

THE GUARDIAN

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"The Strongest Memory is Weaker Than the Weakest Ink"

CHARLOTTETOWN THURSDAY, MARCH 29, 1951

Tricking The Taxpayer

Provincial governments which entered into "tax rental" agreements with Ottawa are finding difficulty nowadays in balancing their budgets. Consequence of this unhappy state of affairs is that politicians are looking around for new sources of revenue.

This is natural, for the "turnover tax" would be a hidden or indirect tax for which the politicians would escape the blame. For, as John Stuart Mill once remarked, "indirect taxes are those demanded from one person in the expectation and intention that he shall indemnify himself at the expense of another."

The small merchants are thus being made the scapegoats of the politicians. For the plain truth of the matter is that provincial governments possess the power now, without any change in the B. N. A. Act, to impose direct, open taxes on sales.

Finance

It is a sound principle of both private and government economy to accumulate a reserve in times of buoyant prosperity in order to be able to spend in less prosperous times without having to immediately fleece the taxpayer.

The opposite policy has been pursued provincially even more than nationally. During the lean years Governments sternly refrained from what would now be considered even necessary expenditures.

More Competition Needed

A strong argument for encouragement of the trucking industry in the Maritime Provinces is contained in the report of the Royal Commission on Transportation. The report finds that those regions of Canada where truck and water competition is lacking or insignificant have to bear the chief burden of railway freight rate increases.

"The eloquent silence of Ontario and Quebec in rate cases and in the hearings of this Commission points to the effectiveness of truck and water competition in keeping down rates in the St. Lawrence region. More extensive and better highways bring an increase in the density of traffic, greater diversification of industry, lower interest rates on capital, and even greater extension and improvement of highways.

"Ability to escape from the full impact of increases in railway rates accentuates the burden of these increases on other regions, and compels these regions to concentrate on highway construction as a means of escaping from the burden of higher short haul rates and long haul rates.

"Inability to escape the increased burden of higher rates on long haul rail traffic limits the financial strength and restricts the diversification of industry in these regions. The effectiveness of truck competition in the St. Lawrence region, by weakening the financial resources of other regions, limits their possibility of escape from the burden of higher railway rates by means of road construction and motor vehicles."

The same problem is examined in separate observations appended to the report by another commissioner, Dr. H. F. Angus

of the University of British Columbia. He notes that, as in other countries, trucks have deprived the railways of much revenue they had got from carrying goods of relatively high value for relatively short distances. So the rail carriers had to make good the loss of revenue from non-competitive traffic.

"In Canada," Dr. Angus notes, "more perhaps than elsewhere, the result has been to impose a serious burden on the economies of outlying regions."

As pointed out in the body of the report, the revenue loss arises from actual loss of business to the trucks, and from the granting of lower competitive rates. The Commission expects these losses to the railways to go up instead of down as time goes on. The obvious result will be to throw a still heavier rate burden on the non-competitive traffic.

EDITORIAL NOTES

New Brunswick sportsmen are to import more partridge, because the previous importation proved an unbounded success.

The teachers had the best Conference in their history this week, and are all looking forward optimistically to the big Canadian Convention to be held here this summer.

Summerside is going to have increased taxation in order to continue the Town improvement scheme begun last year. And everybody seems to be happy about it. This, of course, is because the taxpayers see they are getting their money's worth in the building up of the town to be in the front line of Maritime municipalities.

Are we to have a visit from Mrs. F. E. Davies of the United Kingdom Federation of Women who is to tour Canada to see the everyday life of the rural people of the Dominion? Her programme, so far, includes visits to British Columbia and New Brunswick.

Dr. J. A. Clark, so long and favourably known as Superintendent of the Experimental Farm, has kindly undertaken to continue "Newsy Notes" weekly in Saturday's Guardian, a column so long contributed by Mr. Blythe Hurst Sr.

Regrets are vain, of course, but all the same both Conservatives and Liberals in the Legislature were extremely sorry they missed the golden opportunity of getting their pre-election speeches off their chests in the Budget debate. Somebody blundered, but, of course, it was the Opposition's business to see that the Government members did not steal a march upon them.

Visiting Halifax after an absence of 30 years, Mr. Paul Emile Naggiar, French diplomat, claims he sees a great improvement in Canada since his first visit 30 years ago. "At that time," he said, "Canada was not a world power but she has achieved that status now." Mr. Naggiar is conducting a nation-wide lecture tour. He was at one time consul-general in Montreal and served as French ambassador to China in 1936-38 and the U. S. S. R. in 1938-40.

