stockholders already occupying positions in the high-income brackets, particularly in the many family-controlled corporations, (6) little benefit can be derived by them from the declaration of further corporate dividends. Uncle Sam would get all but an insignificant portion of that money.

No assurances from the Internal Revenue Department (7) that the government intends to be reasonable in accepting the judgment of management as to what surpluses are necessary, can alleviate the anxiety in American business today over impending enforcement of section 102.

And now there is talk of adding an excess profits tax! (8)

Capital investments in new plant facilities reasonably required for the business of the company (9) could relieve this pressure and promote the public purposes of the Marshall plan. Thus, a company with a surplus of $2,000,000 might prefer to put $1,000,000 into European industrial development, representing expansion of its business, rather than face enforcement proceedings under 102, or pay the $1,000,000 out of dividends and see it returned tax-wise to Uncle S am. Even if the European expansion might ordinarily seem a little risky, it at least offers a possible net gain ultimately, especially when this advantage is considered with another factor which I shall now discuss.

II. <u>Decline of exports; exhaustion of dollar exchange</u>: Canada is not the only country during 1947 which, like a passenger riding in a taxicab toward a distant destination (European recovery), nervously watching the taximeter and measuring the mounting costs against the contents of her purse, anxiously stops the cab and says, "Driver, I'll get out here, please."

Our neighbour on the South, Mexico, also stopped the ride and got out to walk in July 1947, Others did likewise.

What is the effect on the high level of industrial production in the United States? A schoolboy can answer. The highest record in exports for any month in the history of the United States was in May 1947, a total of $1,441,000,000 in goods. Exports declined after that with a slight rally in October and November largely due to loading up on merchandise

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(6) A man with $50,000 taxable income in the United States, but not over $60,000, pays a federal income tax of $26,820 plus 75% of the excess over $50,000. With $100,000 of income, but not over $150,000, a taxpayer pays $67,320 plus 89% of the excess over $100,000. With an income of $200,000 a taxpayer pays $156,820 plus 91% of the excess over $200,000. In addition, he pays taxes to the state and has little or nothing left if he is in the highest brackets. See "The Tax Barometer," Vol. 5, No.3, December 20, 1947, re Internal Revenue commissioner's "crusade" against the family-owned corporation.

(7) See "The Tax Barometer," Vol. 5, December 13, 1947.

(8) See testimony of Bernard Baruch on the Marshall plan before the Foreign Relations Committee of the Senate, January 19, 1948.

(9) See "Distribution of Profits," Sec. 102, C.C.H. pamphlet, Reg. 111, p. 17.