

THE GUARDIAN

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"The Strongest Memory is Weaker Than the Weakest Ink."

CHARLOTTETOWN, MONDAY, JANUARY 12, 1948

Who Pays The Tax?

A favourite scapegoat now being held up as a target for public wrath is the "soulless blood-sucking corporation" which has fastened itself upon the nation and squeezes the last penny out of its annual statements.

The corporations, we are told, are the enemy of the farmer and the labouring man and his contention is regarded as being sufficiently proved by pointing to the millions shown as profit in their annual statements.

An incidental fact that few voters are lost in this type campaigning is a warming stimulus in the right circles. The average voter cannot be expected to feel any pain when he is told that his taxes are to be lightened and the additional load borne by the unfeeling vampire.

Let us look for a moment at the "enemy": Processors of forest products. Processors of agricultural and vegetable products.

Processors of animals and animal products. Processors of fibres and textiles. Processors of ferrous and non-ferrous metals. Processors of non-metallic minerals.

Processors of chemicals and allied products.

The above are only broad classifications under which a host of corporations supply the daily requirements of every man, woman and child in this Dominion and export their surplus to make Canada one of the leading trade countries in the world.

Now let us see what happens when a direct tax is placed on the producer of any one of the above. A tax is just as much a cost of production as labour or material and must be included in the cost of the finished product. Just for example let us say it is an item costing 50 cents; the broker handles it at 52 cents, the wholesaler at 65 cents and the retailer at \$1.30. A tax raises the manufacturer's price to 55 cents, the broker still gets his fixed commission making it 57.2, the wholesaler 71.5 and the retailer \$1.43. In other words a small tax of 2% collected at the source amounts to 10% at the consumer end.

Another popular form of tax is the profits tax. This is a bare 39% of the actual money earned. It is paid before distribution to the shareholders, who are obliged to pay another large slice on receipt. What effect has it on prices? To finance any large enterprise capital must be raised. Business must compete in the money market with other forms of investment, such as banks, government and municipal bonds, mortgages and real estates. As these safer forms of investment will not the investor up to 5 or 6 per cent, business must hold out inducements of a higher return considering the risk involved.

For example, a manufacturing firm producing a 50 cent item on which it makes 10% must add immediately 8 cents to its selling price. This is pyramided as in the previous example so that the consumer must pay an additional 24 cents that the government may collect 3 cents at the source.

Who then really pays the corporation tax?

Encouraging Report

Canada's record of achievement is strikingly summed up in the annual report of Mr. Sydney G. Dobson, president of the Royal Bank of Canada, which appears elsewhere in today's issue. As one example, he stressed the significant rise in the standard of living. Our national income increased by 97 per cent between the years 1938 and 1946, equal to an addition of \$379 per person per year. Total personal expenditure on consumer goods and services increased 60 per cent in the same period, as against an increase of 10 per cent in population. While these and other figures are gratifying, there are grave dangers to be faced, first in the possibility of economic collapse in Europe which would vitally affect Canadian interests, and, second, through inflation. Rising prices make it more necessary than ever to measure our real advance in dollars of constant value. When money incomes are excessive relative to the available supply of goods, as they are now, the logical way to reduce the pressure on prices is to increase the supply of goods. This has been preached by all sound economists, and applies particularly to such basic industries as agriculture.

In presenting the Bank's 78th. annual report, Mr. James Muir, general manager, noted as a feature of the year's balance sheet the marked increase in commercial loans in Canada, reflecting a higher level of business activity, expansion of production facilities, increased volume of goods on hand and, of course, the influence of higher prices. The Bank's total assets now stand at over \$2,093,641,218, with liquid assets constituting 74 per cent of the Bank's liabilities to the public.

Slow-Motion Exit

The announcement that the Advisory Council of the National Liberal Federation has been summoned to meet at Ottawa on January 20 and 21 is interpreted in political circles as the second-last step in the protracted process of Rt. Hon. Mackenzie King's retirement from public life.

