

ECONOMIC ASPECTS OF  
INDUSTRIAL CORPORATIONS AND TRUSTS.

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being a Thesis submitted  
pursuant to the require-  
ments of the Committee on  
Post Graduate Studies of  
the University of Manitoba.

by

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P A R T - I.

INDUSTRIAL ORGANIZATION

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## 1. INDUSTRIAL ORGANIZATION

### (a) Early History.

We go back to England when districts were isolated from each other. The horse and coach served as the means of communication. Railways were unheard of. Each district lived almost to itself. In marketing the various products of industry we find barter the common means of exchange. The evolution of time changed the medium to that of money or gold. Transportation improved; the isolated districts were brought closer together. The country came in contact with outside countries. In the communities the individual was organized into guilds; trade unions followed, and finally the corporation and trust takes form. The individual found he could no longer live unto himself and gradually the fruits of labour and the producer of those fruits are united in a complex union with their chief object, the acquiring of profits. Local industries out grow their own markets and stretch out to foreign markets, thus become international in scope. Both mental and physical efforts of man unit to solve human requirements. The formation of large corporations and trusts were tackling the great economic problems of our complex civilization.

(b) Classification

Mr. S. C. T. Dodd, attorney to the Standard Oil Company defines a trust; "embraces every act, agreement, or combination of persons or capital believed to be done, made, or formed with the intent effect, power, or tendency to monopolize business restrain, or interfere with competitive trade or to fix, influence, or increase the price of commodities." Harvard Law Review October 1893.

Corporations in competition in the same line of trade would come to an arrangement either verbally, or in writing to operate under a particular policy. The time for such an agreement might be limited to be terminated by either on certain specific conditions. Condition of sale and whether any particular territory should be left solely to any member of this agreement would be decided on when the agreement was entered into. The defining of a price for sale of the product was agreed on which policy soon put a stop to industrial wars of price cutting a method that cost the parties waging it huge sums of money in their endeavour to capture trade. The amalgamation of corporations would sometimes reveal the fact that certain members were running their business at a loss. This unfortunate situation was often due to

the equipment in the factory of antiquated machinery, or inefficient management. When the new executive saw that the industry could not be run at a profit it was closed down and the owner was recompensed in proportion to his strength in the trust. The Pools were instrumental in regulating the out put of particular corporations. The coal industry in England and Germany, and the oil and salt industries in United States and the cement industry in Canada would illustrate how such regulations were carried into practice. The trust or corporation might have a central agency through which all orders would be received. This agency in turn would distribute or allot the orders so received to some member of the trust. The Addyston Pipe Company of the United States used this method in carrying on its business. Reference will be made in more detail later to this Company. We have the great Coal Kartell organizations in Germany. The Rhenish Westphalian Coal Syndicate was one of the largest coal selling agencies in Germany. We have associations taking permanent form and corporations amalgamating. A corporation or trust might expand by acquiring the control of other phases of the same industry. In the producing of iron or steel various phases in the process of manufacture were at one time separate and distinct industries and not connected with the other in any organized way. The United States Steel Corporation illustrates

the unifying of such separate corporations in one huge corporation or trust. Under this management the ore is mined, the coal or coke is produced, the rolling mills, the railways and all the various stages in the production are found within the corporation itself.

(c) Pools Syndicates or Kartels

Doctor Grunzel divides these organizations into three distinct classes:

1. The Syndicating of Production
2. The Syndicating of Sales
3. The Pooling of profits.

In adopting his classification we can consider the coal industry of England and Germany. We find in each of these countries coal found in many parts and the coal varying in quantity and quality in each district. The cost of mining must be calculated with that of transportation because it is only after considering both that the producer can tell whether he can meet his competitors price. The mine owners in England and Germany formed syndicates. Each member kept his own identity within the organization but by a central board, which comprised of representatives from those forming the syndicate, the business policy of the organization was fashioned. Each owner prior to this

formation had mined as much coal as possible with no restriction on output. The board of the syndicate now controlled the output of each member. Orders were sent to the central office, and from there, sent to the particular member. The order would be placed with the mine nearest the place giving the order. The cost of transportation in many cases was very greatly reduced. The profits of the syndicate were pooled. There was the case where a particular customer wished to deal with a particular member of the syndicate direct which was permitted. In the apportioning of profits to the different members the size of the member as calculated by the former output of the mine was the governing feature.