John Keble, English divine and poet, died this date 1866, at the age of 74. He became a fellow, tutor and professor of poetry at Oxford and published (anonymously) "The Christian Year" in 1825. In 1836 he accepted the living of Hursley, Hampshire and ten years later published "Lyra Innocentium", manifesting his interest in children. It is regarded as the finest fruit of his genius. As a poet he is the spiritual successor of George Herbert and his works include a metrical version of the Psalms—"The Oxford Psalter." Altogether without worldly ambition, he is commemorated by Keble College, Oxford, erected in his memory.

Ottawa enjoys fat Government patronage so far as printing is concerned. Last year, the Federal Government spent \$5,399,030 in publishing departmental reports and other publications. These last included "informational and educational bulletins and other publications respecting matters of a national interest"; as well as publications on scientific and technical matters, on natural resources, statistics and other such material; and on Hansard and parliamentary papers. In the new fiscal year, this expenditure is expected to reach \$6,174,309.

Periodically (says The Gazette), M. P.'s and senators are rapped over the knuckles for absenteeism. Party leaders will likely do a bit of lecturing on these lines after the Easter recess. By the time that Parliament was ready to vote for or against the huge wheat subsidy, a majority of members had already packed their bags and lit out for home. In the House of Commons only 40 per cent of the M. P.'s were on hand to vote. And in the Senate the voting fragment was only 33 per cent of the membership.

Old Charlottetown

(And F. E. L.)

GOVERNOR'S COMPLAINT

From a despatch by Lieutenant Governor Dundas to Rt. Hon. Edward Cardwell, Secretary of State for the Colonies, 7th April, 1885: "I regret that the Legislature should apparently have thought proper to have reduced, as low as it will, the comparatively small expenditure incurred in connection with the maintenance of the office of the Lieutenant Governor. Amongst other retrenchments, I may remark on the Legislature having ceased to make any provision for the salary of a private secretary."

"On my arrival here, in 1859, I found the Government bound, by hasty pledges, to discontinue the very small amount of £63 13s. 4d. which had previously been appropriated for that service. In consequence, I believe, of the knowledge that I had brought from England a private secretary, on the understanding that the small salary I have mentioned was attached to the office, that sum was granted for the period he was with me; at the expiration of a year he resigned his office on receiving another appointment elsewhere, and since that time no provision has been made for the salary. For more than five years I have, in consequence, been dependent upon the chance circumstance of a relative of my own, having given me assistance as private secretary."

"Another retrenchment was made about the time of my arrival, by the withdrawal of two or three men who had previously been allowed as gate-keepers or messengers."

"Government House is only partially furnished at the expense of the Colony; the rest by the Lieutenant Governor for the time being. The house itself has been of some expense to the Colony, owing in great measure to its having been constructed of wood. I am glad to be able to report that considerable improvements have been made in it since I came here, principally at the time of the visit of His Royal Highness, the Prince of Wales. But for keeping it and the farm buildings, etc., in repair, £100 a year appears to be a more adequate, a sum hardly sufficient to make the repairs which cannot by any possibility be avoided."

"In fact, the whole expenditure of the Colony towards the support of the Lieutenant Governor, according to the estimates for the present year, will be: Government House, £100; Guard at gate, £33 6s. 8d. I may further add, that the Lieutenant Governor does not receive any fees or allowances of any kind."

"In my despatch of 26th Oct., 1863, I enclosed a plan of a small farm of about 80 acres attached to Government House, which was given in 1789 by Lieutenant Governor Fanning for the use and accommodation of the Lieutenant Governor for ever. It was with surprise that I observed from the Journals of Legislature during last session, that a petition signed by citizens of Charlottetown had been presented, praying that the Legislature should procure a portion of that ground for a Public Park. I think it but just to remark that many of the leading citizens did not sign that petition."

"As no action was taken on the subject by the Legislature, I trust that this attempt to deprive the tenant Governor of a portion of his land may not be renewed. Apart from other considerations, it hardly pays its working expenses, is of very great convenience in many ways, and is more particularly valuable on account of the privacy which it affords."

"This important despatch," says The Islander of March 20, 1868, "came to the knowledge of the Government in 1866, in which year it was laid before the Assembly, and although several members of the Government expressed to the House their regret that His Excellency should have written it, they did not dissent from the steps which were taken by the Government or Legislature to reply to the very extraordinary statements made by His Excellency."