This dispatch from the Montreal Star's Ottawa bureau purports to outline the course the Liberal Advisory Council intends to follow: "Prime Minister Mackenzie King, it is expected, will consult with the advisory council at

this meeting concerning the holding of a national convention of the Liberal party to choose a successor to the leadership in the event of his retirement later this year.

"The month of August has been suggested as a likely time to be chosen for the holding of a national convention.

"In making the announcement of the meeting Mr. Fogo said that all standing committees would meet a day earlier on January 19.

"The advisory council is made up of delegates from each province, including delegates of each provincial Liberal Women's Association and each Provincial Association of Young Liberal Clubs."

An exchange recalls that when Charles II was on his death bed, he is said to have turned to his weeping courtiers, who had been awaiting the end for hours, and to have apologized to them urbanely for "taking so unconscionable a time in dying." Some may read into this legend an analogy with the long and decorous process of Mr. King's exit from the stage of public life.

EDITORIAL NOTES

Today Greece is the king-pin in the control of the near east and the last thing in the world that is likely to happen is for the Greeks to be left to settle their own affairs.

In snow shovelling now, as in the past, right minded people do their duty as a matter of course; the otherwise minded wait in vain for the City Council to take the necessary action.

Reports indicate that the whole North American continent has been rocking or quivering for the last two weeks presumably as a result of heavy storms. The motion was not perceptible here to the man in the street but the storms were quite apparent.

It is almost awe-inspiring to watch the process by which a great democracy like the United States finds a head for itself. The maneuvers of civic politics, involved as they may sometimes be, are simplicity itself compared with the task of electing a president.

The freight car shortage is a universal phenomenon. Island potatoes, Western wheat, American coal, British coal, African groundnuts (peanuts to us) and products of every description in Europe are held up and production held down by the scarcity of rolling stock.

Now the four or five year old pledge of the Jones Government re frost-proof potato warehouses is to be fulfilled with the aid of the Federal authorities and 25% of local enterprise.

Everything comes to him who waits, but the 25% local contribution will amount to more today than it would have done four years ago.

The possibility that U. S. Marines may be sent to Palestine calls to mind one of the advantages of that peculiar corps. In the days when the niceties of international law were regarded parties of marines or seamen could be landed in a troubled spot to protect life and property without committing an act of war as would have been the case if military forces had been used.

It will be generally admitted that Prime Minister Mackenzie King looks after the interests of his favorites. General McNaughton is a shining example. He has lost nothing, but pecuniarily and officially gained much, in siding with the Prime Minister in his successful endeavor to dish his prospective heir to the Liberal leadership, Col Ralston. No English King was ever more kind to his favourites than our own Canadian King.

The Provincial Government has "passed the buck" to the City Council in the proposed Queen Square improvement scheme. There can be no doubt about it, were the City to acquire some of the old property west of the Royal Bank it could erect a first class modern market building there that would prove a distinct asset to the City and Province. Then a suitable Federal building could be erected on the present market site to the advantage of all, except those landlords who at present reap rentals for housing bachelors. But has the City Council got any sufficiently wise and enterprising member to tackle and carry through successfully such a project?

Doctors are to receive a dose of their own medicine when the American Medical Association meets in Cleveland this week, many of them to be examined to ascertain whether they have cancer in a special detection clinic. This is the most spectacular step yet made in the fight against cancer, and may be the most useful. The purpose is not only to find cancer in doctors but to show the medical profession methods that family doctors can use in their own offices to detect cancer early enough to save lives. Up to now cancer has had to be discovered by specialists in malignant diseases and more recently by cancer detection clinics. But there are not nearly enough of these clinics and there is little hope of doing the job with clinics alone.

Edmund Burke, British statesman, writer and orator, born this date 1729. Was a popular reformer, but his attitude towards the French Revolution ended some of his political friendships. He had already incurred some unpopularity owing to his vehemence in debates on the Indian bill and on Hastings' impeachment. In the debate on the Canada bill, May 1791, he inveighed against the Revolution in answer to Fox's praises of the new French situation, and a public rupture between the two statesmen resulted: "He has put to hazard his ease, his security, his interest, his power, even his darling popularity, for the benefit of a people whom he has never seen." - "Flattery corrupts both the receiver and giver; and adulation is not of more service to the people than to Kings."