#### (d) Legal Formation

A corporation or trust functions under the laws of its own country but if such organization goes beyond its own borders it must obtain a right to do business in such foreign country, and in doing business there, is subject to the laws of that country.

Domestic and Foreign corporations are two types. The Domestic corporation confines its activities



within its own country. The Foreign Corporation is organized under the laws of its country but when doing business outside of its own territory it must obtain special powers and the granting of such powers is at the discretion of the country into which the corporation wishes to operate.

The individual or partnership business differs vastly in many important features from the trust or corporation. The individual or partnership type of business lacks durability. The human element being essential and transitory we find the business limited to the span of life of the individual or individuals in the partnership. The liability of the individual or partnership is unlimited. They have direct supervision of the business. The risk of investments in this type of organization is limited to the personnel of the business and puts the limitation on the capital invested. With a restriction to the capital investment we find a decided handicap to the business and a restriction to its growth and expansion.

Blackstone said "a corporation is an artificial person created for preserving in perpetual succession certain rights which being conferred on natural persons only would fail in the process of time."

Stockder said " a trust is a business estate in the custody of a trustee who holds legal title thereto with the beneficial interest in others who are the beneficiaries."

The trust or corporation unlike the individual or partnership is an impersonal organization and is separate and distinct from the members operating it. The stock of a trust or corporation is sold or offered for sale in the form of issues. The securities of the Company are forms of paper which have no bearing on the status of the organization. The securities possess the important characteristic of transferability. The powers of the Company are delegated and are contained within its charter. A board of directors control the shaping of the companies policy, These men being placed in office by election of the shareholders of the company and subject to removal in the same way.



PART - II.

FORMATION OF TRUSTS AND  
CORPORATIONS

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## 2. FORMATION OF TRUSTS AND CORPORATIONS

### (a) Great Britain

#### 1. The Iron and Steel Industries

Professor H. W. Macrosty said, "no industry has been so much syndicated and combined in all the great industrial countries as that of iron." ( The trust movement in British Industry , Page 24).

In the development of iron trade one of the outstanding examples of the industries was Bell Brothers Limited. This corporation drew from a private business controlled by members of the Bell family. The business produced pig-iron but had at its command all the raw material necessary in its production including the manufacturing of all the coke it required. The tendency in these industries was to control all the various stages of manufacture of a product from the raw state to the finished product. Necessity lead many companies to amalgamate. Competition became so keen that business in many cases was carried on at a loss. The many grades of coal marketed, the transportation difficulties and various forms of machinery used in production, often very antiquated, lead to the growth of trusts.

## 2. The Textile Industries

The chief textile fabrics in this industry are cotton, wool, and linen. This industry creates quite a contrast to the iron and steel industries in considering the various stages of manufacture before the commodity reaches the consumer. In the cotton industry the manufactured article does not reach the general public until it has passed through the hands of the importer, spinner, weaver, dyer, printer, blancher, and the selling agencies. Each of these processes constitute separate and distinct trades. In the woollen industry we have the raw material imported, then sorted, combed, spun, woven, finished, and finally dyed. Each stage as <sup>in</sup> the cotton industry, being a separate and distinct trade. The linen industry shows some specialization. There is the growing of the flax, preparing, spinning, and weaving. In manufacturing carpets, curtains, lace, hosiery we find distinct industries. Such variations and complications shows the difficulty in trying to eliminate competition by securing control of the industry. The industry in Britain was fairly well controlled by their own manufacturers. In Europe and United States we find the countries developing their own industry. The woollen industry has the added task of meeting the competition

of woollen goods made from second hand wool and extracts from rags and this competition is felt very noticeably in the industry. British manufacturers appeared before the Chamberlain Tariff Commission and the commission makes this observation. "A trade which is in so many hands is not in a favourable position for combinations, either temporary or permanent to be effected." The amalgamation of companies in some branches of the industry was attempted with the primary objective of eliminating competition but it must also be noted that there were radical changes often made in the management under the new organization to obtain more efficiency in the trade. J. and P. Coats a limited company was built from a small mill started by James Coats in 1826 for the manufacture of sewing thread. For several generations before the corporation was formed we have the business under the hands of exceptionally able management. When the concern became a limited company its policy was to buy out competitors but only firms that were successful.

