Canada can produce all of the food necessary to feed our entire population, and more. The consumer's choice, to purchase foods not produced in Canada, is of no benefit to any Canadians, other than the one consuming. Canadians should have full freedom to choose as they wish, but should pay for their choices. Canada's food production could be increased by charging the same taxation on food imports. Imported food should not only bear the same taxation as Canadian food, but an additional duty to encourage production in Canada.

Imports are currently paid for by two principal sources. Firstly, the money from the depletion and export of natural resources. In addition to depleting the resources, the future economy, as well as the current, is denied value added industry to support employment and prosperity. Secondly, foreign investment in real estate and other rent seeking assets. There seems to be little concern for future generations in our economic policies. In addition to personal debt, for student loans and predatory credit cards, all of the foreign investment will have to be paid for by future generations. All to be paid for while good paying employment is being reduced by technology and imports.

## **Speculation tax**

A Canadian buying a lottery ticket speculates that they will be paid about one half of the amount speculated. The other half goes to Government, a tax rate of about 47%. A tax on speculation is good source of revenue because it is an easy source, the money is there and the transaction is of no benefit to the rest of society. A purchase/sales transaction in the secondary securities market benefits only the seller and buyer. Such a transaction diverts capital from any "initial public offering" that would create productive assets or from other use of the money that would benefit the economy. It is pure financial speculation based on inflation and financial growth. Such a tax, at some fair rate, would replace revenue from taxes levied on income and production.

## **Tax calculation**

The information required and filing requirements for the suggested change in the tax base would be less than required under the present tax base. Present accounting principles and standards for all monetary transactions are in place. The record of every transfer of money in every transaction is available and required for various purposes, including taxation. The suggested change would eliminate adjustments for time, type, and sundry reallocations. For tax purposes, only two things would matter, money received and money paid out. With the paid out, only two things would matter, was it paid for personal consumption or was it saved. One of many reasons for not taxing savings is simply that savings are of no direct benefit to the saver until cashed and spent. Savings are available for use by others.

The effect of such taxation changes would be to shift the taxation base from the production of goods and services, the creation of wealth, to consumption, the destruction of wealth.



## **Savings**

Present savings plans do little to encourage savings by those who most need savings. Those with the least income and resources need the most encouragement to save. Their savings are most needed to offset any need for future government support. Those with higher incomes benefit most by tax deductibility on savings. The savings plans are invested in secondary securities markets that do the least for the economy. The re-selling of securities add no economic value. Investment of savings in the small business sector, the sector that most creates employment and advances the economy, is not encouraged. The cash generated in a small business is presently taxed, even if it is used for expansion of productive assets.

## **Creation of Money**

Few members of the public understand, or will even believe, that money is now created by banks through the creation of credit, of debt. W. L. MacKenzie King stated; "The Liberal Party believes that credit is a public matter, not of interest to bankers only, but of direct concern to every citizen." The banks, and allied financial institutions, have, for their own profits, created unsustainable levels of debt for households and individuals. The banks have created money for speculation in securities and real estate, creating harmful economic bubbles. The governments since 1970 have needlessly incurred debt charges by failing to finance through the Bank of Canada. Much of the borrowing was due to unnecessary debt charges and the failure to pay current expenses from current taxation.

All money should be created by the Bank of Canada, as stated by MacKenzie King “in relation with the domestic, social, and industrial needs of the Canadian people”. There should be control over the creation of debt for unnecessary consumption. Money should be created only for the creation of wealth. Money should be created for public wealth in the form of physical and human infrastructure or for loan to the private sector to support industrial and developmental needs.

If all Members of Parliament knew our economic history, we might still be in the “Golden Years”. Had the Governments since 1970, kept using the Bank of Canada, kept control of currency and credit, discouraged speculation and maintained distributive justice through taxation, we might still have a viable and productive economy. We might have employment by the production and consumption of Canadian goods and services. We might have a growing middle class.

There are so many economic theories, and economists of different minds, that it behoves our Members of Parliament to review and reconcile the economic differences and through rational thought. If they do --- “they can make Canada great again”.