Notes By The Way

Ottawa lifts excise tax on stoves and leaves it on refrigerators. Blowing hot and cold as usual. - Hamilton Spectator.

Often a girl who always shuts her eyes when kissed keeps her eyes open in order not to miss opportunities to close her eyes. - Toronto Star.

Tokyo has put a ban on kissing in public and there are those who will agree that the public kiss doesn't amount to much anyway. - Port Arthur News-Chronicle.

Having mislaid the rake beneath the leaves, the lazy man hopes for a snowfall of eight inches, as you can hardly lose a snow shovel under less. - Sherbrooke Record.

When hens laid only in the spring, in response to Nature's urge, the storage eggs was a respectable commodity. Nowadays skilful poultrymen trick the hens into laying all the time, observes The Farmer's Advocate.

If you talk to an elderly miner you'll find he's proud of his job. James Griffiths for example, who Minister of National Insurance, has those blue marks on his face which show that at some time he worked at the coal face, and he's justly proud of them. - Vernon Bartlett on BBC.

Britain's responsiveness as an exporter of coal to Europe is one of the most surprising and promising contributions yet made to the framework of European recovery. In this country it has been taken for granted that Britain was finished with this role, though prior to the war the mines of Wales had been a chief source of continental supply. - Detroit News.

A gentleman back from a business trip to Australia reports that while in Sydney he got into conversation with a taxi driver who, realizing that his fare was an American, said that he hoped someday to settle in the United States himself. "I'd probably have a better chance of making a go of it than most Aussies," the caddy said. "I've been able to talk just like a Yank ever since I broke my nose." - New Yorker.

Signs are appearing to show that the ranks of free spenders are turning noticeably and consumers are confining themselves more and more to purchasing bare essentials. Prices can only go so high and then the people buy only those things they must have. When demand lessens the supply of goods increases, and the increasing stocks have a tendency to pull down. - Kilbuckner Record.

One of the trials of being a veteran in the red tape one must go through in dealing with the veterans administration. But things are going to be better from now on. Vets' matters in Washington has put out a long mimeographed statement that it has "streamlined" its procedures in the interest of "better service" to the veteran. Whereas the administration was using 13,841 forms fifteen months ago, it now uses only 3,638 forms in its paper work. - Minneapolis Star.

It sounds like an Irishman to say that the majority of English who have been Irish, but it is perfectly true, observes The Brandon Sun. Most of them resolutely declined to live in Ireland, spent the greater part of their lives in England and became, if not naturalized, at least anglicized; but they managed to make the country of their adoption unpleasantly aware of their native wit. Four of them, Goldsmith, Sheridan, Oscar Wilde and Bernard Shaw, wrote the best comedies in the English language since Shakespeare's. The most humorous, most frivolous and the most profoundly witty of these four was Oscar Wilde.

I remember Margot Oxford telling me a story which illustrates King George V's unwise behavior to his son, The Prince of Wales, when he came into the room in a knickerbocker costume which his father thought unsuitable. He shouted at him as a naval officer might at an ensign who had come in improperly dressed on parade. The Prince blushed and stammered and left the room. Margot said that she ventured on this occasion to remark that the prince's behavior was not how sensitive a boy in his teens must be to a public rebuke in the presence of visitors. - London New Statesman and Nation.

The coming year will see a concerted battle against rising prices. Since the end of the war prices have gone up and up. Shortages caused by lack of steady production during the war have brought about an increasing demand for goods that cannot be met by present supplies. As farmers, industrialists and all producers step up the efficiency of their work and get production coming at increasingly steeper pace, there will be a check to price increases. The old law of supply and demand still rules in the world's markets. As supply catches up to demand, prices will assume more reasonable levels. The people have the solution to high prices in their own hands. By increasing the efficiency and amount of production, they can curb the skyward trend of living costs. - Windsor Daily Star.