Professor Macrosty in his Trust Movement in British Industry on Page 129, states, "the Coats group was almost unique in the history of large combinations, in that it was composed exclusively of the strongest units in the country; there was no "lame duck" in the company." The Company established factories in Spain, Russia, United

States and Canada. Gradually the corporation monopolized the trade. A selling organization was set up through which all the factories worked, and the selling of the entire company was carried on. Arrangements were made to allot certain markets and competition in certain countries was restricted. The organization illustrates the complete control of an industry from the raw material to the manufactured article and finally the means of sale to the consumer. The masterly way in which this huge corporation functioned was due to the capable management. A very notable fact of the Company was the increase of profits to the shareholders and without advancing the price to the public. Under the capable management, superior machinery, elimination of waste, and increased production this satisfactory situation was made possible.

### 3. Chemical Industries

Mr. Falk, President of the ~~C~~Ambers of Commerce, for Cheshire and Worcester said "Implacable competition among a small section of the largest makers has brought prices below all records, salt being freely offered at fifty percent below cost". (The Trust Movement in British Industry by Professor Macrosty , Page 181) . There could only be one solution to a state of affairs such as this, it spelt ruin. A salt union was formed which amalgamated some

sixty-four firms. In the prospectus the Company said they wished to put a stop to reckless competition which really resulted in no permanent benefit to the public. The Company attempted to control the trade and by so doing to regulate production, provide better wages for employees and insure investors a fair return on capital. An agreement was made with American Producers for the purpose of sale guarding both parties interests in their respective markets. Finally the North-western Salt Company was formed and functioned as the selling agency for all the British makers. The Company regulated the output, controlled prices, and directed the distribution of its commodity through its own selling agency. The Company finally, feeling it had a complete monopoly of the industry, raised prices out of all proportions. New competitors entered the field, induced by high profits and resulted in the ruin of the salt union.

The soap trust was one of the greatest trusts formed in Britain. Lever Brothers, the world known soap manufacturers were the chief spirits of this movement. Under the trust the raw materials were under their control essential to their industry. Each manufacturer entering this trust retained his own identity. The trust eliminated the previous underselling practise in which large portions of the concerns profits were absorbed.



The new trust represented £ 12,000,000. A very close co-operation existed between the members. Each manufacturer would exchange scientific information or commercial knowledge for the benefit of the trust. Under the trust the conditions of the employees were made ideal. The price of soap was not advanced. The country was divided into districts, the territory of the respective members was allotted. The employment of the selling organization was reduced considerably. Instead of having a traveller or salesman representing one particular manufacturer of soap we have him representing many. The trust eliminated a great deal of advertising which had been essential under the days of competition. An attempt was made to reduce the weight of a bar of soap and at the same time increase its costs. The public press so criticized the trust for this action and created such unpopularity that both practices were discontinued.

#### 4. The Tobacco Industry

The tobacco industry of Britain was the stage of one of the keenest contests for supremacy between British and American industry for denomiacy of the British market. Odgens Limited was an English Company purchased by the American Tobacco Company. The American Company

wanted to get control of the British market. The Imperial Tobacco Company which was the British Company through various selling agencies tried to get them to enter into a contract not to handle the tobacco sold by the American Tobacco Company. A price cutting campaign was commenced by the American Tobacco Company. Each Company tried to boycott the sale of the others product. Large sums were spent in giving various forms of reward to the retailer and consumer. The British Company asked the retailer to enter into an agreement not to display the product of the American Company. Finally the Imperial Tobacco Company carried the war to the enemies own territory and went to the United States. In England a small percentage of the smoking public bought the cheap tobacco. A smoker has a particular blend or brand he prefers and price is a secondary consideration. The British public were very loyal to their own company which two factors lead to the defeat of the American Tobacco Company in securing control of British trade. The two rival companys entered into a trust. A central organization was created for the handling of both company's business for certain territories. Certain countries were allotted to the companys. Each company under this agreement kept their own identity. In their home markets the company was unmolested by the other. Retail prices were set which



allowed ample profit for the retailer. Anyone underselling on the part of the dealer would result in the company refusing to sell him.

(b) Germany

1. Sugar industry

In Germany large areas are devoted to the raising of sugar beets. The common form of combination is called a Kartell or syndicate. The refiners organize under a Kartell and set the minimum price that sugar should be sold for. This price is influenced by the market price prevailing in other countries and at times may fall below the price set in Germany. The consumer must pay the higher price. By controlling the price there accrues many advantages to the public and business in general. The unsatisfactory state of an unstable market is eliminated. The price in the sale of this product tends to become staple.

