

The Herald

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Excess-Profits Taxation

Canada and the United States Britain, too, for that matter, to help meet the after-burden of the war have sought to raise revenue by taxation of excess profits in business. Excess profits are profits made over and above what is deemed a fair dividend upon invested capital. If say seven per cent. is to be considered a reasonable profit for invested capital in any year, then everything earned beyond that figure in that year is called "excess profit," and is being heavily taxed by the Governments of English-speaking countries. The taxation is always graded. For instance, let us recall that the taxation of business profits in Canada last year was graded as follows:— The first 7 per cent. of profits was exempt from tax. Any profit above 7 per cent., up to 15 per cent., was taxed one-quarter; the Government took 25 per cent. off it. Of any profit above 15 per cent., up to a profit of 20 per cent., the Government took half. Of any profit above 20 per cent., on the capital invested, the Government took three-quarters.

To make all this more clear, let us give an example in concrete figures. Let us suppose that a business with a capital of say \$100,000 made a profit last year in Canada, prior to taxation, of \$50,000. The excess-profits taxation would then bear as follows: The first \$7,000 of profit would be exempt from tax. The next \$8,000 of profit, namely from 7 per cent. to 15 per cent., on the capital, would pay a tax of 25 per cent., or \$2,000. The next \$5,000 of profit, namely from 15 per cent. to 20 per cent. on the capital, would pay a tax of 50 per cent., or \$2,500. The remainder of the profit, namely the excess above 20 per cent. on the capital, which excess would be \$30,000, would pay a tax of 75 per cent., or \$22,500. Thus the entire Government excess-profits taxation would be \$27,000 plus \$2,500, or a total of \$29,500. In short, of a profit of \$50,000 upon the invested capital, the business would be allowed to keep \$23,000 while the Government took \$27,000.

This at first glance looks not so bad for the business, severe as the ultimate scale of taxation was. Nor could there be much objection to it if any business could be sure of making a good profit every year, and if capital had no escape from that business nor from that country. But no business can be sure of making a good profit every year, or any profit; fat years must be counted on to provide for lean ones; and secondly, capital will always be on the look-out to go where profits are highest or least taxed. So, first, a high scale of excess-profits may be unjust and possibly crushing to individual business and secondly it must be dangerous to national interest if other countries exist where capital is less heavily taxed. But worst of all, you tend to destroy the inducement to, and even the possibility of business expansion.

Canada promptly recognized that a very high scale of excess-profits taxation was a mistake, and this year the scale is lower. In the United States, the tax has not been so extreme, nevertheless the feeling that it is unwise has grown so strong that next Congress is said to be certain

to wipe it out altogether. An American financial institution assisted by ex-Secretary of the Interior Franklin K. Lane recently made a canvass, covering several thousand sources of information throughout the United States asking a series of questions regarding business conditions and outlook, crops, labor, building, transportation, taxation, etc. On one point the answers were almost unanimous, namely in opposition to the excess-profits tax, and in favor of the substitution of a sales-tax—which is practically the course Sir Henry Drayton has started on in Canada.

What Of The Farmers?

Replying to an insinuation of the free-trade Farmers' Sun that Protection is driving Canadians off the farm and destroying Canadian agriculture (Mr. Crerar has made the same charge). The Journal recently pointed out that, as a matter of fact, the agricultural interest of Canada is tremendously prosperous having doubled in value within the past five years. A correspondent, noting this, draws our attention to statistics which are perhaps even more convincing as showing that agriculture, instead of declining, is actually flourishing. They are the statistics of the value of occupied farm lands in Canada between the years 1910 and 1919, and show the following:

Table with 10 columns: Year (1910-1919) and Value. Values range from \$38,338 in 1910 to \$46,832 in 1919.

If such figures fail to convince the Farmers' Sun that protection is far from ruining agriculture in Canada, then let it turn to contemplate what has happened to British agriculture under Free Trade. Mr. Meighen, in his notable speech on the Budget last session put the matter very cogently: "When free trade came into effect—I have the exact official figures before me from the statistical department—the proportion of agricultural population to the whole population of the British Isles was 49.8 per cent. or practically one-half. In the year 1913 before the war, that had been reduced to 21.9. One-half of the whole population when free trade came into effect, was agricultural; one-fifth of the whole population agricultural after it had been in effect for about 70 years.