A Strange Argument

(Halifax Chronicle-Herald) There have been many appeals to actions of the Senate in saving money for the taxpayers of Canada, and in numerous cases the ground is sound. But one of these appeals to the past will strike the Canadian people as a curious one, indeed. It went like this: "How much did this chamber save the taxpayers of Canada in 1912 when it defeated the Naval Bill? This bill would have given the British Government \$35 million to build warships, which would have been manned by British sailors and sent anywhere the British Government ordered. This bill was debated in the other House for months before it was rejected; but it was rejected here. I say it meant a saving of \$35 million to the taxpayers of Canada, and I am sure that if a similar bill were to come before us today the Senate would again protect the Canadian taxpayers."

Now, that surely is a strange argument. The Naval Aid Bill was killed by the Senate, not in 1912, but in 1913—the year before the outbreak of the First Great War. Briefly, the proposal was that Canada should contribute to the British Navy three of "the largest and strongest ships of war which science can build or money supply" at an estimated cost of \$55,000,000. As the Prime Minister of that day (Sir Robert Borden) explained, the three battleships would range themselves in the battle-line of the Empire with those of Great Britain herself, of Australia, and of New Zealand. These ships were to "bear historic names"

This Week's Award For Achievement



NEWS ITEM: Several members of the Legislative Assembly, while visiting Prince of Wales College and the Vocational Training School, deposited money into the soft drink dispenser of one of the establishments, which came across with the beverage only once.

The Age-Old Story

And the Lord spake unto Moses, saying, Speak unto all the congregation of the children of Israel, and say unto them, Ye shall be holy; for I the Lord your God am holy.

Incentives For Investment

(From Business Week) These are the main reasons why U. S. business is stepping up its Canadian investment: (1) The Canadian market for industrial products is growing fast. (2) Some overseas markets can be served to better profit from Canada than from the U. S. (3) In some lines—wood pulp, nickel, other minerals—a Canadian plant is necessary as a source of supply. (4) Canadian Government policies—tax laws, in particular—have encouraged expansion of U. S. branch plants.

Incentives—Canada's phenomenal industrial growth didn't just happen, nor does Canada's location right next to the U. S. explain it entirely. In a sense, the Canadians planned it that way—by creating a climate that encouraged private investment by both Canadian and American business. True, the Dominion Government is in the railway business, controls wheat marketing, and manufactures synthetic rubber. Most of the provincial governments generate and sell electric power, and some of them own telephone systems and other enterprises.

Yet, direct government activity in the field of industry and commerce is minor. The attacks on business that are every-day events in U. S. politics are almost unknown, except from Canada's Socialist party—the CCF (Co-operative Commonwealth Federation). For the most part Canada's Government has confidence in business, and business has confidence in the Government.

Canadian economic policies deliberately encourage investment and expansion. Judging from the results, the policies have paid off. Taxes—Take the Canadian tax system, compare it with the U. S. system.

The total tax burden is heavier in Canada—taxes take 32% of the national income, as against 27% in the U. S. But Canadian taxes don't beat down so hard on the incentives to invest in new plants and equipment. Here's how the distribution of the tax load in Canada compares with ours:

Table with 2 columns: Personal income taxes, Corporate taxes, Excise taxes, Other. Percent of total tax receipts Canada U.S.

Total 100 100 This Canada raises half its revenue from taxes that affect investment; the U. S. gets three-quarters that way.

Business gets another tax break in the Dominion. The corporate tax is rigged, about as far as any such tax can be, to stimulate business investment. The corporate-profits tax rate is 38% in Canada, compared with 45% here. What's more, the Canadian law has a number of features especially designed to encourage investment in new plant and equipment:

(1) A company that has a fluctuating income is treated better in associated with this country. They would be maintained by the British as part of the Royal Navy, but it was understood that "if at any time in the future it should be the will of the Canadian people to establish a Canadian unit of the British Navy," these ships could be "recalled by the Canadian Government to form part of that navy." In "which case, of course, they would be maintained by Canada and not by Great Britain."

The Poet's Corner

FROM LAST POEMS

O thou that from thy mansion Through time and place to roam, Dost send abroad thy children, And then dost call them home,

That men and tribes and nations And all thy hand hath made May shelter them from sunshine In thine eternal shade:

We now to peace and darkness And earth and these restore Thy creature that thou madest And wilt cast forth no more.

—A. E. Housman.

Canada than in the U. S. In Canada, it has greater freedom to average good and bad years in computing taxes. (2) Current spending for research can be written off against current income; capital spending for research can be written off over a three-year period. (3) A special program of accelerated depreciation helped Canadian industry make the postwar shift to peacetime production. This program was available up to March, 1949, for approved capital investment projects. A company could roughly double the depreciation allowed in the early years of an investment's life, thus write off the entire cost in about half the normal time. Some 4,200 companies picked up his option on 8,000 projects valued at about \$1.5-billion.