Suppose we decided to forget all about this headache of foreign trade, as some misguided people suggest, and try to live within our reasonable levels. What would it mean? The Financial Post, H. V. Luss, president of the Canadian Exporters Association, answered that

Pre-Election Talk

During the week previous to the re-assembling of Parliament there will be sessions in Ottawa of the National Liberal Federation's advisory council preceded by meetings of the many standing committees and concluded by the annual banquet and addresses from the Leader and Cabinet colleagues.

Young Liberals in many parts of the country and notably those in Quebec many times have been reported to be restive, even in revolt against the continued influence of Mackenzie King as to when he intends to allow an understanding to step in and get prepared for the next general election. But up to date these rather incipient revolts have come to little. Mr. King repeatedly assuring them he will make known his intentions when he is good and ready.

While it is believed extremely improbable he will make any disclosures at the party gathering, Mr. King may have something to say within three months or before the Easter recess. It is held by some who profess to know the progress of the session, the fate of the Government's emergency legislation, how roughly that is being handled, and how much a factor in hastening the Prime Minister's decision.

The Government is being assailed even by some of its traditional supporters for having taken the Liberals into the vanguard by its restrictive measures, and those supporters are even charging that some of the fiscal fix the administration is in now is the result of the Government's own financial and tariff policy, that its food pacts have done harm to the Geneva agreements, that less brain-trusting and more dependence on the level of tariff barriers would make much less necessary the present, if temporary, rule by Washington.

Government members are under the thumb of the unpopularity of its restrictive program for it has been hearing from the people through the press, the radio and from Parliament itself, and this unpopularity is probably better known by Mr. King than by others. Moreover, the Liberal Leader is not accustomed to stand idly by and watch the political position of his Government go sour, and the next three months are a long time to term time just how much of that souring process he can absorb.

A Market To Recover

(Toronto Globe and Mail)

It does not require a great knowledge of the business to understand what has happened to Canada's housing program. A large number of breads fire and too many would-be home owners have been badly burned by the flash-fire of construction costs. As a result only the wealthy are able to buy a new house. The family which decides on a \$10,000 house finds it has cost him \$17,000 or more when it is finished; the home may have to pay double that amount when the bills come in. In neither case is the home owner prepared to carry the additional financial burden, let alone pay the difference out of his pocket.

Neither the building supply industry nor construction workers have shown much concern over this development. So far they have been able to ignore it because the demand for commercial building has been avid enough to tolerate the continual price-pumping process. This year, however, the construction is not so likely to continue its upward surge. Important bans on essential materials are bound to deter many potential builders in this market. Housing contracts should accordingly have cut more meaning than they have recently possessed.

The demand and the need for houses is as pressing as ever. There can be plenty of work for the construction industry in this field but only if all concerned with building costs realize the necessity of holding the price lines of bringing home within the reach of ordinary men and women again. A return to the time-honored practice of firm quotations, delivery on schedule and conscientious workmanship can do much toward solving the housing shortage in 1948.

IMITATION DIAMONDS

Rhinestones are artificial, colorless gems of high lustre cut to imitate diamonds. question very plainly recently. With no importing or exporting, he said, immediately 784,000 Canadians would lose their jobs and wage and salary earnings would shrink \$30,000,000 weekly. That would be the direct loss. What would be the effect of such a blow on all other industries, other jobs and other payrolls can only be imagined.

The Poet's Corner

SUPLIANT Grant me, O Lord, the alchemy of toll, Clean days of labour, dreamless nights of rest, And that which shall my weariness assail, The sanctuary of one beloved breast; Laughter of children, hope and thankful tears, Knowledge to yield, with valor to defend A faith immutable, and steadfast years That none unweaved to their mysticulous end. - Alan Sullivan.

Old Charlottetown

(And P. E. I.)

