escape. The income tax should be paid by a much larger number of citizens. The tax on surplus profits needs much study; there is all the difference in the world, both in justice and in the interest of the community, between a large aggregate of profit made by a small margin on each transaction and a similar sum made by an unfairly large margin of profit on each transaction. The community may be deeply interested for its own advantage in securing the extension of the first kind of transaction, while no one is interested in the success of the other class except the taxpayer himself. The tax in the end must be borne by our industrial activities, and we are foolish if, in our eagerness to escape our own share, we make such burdens so heavy on others that many of these activities must cease, and commodities that under fair conditions might be produced at home are replaced by imports from abroad.

Little Unemployment.

The usual review of business conditions presented at our annual meetings is of marked interest this year. The unemployment which it was feared a year ago would be wide-spread, even if only temporary, did not occur except in a few centres of industry. Industrial plants were quickly readjusted to peace time industries and orders for many kinds of commodities poured in beyond the capacity to fill them, not so much, however, beyond the capacity of the plants as beyond that of the men to work them; and, therefore, as we are not satisfying the demand, prices must go on rising. At the same time the demand for housing accommodation and for many other public and private building requirements is greater than the world has ever known before. Surely this all sounds like the prosperity we so often sigh for, and, indeed, to many it is a time of large profits or high wages, but the pendulum can swing only a certain distance in one direction or the other. There is not much satisfaction in a prosperity which can only be sustained by borrowing more money, nor can our comfort be unalloyed if production is insufficient to keep a large part of the world from starvation.

A Review of Events.

When the future historian, however, looks back at the events of the past year, he will not see an irresolute world failing to take steps necessary to recover the road to happiness. He will applaud the efforts of society in Winnipeg, London, Boston and elsewhere, to defend itself against revolution; he will wonder at the activity in the shipyards of the world to supply the lack of transportation; he will see that capital and labour are not farther apart but much nearer to reasonable solutions of their difficulties; he will, indeed, from his lengthened perspective, see that the chaos following the war is steadily yielding to that great quality of civilization on which the hope of the world rests—the love of order. We hear much about the decline in the exchange value of the pound sterling and more about Great Britain's loss of ascendency in the world of finance, but if you will read the report of our London manager you will find no trace of doubt, no murmur of complaint. Great Britain has accomplished the most stupendous things in history; the world owes her more in respect and admiration than it can ever pay; but she asks nothing from others—she is simply clear-sighted and aware of her enormous obligations, and of what they involve. No one who reads this statement will find cause for pitying her, she is so strong and self-reliant; on the contrary, there is abundant cause for pride that we are part of the great empire which in the supreme emergency saved the world.

One feature of the British financial situation which adds to our difficulties is the sale here of Canadian securities hitherto held in Great Britain. So long as the sale in Canadian dollars will produce so much more than usual in pounds, this return of our securities will go on, and each sale has the same effect on our international finance as the importation of merchandise of the same value.

Our Neighbor.

The report of our New York Agents is also worthy of careful study. The volume of business transactions in the United States is so large that the effect of legislation or of any new condition in commerce is apt to be seen more clearly and more quickly than in smaller countries. The effect of price-fixing, and of taxes on excess profits, is clearly apparent in a lessening of production. Whatever may be the right way in which to punish the profiteer, these two methods act as boomerangs. In the end it is the consuming public that is punished. In the United States the enormous profits made by supplying the allies have led to a post-war expansion on a vast scale. The formation of new companies exceeds all previous records, and the inflation in stock-exchange prices has made many enormous fortunes, the buying power of which is the same as that of money made in any other manner, but the basis of which, so far as the country as a whole is concerned, may be an idle dream. In marked contrast to this power to sell securities at inflated prices, is the perilous position of United States railroad securities. Because railroads are prevented by what is really price-fixing from securing a freight rate adequate to the cost of administering them and of keeping them in proper repair one whole transportation system of the United States is not merely imperilled, but is evidently facing ruin if an entirely different policy is not adopted. But at a time