provide the real incentive would be the profits to be made in excess of 20 per cent. But of these your government proposes to take three-quarters.

"Under the circumstances, the business man will feel that he must deliberate the situation very carefully. He shrinks from exposing himself to the very real danger of a loss, yet he might be willing to do so if the success to be achieved were great in proportion. On the other hand, if he has the alternative of employing his plant and resources on modest undertakings that involve comparatively little risk, and hold out the almost certain hope of small but safe returns, he will probably prefer to adopt that alternative, particularly if he is acting as trustee for a body of shareholders."

Reference is next made to the depression which it is generally expected will overtake Canada when the war is over, and the desirability of the government consciously encouraging manufacturers, instead of unconsciously discouraging them, to prepare to meet the situation. Continuing, the memorandum reads:—

Production and Thrift.

"Such a policy would be in complete harmony with the production and thrift campaign which your government has so consistently supported since the commencement of the war. Obviously, our best means of meeting the financial obligations imposed upon us by the war is to produce as much as we can, and to spend as little as we can. We want all the increased production we can obtain from our soil, from our mines, from our forests and from our fisheries, and we also want all the increased production we can obtain from our factories. You purposely encourage agricultural production by exempting it from war taxation To this we offer no serious objection, notwithstanding the fact that it is discriminatory. But why discourage manufacturing production when it occupies a position of such importance in our industrial fabric? We recognize, of course, that your government must have revenue, and that the profits from manufacturing production are a legitimate subject for taxation, but is it fair to ask them to bear so much of the burden, is it wise to levy so largely upon those profits that they will yield no surplus for capital extension? How can there be any material increase in manufacturing production without the employment of more capital? And how can more capital be employed if your government appropriates it almost as quickly as it is accumulated?

"While fully endorsing the principle of a reasonable tax on profits, we submit it would have been wiser, when additional revenue became necessary, to lay plans for securing it by the imposition of a tax on extravagance. People who spend their money on amusements, on indulgences and on luxuries are not practising thrift and are not, therefore, conforming to your government's programme. Some scheme of taxation, devised to fall upon these practices, would serve the double purpose of yielding a revenue and checking the wasteful expenditure of money. Extravagance, in our opinion, is not taxed nearly as heavily as it ought to be, in times like these. In the best interests of the country as a whole, we think that production should be relieved of the necessity of bearing new burdens, so long as those burdens could be shifted to shoulders where they more properly belong.

Example of Other Countries.

"The minister of finance, in announcing the increases in the business profits taxes, cited in their defence that they would still be less onerous than similar taxes in the United Kingdom, leaving it to be inferred that Canada might with safety approach, if not equal, the example set by the Mother Country in taxing profits.

"But the cases are not altogether parallel. Under our Act, only 7 per cent. of the profits are exempt; under the English Act, as we understand it, the exemption for any particular business is fixed by taking the average of the best two of three years prior to the war. In some cases that might mean an exemption of less than 7 per cent., but in other cases it might mean an exemption of as high as 20 or even 30 per cent. The English Act now provides, we believe, for a tax of 80 per cent. on all excess profits, as defined above, whereas ours, under the proposed amendment, will take 75 per cent. of the excess over 20 per cent. It may well be, therefore, that our tax in its actual operation will sometimes prove more instead of less onerous than the English tax.

"It should not be forgotten, moreover, that so far as capital is concerned, England and Canada are in entirely different positions. England, before the war, had vast reserves of capital which made her independent of outside sources of supply; regardless of any taxes which might be imposed upon her profits, she would still be able to provide for her own industrial expansion. Canada, on the other hand, who relied very largely on outside capital, now finds her supplies reduced to what she can save out of her earnings. Further, it may be pertinent to remark that if Canada can see an advantage for herself in taxing business on a more moderate scale than England has seen fit to adopt, if she can see an opportunity in such a policy of transferring to her own establishments work that would otherwise be done in other countries, she would be standing in her own light were she to follow England blindly and let the opportunity pass."

PACIFIC-BURT COMPANY

An excellent report has been presented to the shareholders by the directors of the Pacific-Burt Company, Limited, for the year ending March last. It shows net profits of $108,882, which, with the balance of $29,792 brought forward from the previous year, gave a total of $138,674 for distribution. This was appropriated as follows: Dividends on common and preference stock, $45,500; transferred to real estate and plant reserve account, $15,000. A balance of $65,174 was carried forward. The year's profits were $37,582 greater than those of the preceding twelve months, said Mr. S. J. Moore, president, in presenting the statement. The transfer of $15,000 to the real estate and plant reserve account brought that account up to $38,974. Although the profits would seem to justify an increase in the dividend rate on the common stock, the directors purpose making no change for the present, for the reason that the increased costs of materials and labor require a much larger amount of working capital than formerly. Until conditions become more nearly normal the directors consider it prudent to continue the present rate of dividend, a properly conservative course.

The liabilities total $1,300,000, divided as follows: Capital stock—Preferred stock, $650,000; common stock, $650,000; real estate and plant reserve account, $38,974; reserve for other assets, $31,025; dividend on preferred stock, payable April 2nd, 1917, $11,375; debts payable, including all wages and accrued charges, $208,455; and profit and loss account—balance carried forward, $65,174. The total assets are $1,655,004, distributed as below: Real estate and buildings, plant, patents, investments and goodwill, $1,324,446; stock-in-trade, $166,447; accounts and bills receivable and prepaid charges, $139,356; and cash at bankers and on hand, $24,755. The company is under excellent management and direction and is making good progress, despite war conditions. The financial statement is generally regarded as very satisfactory.