No Recession.—It wasn't entirely by accident that Canada avoided the kind of inventory recession that hit U. S. industry in 1949. That marked the first time in recent history that the two economies moved in different directions. True, one reason was that the U. S. recession hardly touched two lines of great importance to Canada. Construction and newspaper consumption in the U. S. didn't fall off. So Canada's exports to the U. S. held fairly steady in 1949.

But when business began to slide in the U. S., the steps Canadians took were probably of equal importance. The Canadian Government—no doubt influenced by election prospects—cut personal income taxes and excise taxes. Also, to encourage business investment, it continued certain measures that had been due to lapse. This, in turn, kept Canadian businessmen from dumping inventories to the extent their colleagues did in the U. S. Thus the Canadian policy of pushing investment in new plant and equipment seems to have played a big part in preventing an inventory recession in 1949.

Surplus.—The Federal Government has done no deficit financing in the postwar years. Surpluses in the past few fiscal years have aggregated well over \$1.7-billion. Another surplus is forecast this year. When it became obvious this fall that defense spending would have to be increased, the Canadian Government raised taxes to provide revenue to cover the additional expenditures. The net national debt has dropped from a high of \$13.4-billion in 1946 to \$11.6-billion.

New Dealish.—Canada, of course, has its share of the welfare state philosophy and has taken over most of the New Deal. There has, in fact, been a considerable redistribution of income in Canada over the past ten years through a combination of government-financed welfare services and income taxes. Government contributions to such items as pensions and family allowances have increased more over the past ten years than has government spending on goods and services.

Back in 1945 some people were afraid Canada might go in for socialism. The CCF party was gaining ground. Since then Canada has taken a definite turn to the right, or at least held to the middle road. The CCF has been losing ground steadily to the Liberals who are in office and to the Conservatives—so much ground that it has decided that its brand of socialism will never get into power. Nationalization of industry has been one of the CCF's main planks.

WHITSTABLE, Kent, England.—(CP)—A hotel here was designed exclusively for children whose parents have to leave home for short periods. It has tiny beds and tables two feet from the floor, with other furniture in proportion.

Notes By The Way

An anatomist says most people have one leg shorter than the other, but doesn't explain why. Possibly when someone "pulls their leg" it happens to the same leg every time—an incredible coincidence, but we can't figure out any other way.—Ottawa Citizen.

Ottawa women are enthused with fashion's latest hat, complete with two bees of natural straw clinging on a navy blue crown. Since the creation sells at \$35, husbands will probably have some-thing to say about bees in the bonnet when they see the bills.—Sault Daily Star.

The late Lord Tweedsmuir said that Canadians had the crunching of ice in their voices; he meant it as a compliment, but we may wonder whether the crunching of ice may not become a little monotonous. We need a livelier tune in our speech, and a greater variety of tone. We need, in fact, to be conscious of our speech, and proud of it. The Scots are proud of the way they speak, and some of them speak superbly. The Irish are proud of their speech, and they handle words with a special magic. And the speech of the best sort of English speaker has clarity and nobility not surpassed by any other English-speaking people. Surely we can hope for a little individuality in Canadian speech, and some distinction? Let us melt some of that ice of which John Buchan spoke.—Kingston Whig-Standard.

Anyone with a cow in his family should consider the word of Dr. William E. Peterson of the University of Minnesota, who has devoted years of experiment and study to the emotional problems of cows and how these problems affect milk production. A frustrated cow, he says, won't produce milk as she should. In fact, Dr. Peterson and Ohio State University scientists are working on a pasture study, hoping to increase milk production as much as 16 per cent by calming neurotic cows. "You've got to treat cows with kid gloves" he said. "Use soothing words, pet them in the right places and make out, you love them. There's nothing more damaging to a cow's personality than a harsh grunt or an unfriendly gesture." The right places to pet cows are on the stomach or the head and, though it sounds rather familiar, one has to try it out to discover which

Gathering sap of course is not an occupation which can be taken up readily by a city bird watcher, or even a country one, for that matter. Not every bird lover in a hill country owns a sap bush and taps 600 trees in March. The lucky man who does has long ago found out that gathering sap gives one a fine chance to count the earliest robins and bluebirds. The first birds up from the South always seem a bit lonesome—and probably they are. Doubtless they are glad when activity starts in a sap bush and folks are around all day. They must be pleased, too, with so many newly established drinking fountains, cleaner and sweeter than a leaf-filled spring and tub not yet cleaned out in a pasture lot. A bird, like a boy, will drink sap ahead of plain water any day.—New York Herald Tribune.

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