2. Iron Industry

Large combines feature the control of the production of iron today. The iron industry in Germany has very similar problems to face as those that confront the United States. The industry must cope with the economic phases of railway facilities, the proximity of the coal beds to the industry and the tariff. Statistics as one writer says, has shown that the concentration

of capital and the united executives has justified the existence of the large corporation and trust movement. These organizations have eliminated, to a large extent, the great obstacle of price cutting below a price that would give a fair return on invested capital.

### 3. Coal Industry

The coal industry is one of the essential factors in the development of various forms of manufacture. What the price must be set for coal has an important influence on what the product produced will cost. The coal beds of Germany are scattered over many areas. In different areas you may have very different qualities of coal. The cost of mining also differs in mines. With the supply of coal unlimited, the industry not controlled we get a variety of coal on a limited market. The supply exceeds the demand and with a glutted market price cutting follows. Companies get into financial difficulties and bankruptcy follows. The Kartell has been very beneficial in removing the uneven supply, the cutting of prices, stabilizing the industry in its output and making better conditions for the miner. Under this organization the individual company retains its identity. There is a central organization which controls the entire sale of the

members. Each member of the Kartell is allotted orders to fill, the prices he must sell for are also fixed by the central committee. Thus we have the supply under regulation which gives an even distribution throughout the entire year. The uncertainty and fitful state of employment as existed under the individual competitive system is eliminated. When a company is taken over by the Kartell it undergoes a very thorough examination as to its earning power or profit making feature. If on examination it is found to be an unprofitable mine due possibly to antiquated machinery or cost of producing the coal it is closed down and an adjustment made the owner. A very important result of the Kartell was the adjustment of industrial crisis and the avoiding of strikes. Professor J. W. Jenks in Trust Problem on page 248 states, "on the whole, they are rather inclined to give the syndicate the credit of checking an abnormal tendency toward overproduction and speculation, with the danger of a consequent crisis than to blame it for the course that it has followed." Also quoting from Page 250, part of a decision of a Germany court. "When in a branch of industry the prices of the product fall too low, and the successful conduct of the industry is endangered or made impossible, the crisis setting in as the result of such a state of affairs, is

detrimental not only to individuals, but also to society as a whole<sup>4E</sup>, and it is, therefore, in the interest of the community that improperly low prices should not exist in a certain branch of industry for a long time. Therefore it cannot be simply and generally considered as contrary to the interests of the community when entrepreneurs interested in a certain branch of industry unite with the object of preventing or moderating the mutual underselling, and as a result of the latter, the fall of the prices of their products. On the contrary when prices are for a long time actually so low that financial ruin threatens the entrepreneurs, their combination appears to be not merely a legitimate means of self-preservation, but also a measure serving the interest of the community."

The Kartell organization brought a closer correlation between supply and demand of the commodity their organization sold. Controlling the territorial divisions of the market and restricting production to demand. The stabilizing of prices and raising the standard for the miner justified its existence in the eyes of the people.

(c) United States

1. Salt Industry

The state of Michigan was producing about forty percent of the salt used in the United States. The price prevailing was that set by producers in the State Government. Aid was given the State by way of exemptions and appropriations for the manufacture of salt. Large discoveries of salt beds were made. Keen competition between rival companies resulted in cutting prices and the weaker companies put out of business. The Saginaw Salt Association was formed, showing a capitalization of \$200,000. The Company had a board of nineteen directors with a restriction to one director only from a Company. All members must sell to the Association. The prices and commissions were determined by the Association. Inspectors were organized, independent of the company, to see the proper standard was obtained. The quality of the salt was improved and the cost of production reduced. Shipments were made from the nearest point to the customer and the system of competition abolished.

(2) Wire and Nail Industry

The manufacture of nails from wire resulted in keen competition with the manufacture of nails from

plate which was the only type of nail up to this new discovery. The usual results followed. Prices were gradually lowered till the nails were being sold below cost. A tremendous loss was sustained by this ruthless war fare. The Atlas Tack Corporation was formed at this stage in the industry. The formation of this trust caused heavy buying on the part of jobbers. The belief prevailed that prices would be put up. The price of nails rose from ninety-five cents to one dollar and twenty cents. The new trust had what was termed their basic price at Pittsburgh where one of their members manufactured nails. The organization allowed the various members of the trust to retain their own identity but prices were fixed by the organization setting a price for Pittsburgh and all other points assumed the equivalent harmonizing with the price at Pittsburgh. The production of each member was apportioned on the basis of previous sales before being taken over by the trust. All profits were paid into the organization above cost. Inspectors were placed in each mill with very great authority. They were there to see if the plant was a paying proposition and what improvements could be made. The mills producing cut nails were closed and the company paid. Prices were advanced and supply restricted. Iron and

steel prices rose until an understanding was reached by both parties. Labour benefited by this formation. They were given higher wages and better conditions for working. The plants were properly equipped, manufacturing was centralized. Patents were controlled and expert knowledge of the industry concentrated.