Such is the result on agriculture. I give Mr. Lloyd George again as my authority for the statement (I feel sure it was he; anyway it is true) that between 1870 and 1905 3,000,000 acres in Great Britain went out of production in corn (grains) and that in the year 1905 there was less wheat land in cultivation than had gone out of wheat production since the introduction of free trade. One million men today work in Great Britain in the industry of agriculture. There were more than twice that number at the time free trade came in to make them happy and rich!"—Ottawa Journal.

A Long Distance Fighter

Mr. Mackenzie King's reputation as a long-distance fighter, strengthened by his absent treatment of the by-election in St. John, is being still further enhanced. There is a by-election in progress at present in the constituency of Yale-Cariboo, Yale-Cariboo in British Columbia; but although Mr. King has been touring that province, demanding a general election and declaring that the people must rise up in their wrath and smite the Meighen Ministry, his militancy has not yet carried him to the point where he has entered the riding to speak or even put up a candidate to fight. Instead he has abdicated to a soldier-labor candi-

date, repeating his performance in Colchester, North Ontario, and Stormont.

It is a humorous spectacle, this sight of the leader of the once great party of Laurier and Brown and Blake running away from a fight, hoping to win elections by not putting up candidates. In England Mr. Asquith, leading a party much more decimated than that led by Mr. King, entered upon the "dark adventure" of Paisley, and, by his superb courage, overcame tremendous odds and carried Liberalism to victory. Mr. Asquith, believing that there was irreconcilable differences between the bureaucratic creeds of Labor radicalism and the individualism of true Liberalism, was willing to risk something for what he believed. Mr. King, mouthing much about Liberalism, is willing to strike his flag to any policy or cult or creed rather than wage a hard fight. But of course there is a wide, wide spread between Herbert Henry Asquith and W. L. M. King.

Farmers and Protection

Appearing before the Ministerial Tariff Commission in Calgary, Mr. H. W. Woods, president of the United Farmers of Alberta, supported a claim that protection was bad for Canadian agriculture by citing the fact that farm values in the United States are increasing more rapidly than the same values in Canada. We are not sure that Mr. Woods' figures are right—there are thousands of abandoned farms all over the New England States—but assuming they are right, it was a rather curious argument with which to assail protection. It was curious because the United States is a protectionist country, and this is the first time we have seen the argument made that because one protectionist country is better off than another, protection is an evil thing. Why did not Mr. Woods take for his argument the comparison of Free Trade England?

While the value of farm lands in England went down under Free Trade by nearly \$8,000,000,000, the United States, under protection multiplied the value of its farm lands from \$19,000,000,000 to \$41,000,000,000, and Canadian farm values increased on an average of 75 per cent., and in some provinces as much as 135 per cent. When Free Trade came into effect one half of Britain's population was engaged in agriculture; today the percentage is reduced to 21.19. Between 1870 and 1905, no less than 3,000,000 acres in Britain went out of production in corn. In 1870 more than two million Britons were engaged in agriculture. Today the number is slightly less than a million.

Mr. Woods, and other Agrarian leaders who appear to be suffering from low visibility when they come to discuss economic questions, should study what has happened in England. It might not entirely alter their views, but at least it would help to keep them from making their claims ridiculous.

London Daily Telegraph: Poland and Lithuania have been saved much tribulation and expense. The world has seen how easy it is to avoid the barbarous arbitrament of war, and to arrange a quarrel cheaply, peacefully and expeditiously when there is an independent and influential body of outsiders to build a golden bridge for heated litigants. That is just what the League of Nations is intended to demonstrate. Nobody of any sense supposes that it can abolish war at a stroke. What it can do is to provide alternative solutions so safe and easy that war will become increasingly unnecessary, and at last will seem grotesque. We are a long way from the conclusion yet. But the League has made an excellent beginning by intervening to prevent a little war; and it has established a precedent which may operate next time a war on the grand scale is threatened. It is a victory for civilization and common-sense, and the Council can be cordially congratulated on its achievement.

Mingard's Liniment for sale everywhere.

Eastern King's Exhibition.

