

These constantly recurring deficits are the cause of great concern; in fact, they are most depressing. It is not a happy condition when one has to refuse, and continue to refuse, legitimate applications for financial assistance to enable proper development to take place. The University has made very pronounced progress during the last ten years, but only because the Board of Governors sanctioned these deficits. We have paid our way and are not in debt, but our capital has been impaired. Each year we have been forced to sell securities to pay these deficits, and, of course, that has meant that each year there has been a lowering of our income earning powers. Everyone would be glad if things were so that we could look forward to paying our way by using our income only, but I am afraid that happy condition will not arise for many years in the history of this University if we are to continue to rank in the first flight of universities, and to play the part a university should play.

This year we are lopping off another \$17,000 from our expenditure, but let me say that this means a loss of efficiency, and not the elimination of waste. It is possible to do this because we are cutting down the appropriation for upkeep of grounds, for academic and library supplies and equipment, and because some teachers who have resigned are replaced by others to whom we are paying a lower salary. In universities, as in business, the low-salaried man is usually the less qualified man.

There is, of course, another way in which the expenditures might be lowered, and that would be a general cut in salaries. I cannot support that suggestion, because, on the whole, university salaries at McGill are low, generally lower than at the University of Toronto, at the University of Montreal and at the American universities. We find it difficult to keep our best men as it is; they are being constantly tempted to go elsewhere by the offer of higher salaries. I know of no university in Canada which is reducing salaries on account of the depression. If we did such a thing now the University would lose in its capacity to do the work for which it was founded.

As the statement outlines, we anticipate a decrease in income next year of \$85,000; in that we are helpless. There is a loss of the earning power of last year's deficit of \$338,000; there is a loss on income through defaults in interest on bond issues and through reductions in dividends; and we anticipate a loss in fees, solely because of the depression. In this we may be agreeably disappointed.

Although the total appropriations recommended are \$17,000 less than last year, there is an increase in the appropriation recommended for Salaries. Of this, \$6,600 is unavoidable, because it represents 12 months' salary to those to whom we were only obliged to give 9 months' last year, because they were engaged as from the first of September.