A NEW BONANZA

Persons from North Wiltshire report the discovery of a remarkably rich vein of silver on the premises of Messrs. McLean Bros., North Wiltshire, within half a mile of the Railway Station. It appears that in boring a well, the drill came in contact with a very hard substance and on drawing it up it was found to have entered a bed of ore, which is apparently silver. Specimens were brought to the city and submitted to a jeweller, and also to a chemist—both of whom pronounced it genuine silver. At latest accounts, the drill being broken and the hole operations suspended for the present, a most intense excitement prevails among the inhabitants of the vicinity. The vein was struck about fifty-eight feet from the surface. - Weekly Examiner, April 30, 1880.

Progress Of Britain

Recovering Plan

(By R.H. Fry in U.K. Information)

A great change has come over the industrial scene in Britain since the dollar crisis which occurred in August. The task before the country was then perfectly clear. It was to increase exports and restrain imports so as to balance the external accounts before the reserves of gold and foreign exchange were exhausted. The Government stated it was making plans to close the gap in the balance payments without taking into account any possible American help.

On that basis Britain's people have gone into a struggle which has already brought them further hardships and sacrifices but also revival of the wartime spirit. By August 20th the American loan was virtually used up; on September 12th Sir Stafford Cripps, who had been placed in charge of economic affairs, laid before a large meeting of industrialists and trades union leaders the outlines of the new recovery plan. He said there must be an immediate increase in exports and a decrease in imports. The target of export trade they must achieve in 1948. In order to transfer more labour and raw materials to production for export, the Government was going to cut plans for building and other capital construction by about \$8,000,000,000 a year, and direct labour into occupations where it was most urgently needed. Severe restrictions on imports had already been announced a few weeks earlier.

What has happened since the new policy was announced? In the three months of 1947 there was a steady revival in production in the basic industries. By December the coal output had at last regained the volume of August 1945. Miners had agreed to a longer week and absenteeism had dropped from over 10 per cent to about 7 per cent. Coal exports were beginning to be shipped from Britain once more. In the steel industry, managements and unions agreed on a scheme under which all furnaces are being kept in operation continuously for seven days a week. The result has been to raise steel production above 14,000,000 tons a year, which is considerably more than the highest output reached before and even during the war. News of improvement has also come from the cotton industry. After protracted negotiations workers in the spinning mill agreed to work 2 1/2 hours a week longer. The production of yarn immediately increased.

Another weak link in the production chain is transport. Britain's railway and road transport system had been in an excellent state of technical efficiency when war broke out—a fact not always appreciated by visitors who were disappointed at the ugly, smoky railway stations. For six war years

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The inland transport system had to carry an abnormally heavy load of traffic, because enemy bombing made the use of coastal shipping and many important parts almost impossible. The system was kept in working order despite all air attacks, but the normal replacement of locomotives, freight cars and coaches was postponed. Since the end of the war it has been impossible to catch up with arrears, and the stock of locomotives and freight cars is now too old. As a result too many units are frequently out of use for repair. Britain's Government appealed to all managements and workers to speed up unloading and the turn-round of freight cars. This had been slowed down, particularly since the wider introduction of the five-day week which led many firms to close down altogether on Saturdays. An appeal was made for volunteers to unload freight cars during the week-end and the response has been magnificent. Not only have many volunteers come forward to help but workers, whose duty unloading would normally

be, have in many cases agreed to come in during the week-end. A considerable number of freight cars have thus been more quickly released for other work and the prospect of getting through the winter without serious interruption of rail traffic has greatly improved. As for the direction of labour this has so far worked in the usual British way. The mere announcement that the Government was assuming the power to tell as unemployed workmen where they must go, led to a considerable voluntary influx into occupations known to be particularly short of labour, such as the textile mills and iron foundries. During the first month of the new system over 300,000 workers left their jobs—60 per cent more than the previous monthly average—and 40,000 of these were sent to jobs of the "first preference" type. Out of 101 cases where workers "directed" to jobs which they did not

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