### (30. Pipe Industry)

The chief competitors in the pipe industry organized a trust called the Addyston Pipe Company. Six companies were the chartered members and were located in different cities. The Trust appointed a board that fixed the prices. All bids were handled by the board and it was by this method that the board decided what bid a member should make and which member should get the contract. The members of the trust retained their identity and certain territory in the vicinity of their plant was reserved to them. The method of obtaining business, as described by Professor Ripley in Trusts Pools and Corporations was known as "buying a job". There were cases where special customers wished to do business with a particular member of the trust and this was permitted. The trust advanced prices soon after organizing. When a tender was called

for each member wired the other to advise what bid was being made and to decide who was to be the lowest bidder. Professor Ripley points out that the price retained was half as high again as would have existed under competition.

(4) Ship Building Industry

A number of companies in the ship building industry were taken over and organized as The United States Shipbuilding Company. The history of this short lived trust reveals many features that should be guarded against in organizing. The promoters of the trust obtained unwarranted remuneration for their work. In organizing and going into the financial position of each company we find a very unbusinessly survey and inventory was made. The company was over capitalized and when functioning would not meet running obligations. The directors failed to co-operate. In setting out a prospectus of the trust the public were mislead. After carrying for a short period the trust finally went into the receivers hands. The report of the trust shows that if organized on a sound basis with proper management and a reasonable capitalization the concern could have been<sup>A</sup> paying investment.



(5) Steel Industry

One of the greatest corporations known to-day is that of the United States Steel Corporation. Seager and Gulick in trust and corporation problems, refers to it as a "combination of combinations". We find the Steel industry one of active competition prior to 1898. In the later part of the nineties the number of producers was reduced to the control of about six companies. At this time a bitter warfare was looming up between some of the largest corporations and with such huge sums at their disposal the fight would have been a terrific one. The giants of these corporations were Carnegie, Morgan, Judge Gary, and C. M. Schwab. The latter two mentioned gentlemen were in favour of the combine. Judge Gary represented the Federal Steel Company and C. M. Schwab was connected with the Carnegie interests. Finally negotiations lead to the creation of the combine under the name of United States Steel Corporation. The new corporation controlled enormous quantities of raw materials, rail, and water lines, coking plants, blast furnaces, rolling mills. All the necessary steps required to complete the manufacture of every sort of iron and steel product was within their organization. The elimination of competition lessened waste. A method unique to this industry was the way prices were set by the various

companies. Judge Gary used to call the various executives, members of the companies, to a dinner known as the "Gary Dinners". ~~No~~ formal discussion was taken or minutes kept, but the problems of the industry were discussed and the prices of their products. The Supreme Court of the United States was called on to decide whether this corporation should not be dissolved as violating the Sherman Anti Trust Act. The Court were not unanimous and the majority of Judges were in favour of allowing it to continue. It was pointed out the enormous amount of money invested in the corporation and the serious task of making a re-adjustment if dissolution were ordered.

(D) CANADA

1. Coal Industry

The great majority of coal dealers buy direct from the mines. It was alleged by several coal dealers in Winnipeg that the price of coal was fixed by an organization composed of retail coal dealers and known as the Winnipeg Retail Coal Dealers Association. The Dominion Government appointed a commission to look into the charges. At the sittings of the Commission the complainants submitted that the mine owners would not supply them with coal unless they agreed to sell at a price fixed by the Winnipeg Retail Coal Dealers Association. The Commission

in its report of February 28th, 1925, held that there was no violation of the combines Investigation Act, and that the attempt to limit or prevent unfair competition in the coal trade was not against the interest of the public as a whole.

