

Militia. The services of those who have large families will be dispensed with. I have in my hand a statement from the Department of Defence which I should have read yesterday. It is as follows:

In the carrying out of enlistments, men without dependents are preferable; married men with four or more dependents should not be enlisted.

I think an order will go out that men with more than two children shall not be accepted.

The motion was agreed to, and the Bill was read the third time, and passed.

### SALARIES BILL

#### SECOND READING

Hon. Mr. DANDURAND moved the second reading of Bill 10, an Act to amend the Salaries Act.

He said: Honourable senators, this Bill is consequential upon the one we have just passed. It allows of emolument or salary being paid to the Minister of Munitions and Supply when he is appointed.

The motion was agreed to, and the Bill was read the second time.

#### THIRD READING

Hon. Mr. DANDURAND: With the leave of the Senate, I move the third reading of the Bill.

The motion was agreed to, and the Bill was read the third time, and passed.

### EXCESS PROFITS TAX BILL

#### SECOND READING

Hon. Mr. DANDURAND moved the second reading of Bill 12, the Excess Profits Tax Act.

He said: Honourable senators, I may inform the House that His Excellency the Governor General was notified that we could receive him at noon. The message announcing his coming has not yet been read by His Honour the Speaker. It was hoped that we could end our labours around twelve o'clock. If my right honourable friend tells me that this Bill, the last one on the Order Paper, is likely to occupy our attention for more than half an hour, I shall inform the aide-de-camp in waiting that His Excellency need not remain.

Right Hon. Mr. MEIGHEN: I think discussion of this Bill will and should occupy more than half an hour. I am not objecting to a profits tax; in fact, I welcome it, and certainly it should be introduced now. But there are features of this Bill which would really merit and demand discussion in any serious legislative body. If there is an officer here

Hon. Mr. DANDURAND.

from the department who is ready to answer questions, I wish he would keep this in mind—

Hon. Mr. DANDURAND: I should like to ask Mr. Eaton to come to the floor.

Right Hon. Mr. MEIGHEN: If he hears me, that will be enough. I know how the previous legislation worked. I know how the principles of capitalization and reserves and accounting were applied, and should like to know if there are any differences between this Bill and the previous statute in that respect.

While on my feet may I say this? It will be remembered that at the last session of Parliament I intimated to the Government from my seat in this House that a profits tax was the proper method of taking care of what the public regard as profiteering. It is the only sensible way I know. This Bill is along precisely the right lines. As to the previous legislation of this kind, it is unfortunate that we did not introduce it earlier. It would have been better if we had done so. In saying this, especially when I remember the services rendered by Sir Robert Borden, I do not want the impression to go abroad that the situation was not fully appreciated. It was. This country was the first in the world to put a war profits tax into effect. Just when it came I do not recall. It was a considerable time after the war, but not too late for it to be said that we were ahead of any other country in the world.

On this subject of profiteering it has to be kept in mind that because of economic exigencies of war there is an inevitable rise in prices. We can hope to control it only on the surface. The real controlling factors are centred in the great purchasing countries. Those countries will not succeed in wholly controlling prices, but I hope they will do much. It is the law of business—and you cannot alter it any more than you can the weather—that the sale price of goods is determined by replacement cost and not by the price of raw materials. Consequently, when replacement cost rises increased profits are made on goods sold. That condition will last so long as the rise continues, but we must keep in mind what follows. Suddenly replacement cost drops, perhaps to a point below what it was at when the rise began. Every business has to absorb that drop. The sale price of goods must always be based on replacement cost, when this is on the way down as well as when it is on the way up. It often happens that the replacement cost of goods falls far below what manufacturers paid for raw materials in those goods. Then companies which have failed to keep up their reserves suffer serious consequences, perhaps go bankrupt.