The Eastern King's Exhibition, held at Souris on Thursday last, 7th inst., was most successful. The weather was all that could be desired, and the attendance was large. The exhibits of grains, roots, vegetables and fruit, as well as numerous exhibits of domestic science, textile, knit and fancy goods presented in the building were, generally speaking, of a very high order, and were much admired by the visitors. Other exhibits in the building included, butter, cheese, flowers, etc., etc., all excellent in their respective classes. The Dominion Experimental Farm, Charlottetown, had on view a very interesting and admirably arranged exhibition of the products and operations of the farm. The exhibition of live stock on the grounds was excellent, and in every way creditable to the farmers of Eastern Kings. The show of horses and cattle was not only extensive, but of splendid quality. Horses, cattle and sheep, as well as pigs, that would do credit to any exhibition, were shown in large numbers. The judges certainly, in many cases, must have been perplexed in determining the fine points of difference between the prize winners. On the whole the exhibition was of a high order, reflecting much credit on the exhibitors and praiseworthy in an eminent degree on the part of the management.

The grounds, as at present used for the outside exhibition, are not sufficiently extensive to accommodate animals shown. It is said additional land has been purchased and the bounds of the exhibition grounds are to be extended. That is quite in order and of much advantage to the exhibition generally. The next desideratum is an exhibition building on the grounds. That, too, will likely come.

Ayrshires seem to be the favorite cattle at this exhibition and certainly several excellent herds were shown. Mr. Danie J. Mullin, St. Peters, exhibited a splendid herd of Ayrshires and carried off many first prizes.

As usual, Mr. Adolphus McEwen, St. Peters, presented some splendid horses and carried away quite a sheaf of red ribbons.

His Honor Lieut. Governor McKinnon formally opened the Exhibition.

London hears Plan

London, October 6.—Detailed plans for the Communist conquest of Britain and other countries have been brought from Russia by Sylvia Pankhurst, and copies of a long document intended only for perusal by British and American Reds have reached inadvertently several London newspapers.

Lepine insists that the first duty of Communists is to out moderate men from responsible positions. "Each organization, joining the Communist International shall be bound to remove systematically from all responsible posts in the Labor movement—party organization, editors, trade unions and municipalities—all reformers and patriots of the center, replacing them by Communists without troubling about the fact that at first it may be necessary to replace experienced men by rank and file workmen. In countries where, in consequence of exceptional laws Communists are unknown to carry on their work lawfully, a combination of lawful and illegal works is absolutely necessary. The class struggle in almost all countries in Europe and America is entering upon the phase of civil war. Under such conditions Communists cannot have any confidence in bourgeois laws, and are bound to create everywhere a parallel illegal apparatus which, at the decisive moment, may help the party to accomplish its duty in the revolution.

"Insistent systematical propaganda is necessary in the army and in all rural districts. Communists must carry on their work, for the most part illegally, but any refusal to do such work would be equal to treason against the revolutionary cause. The Communist party will be able to fulfill its duty only if organized in a centralized form and ruled by iron and almost military discipline."

Local and Other Items

Thanksgiving Day, Monday next, 18th October.

Montreal advices say the retail price of woolen yarn has made a sensational drop this week, when the price of the cheapest grade came down from 33.35 per pound to \$1.65.

A year in prison awaits apartment landlords in New York who fail to give their tenants heat of 68 degrees from 6 a. m. to 10 p. m., when the temperature outside is 50 degrees or lower, the Health Commissioner announced the other day.

The second day of New York City's registration week brought forth 163,953 additional prospective men and women voters, according to figures tabulated on the 6th. The total number in two days registered was 309,653, as compared with 273,027 for the first two days in 1919. Registration continues until next Saturday night.

The Provincial general elections in New Brunswick on Saturday last resulted in something of a mix. In a House of 48 members, the Liberal-Foster Government seem to have so far as present accounts show, 23; the Conservative Opposition appear to have elected 13; the Farmers 10 and the Labor party 2.

It was stated officially in London on the 6th, that the Russian Government had replied to Lord Curzon's ultimatum demanding immediate release of all British prisoners. Curzon's note said there could be no agreement on resumption of trade until Russia consented to release the prisoners. The tone of the Russian reply was said to have been favorable.