(2) Fruit and Vegetable Industry

In Canada the growing seasons of various fruits and vegetables vary with the seasons of similar products in the United States. The chief growing district of fruit are Ontario, Nova Scotia, and British Columbia. The proximity of the United States market has a very far reaching effect on our crops here. Very frequently our market is glutted with chief fruit from the United States. A commission was formed in 1926 to investigate an alleged combine that existed in this industry. The Commission discovered that the growers and shippers lacked organization. The brokers were organized and handled the business under the Mutual Brokers Limited and the Growers Sales Agency Limited, which latter organization represented the Dominion Wholesalers. The Mutual Brokers Limited was controlled, by the Nash interests of the United States. The report of the commission shows that the spread in profits from the producer to consumer was very great, the producer due

to lack of organization received very little for his product. The Trust or Combine regulating the sale of the product to the retailer made the large profit. Many firms in Western Canada were compelled to close through price cutting carried on by the Trust. The price of the product varied in different parts of the country and were set chiefly on the basis of the competition price that had to be met. Where no opposition to the trust existed prices were high. At page 36 of the Report of the Commission 1926, we have the following remark made "That the jobber, broker combine as operated in Canada by the Nash organization of Minneapolis is a vicious form of trade combination which is prejudicial to the interest of the growers and to the Canadian Wholesale Trade". An indictment was laid against this combine which resulted in judgment against individual members the aggregate amount being \$200,000.

(3) The Boot and Shoe Industry

This industry has a condition to meet that is peculiar. The machines used in the manufacture of shoes are patented and the owners of the patents rent the machines to the manufacturer. There are contracts entered into between the parties and a violation of the conditions agreed to under such contracts

would result in the manufacturer being deprived of his machines which would mean the closing up of his business. The trust that controls the patents have the dominating position in the agreement.

(4) Shipping Industry

The great Lakes, during the navigation season, are the great means of transportation. A number of competitive steamship companies formed a trust called the Canadian Steamship Company. This Canadian company entered into an agreement with companies operating under American Charters and thus prices are controlled. A monopoly virtually exists and since the formation of the trust prices of transportation have been increased very considerably regardless of the fact that such a formation would give many economic advantages which would justify the lowering of rates rather than an increase.

(5) Other Industries

The cement industry in Canada very recently was placed under the control of a Trust known as the Canada Cement Company which company purchased the leading competitive firms in this trade. On the organization of the Trust prices were raised to a point that would exclude foreign competition.

The Grain trade is gradually coming under the

control of a few large corporations just in the year 1929 two large trusts were formed absorbing other corporations. These were the Searle Grain Company Limited and Federal Grain Company Limited.

Combinations exist in the Banking and Insurance and other financial corporations. We have not attempted to cover the whole field but only to mention a few industries to illustrate the general trend of business and the form of organization controlling our industries.

P A R T III.

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TAXATION-OF-CORPORATIONS

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## TAXATION OF CORPORATIONS

### (a) Early History

Taxation as shewn in the early days consisted of a general property tax. The method of taxation had its limitations and was considered a practical failure. The great problem confronting the country was to fix a tax that would reach intangible personality. The corporation had its securities in the hands of the shareholder. It was the task of the government to tax this property fair and equitably. Prof Seligman in Essays in Taxation at page 142 points out that in the United States they had no principle to follow and with the exception of England the other countries were in a similar position. Until the nineteenth century corporations were new creations and not mentioned in the tax laws. The government assumed that property of artificial as well as natural persons was liable. The companies are classified<sup>as</sup> railway companies, Banking Corporations, and Public Service Corporations. This illustrates such a distinction. Then there is a uniform tax for corporations in general.

The Banks were taxed on the basis of capital stock and circulation. In the United States a tax was placed on dividends in some of the States. Railways



corporations were subject to a tax on capital and dividends of the company. An attempt was made to tax by the ad valorem system, that is, on the valuation of the tangible property. Professor Seligman in a summary of the various methods of taxation found throughout the United States, shows that a chaos of principle exists and he enumerates thirteen important methods of taxing corporations which does not take into consideration the various forms of combinations. The methods referred to are:

1. Value of the property real plus  
the visible and invisible personalty
2. Cost of the property
3. Capital Stock at part value
4. Capital stock at market value
5. Capital stock plus bonded debt  
at market value.
6. Capital stock plus total debt,  
both funded and floating
7. Bonded debtor loans
8. Business transacted
9. Gross earnings
- 10 Dividends.

11. Capital stock according to  
Dividends
12. Net earnings
- 13 Franchise

(b)0 Underlying Principles of Taxation

Enumeration has been made to the basis for levying taxes. We will now set out the principles underlying them.