A despatch to Toronto from Shelburne, Ont., a village in Dufferin County, 65 miles from Toronto, reports great excitement over a reported discovery of anthracite coal in the immediate vicinity. G. F. Lyons, a farmer, while boring an artesian well, struck, at a depth of 100 feet, a twenty-five foot seam of a hard black substance, pronounced by those who have seen the specimen brought to the surface by the drill, to be true coal, and probably good grade anthracite.

Sir Robert Borden, former Premier of Canada, will deliver the Pearson-Kirkman-Marlett series of three lectures at the University of Toronto next March. W. H. Taft, former President of the United States, in 1915 gave the previous course of lectures. The lectures have been founded to foster a sounder understanding between Canada and the United States, and are delivered by prominent heads of institutions on subjects of mutual interest to the two countries.

The Prime Minister will open his speaking tour in the West by a meeting to be held in Winnipeg on Friday evening, October 15. Dates of further Western meetings will be announced later. The Winnipeg meeting follows one in Stratfordville, Ont., at which Mr. Meighen opened the Government campaign in the East Elgin by-election. Stratfordville is the home town of John Stansell the Government candidate in East Elgin. Mr. Meighen spoke at Stratfordville last evening, Oct. 12. After the Stratfordville meeting he returns to Toronto and thence proceeds West.

London, Oct. 10.—The shipping correspondent of the Observer points to the Empire moral of the maiden voyage of the Canadian Victory of the Government fleet. He says the fact that the vessel's agents at Liverpool are the Cunard Company, supplies the secret of the shipping policy of the Canadian Government. Its new lines to the British, Australian, West Indian and other Empire parts, are "Deliberate and well-coordinated efforts to save a large proportion of Canadian commerce from American carriage, Canadian-built ships carrying Canadian cargoes and under the Canadian flag, are a great demonstration of the vitality and determination of our kinsmen across the Atlantic. The fact that this fleet is being operated in alliance with our own great shipping lines, is evidence enough that Canadian statesmen are animated by a sound instinct and wise precaution."

DEPARTMENT OF CUSTOMS AND INLAND REVENUE. EXCISE TAX LICENSES

Retailers, Jewellers, Manufacturers and Sales Tax Licenses as required under the Amendment to the Special War Revenue Act, 1915, are ready for issue, and application forms may be had from the undersigned.

Firms not in possession of Licenses on the 15th November, 1920, will be subject to penalty as provided in the Act.

PENALTY For neglect or refusal to take out a License shall be a sum not exceeding ONE THOUSAND DOLLARS. F. J. CASEY, Collector of Inland Revenue at Charlottetown. Oct. 13, 1920—41

Mail Contract

SEALED TENDERS addressed to the Postmaster General, will be received at Ottawa until noon on Friday, 19th November, 1920, for the conveyance of His Majesty's Mails on a proposed Contract for four years, six times per week, on the Mount Stewart R.R. No. 1, from the Postmaster General's pleasure.

Printed notices containing further information as to conditions of proposed Contract may be seen and blank forms of Tender may be obtained at the Post Office of Mount Stewart, and at the office of the Post Office Inspector.

JOHN F. WHEAR, Post Office Inspector. Post Office Inspector's Office, Charlottetown, October 7, 1920, October 13, 1920—31

Mail Contract

SEALED TENDERS addressed to the Postmaster General, will be received at Ottawa until noon on Friday, 5th November, 1920, for the conveyance of His Majesty's Mails, on a proposed Contract for four years, six times per week, on the route, Victoria Rural Mail Route, No. 1, from the Postmaster General's pleasure.

Printed notices containing further information as to conditions of proposed Contract may be seen and blank forms of Tender may be obtained at the Post Office of Victoria, and at the office of the Post Office Inspector, Charlottetown, P. E. Island.

JOHN F. WHEAR, Post Office Inspector. Post Office Inspector's Office, Charlottetown, 21st Sept., 1920, September 29, 1920—31

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So many original ideas have been evolved this season. The lines are so soft and graceful—sleeves and collars show so many new effects. Some of the suits are so drossy—charming in so many quite new effects.

Perhaps you'll decide in a moment that you simply must have a certain suit. But you'll be quite as welcome if you simply come to see and go home to think about it quietly and take your time to decide what you like best.

But bear in mind that the early showing always contains many charming models that will not be obtainable later on.

Patons, Ltd

September 15, 1920—1f

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