(1) Franchise Tax

Blackstone at page 221 of Seligman's Essays in Taxation defines a franchise as , "a royal privilege or branch of the King's prerogative subsisting in the hands of a subject."

The Supreme Court of the United States at page 221 defines a franchise as, " a franchise is a right, privilege or power of public concern which ought not to be exercised by private individuals at their mere will and pleasure, but which should be reserved for public control and administration either by the Government directly or by public agents acting under such conditions and regulations as the government may impose in the public interest and for the public security."

In the early mediaeval Europe we find individuals paying taxes for receiving special privileges from the

crown or for obtaining certain concessions. The special trading privileges the guilds in England had will illustrate the point. A corporation is often thought of as something created or formed and ready to function or do business. There is the special franchise granted to certain corporations that is not possessed by corporations in general. We have two fundamental conceptions of franchise namely, that in one case it is a part of property and in the other it is distinct from property or may be even opposed to property. Corporations may be taxed in no less than twelve different ways as shewn and when anyone of these taxes are imposed it involves a franchise tax. Due to the lack of uniformity and standardizing in any of the countries or states we are left in a hopeless confusion. To tax the franchise as a piece of property was attempted but did not prove satisfactory. If on the other hand franchise is measured by a criterion of earnings, dividends, stock and bonds we arrive at no goal. There is no progress made by attempting to draw a distinction between a tax on dividends or earnings and a franchise tax. The capital value of the franchise as reached by methods of appraisal without applying any special criterion results in mere guess work. We may form

some conception of the task in levying a tax on franchise as a piece of property. Consider the other tax that is not a tax on property. A tax placed on property must be uniform. In the case of a corporation tax you do not find this requirement. On property we have certain exemptions for extra-territorial property. On a franchise tax such exemption cannot be claimed. A franchise tax may be upheld as not interfering with interstate commerce. The fact of the tax being a franchise tax removes many objections that could otherwise be raised asserting it to be a double tax. Take the case of a small portion of a corporation located within a state or province and assessed for its entire value. We have the bank as a corporation with deposits at various branches outside of the state. The placing of a tax on capital stock is a very complicated problem. It has been held that capital stock is property and others sources equally as emphatically have denied it. The Federal courts of the United States hold that <sup>a</sup>tax on capital stock of a corporation in excess of the value on real estate and machinery is a franchise tax. In the State of Pennsylvania the opposite conclusion is arrived at and the following rule was laid down. Seligman Essays in Taxation Page 234 "The test w~~h~~ether the tax in any given

case is a franchise as distinguished from a property tax, would seem to be that a tax according to a valuation is a tax on property, whereas a tax imposed according to nominal value or measured by some standard of mere calculation as contrasted with valuation fixed by the law itself may be a franchise." The view taken by the States of New Jersey and New York and by the Federal Courts is that the State of Pennsylvania is wrong in its findings. Professor Seligman is in agreement with this decision and claims the judgment is economically sound.

The capacity of the corporation to earn is the point of view considered in estimating the value of the franchise. The franchise on property or capitalized income was devised in order to reach a proper basis of taxing earnings or income. The other franchise tax was devised to overcome the difficulties remaining after considering a property tax.

## 2( The General Property Tax

This is known as the ad valorem tax and has many objectional features. In calculating the cost of property the correct result will not be reached by figuring its present value with the original cost price.

## (3) The Capital Stock at its par value

This method of taxation has also many objections. In New York a common practise is for corporations to issue

a nominally small capital by selling it to stockholders at a premium of several hundred percent. This method would make the market value much greater than the par value.

(4) The Capital Stock plus the bonded debt at the market value.

When the debt is added to the stock the value of the stock is less by just that portion of indebtedness added. This method has its advantages, chiefly because bonded companies are not allowed exemption.

(5) Gross earnings.

The Railway Tax Commission were responsible for creating this form of tax. The tax has some outstanding commendable features. The tax is easily ascertained and not susceptible to evasion. Certain distinctions are not recognized by the gross earnings tax. Take for example, two large corporations. One corporation may be guided by very efficient management; the other corporation may be guided by very inefficient management. This distinction is not considered. The tax is really one on enterprise and great business generalship.

(6) The business transacted

This method although analogous to the tax on gross earnings is a very primitive and clumsy method of taxation. The volume of business of a company may be very great but the returns or profits will depend on the efficiency of the management, and, therefore, this test seems very inadequate.

(7) The dividends or the capital stock according to dividends.

The Supreme Court of the United States is responsible for this distinction, the tax is one of territory of a corporation. Profits earned by a corporation instead of being declared as dividends may be placed in the reserve fund of the Company. Profits may be spent on equipment or construction work. A corporation may have a bond issue and its profits would go to pay dividends on it. Another corporation with the same capital may have no bond issue. Under such circumstances one corporation would be paying twice as much as the other which illustrates the injustice of such form of tax.

(8) Net earnings

This form of taxation is considered one of



the most logical forms. It is a proportional tax and increases with the prosperity of the company. We have some companies who are controlled or owned by the management. Where this state exists there is the tendency to pay large salaries and thus use up the earnings but this type of company is in the minority. The simplicity in calculating this tax is striking. On one side of the ledger you place expenses in the operating of the company. On the other side of the ledger you place the profits or returns of the company. The difference between the two sets of figures represents the net earnings. Railway corporations made a practise of using their profits for construction work or renewing the rolling stock of the company.

In deciding the most preferable method of taxation I would quote from the Ontario Commission report. " The essential fairness of taking earnings as a basis for taxation of corporations is based on the general principle that the taxes vary with the capacity of the company to pay them, whereas taxation on the basis of general property results in all manner of inequality. The amount of tangible property required by the various corporations has, in the first place, no necessary relation to their relative earning power, and

in the second place, bears no accurate relation to the earning power of the same company at different periods. The capital stock tax has something of the same defect in addition to those already mentioned, yet it has a certain amount of flexibility. Only the tax on earnings follows automatically the capacity of the corporation to pay and while even it has inequalities, yet it is very much more equitable than any other practical system." Seligman "essay on Taxation" page 257.

Professor Seligman summarizes the situation thus, "The difference between the earnings system and the ad valorem system is the difference between publicity and secrecy, between certainty and arbitrariness, between simplicity and complexity, between precision and guss work, in short, between modernism and mediaevalism."

(c) The Difficulties and observations

In the taxation of corporations there is found to be five different forms of double taxation as observed by Seligman. Essays in Taxation at page 171, namely:

1. Double taxation of property and of debts, or if income and of interest on debts.
2. Double taxation of property and of income
3. Double taxation of property and of stock

4. Double taxation arising from conflicts of jurisdiction
5. Double taxation of the corporation and of the holders of stock or bonds

(1) Taxation of Property and of Debts

In various states of the United States corporation debts are taken into consideration in estimating the value of the capital stock. When the foreign corporations' investment in the particular state is calculated there is no deduction made for bad debts.

(2) Taxation of Income and of Property

Switzerland gives us a typical illustration of this form of double tax. There a corporation is taxed on its paid up capital and taxed on its unpaid capital. An attempt is made to make an adjustment by allowing for a portion of the tax placed on income when assessment is made on both property and income. The problem on close observation is not an easy one to solve the portion that represents income and the portion that represents capital. A professional business where skill is the asset of the business and capital need not be considered the problem is simple but where capital is essential to the business and without which the corporation could not exist the task of making the correct allocation of the tax is an impossible one.

### (3) Taxation of Property and of Stock

A corporation taxed on its property and capital stock is a duplication of taxation. Capital stock is representative of the property of the corporation. The shares of a company as quoted on the market does not indicate the value of the property possessed by the corporation. The factors that must be taken into consideration in considering the value of the shares of the company are the past history of the company, its rights, and privileges, the skill and ability of the management and the competition it must meet. Equality in taxation is one of the first laws required by the economic laws of that science. In Switzerland and Germany we have cases where both property and capital are taxed but an adjustment is made from the corporate capital of the taxable property.

#### (d) Double Taxation due to Conflicts of Jurisdiction

1. The conflict of jurisdiction may be classified under four headings, Professor Seligman Essays in Taxation at page 280.

1. Interstate taxation of corporate property
2. Interstate taxation of stock and bonds or of dividends and interest.
3. Interstate taxation of non resident stock holders or bond holders.
4. Interstate taxation of corporate receipts or income

(1) Interstate Taxation of Corporate property

The universal rule as applied to real estate is that property is taxed where it is situated. In connection with personalty the question of situs must be answered. Does the domicile of the owner follow him and locate where his domicile is? Some states in the United States tax the personalty that is situated within. Their domain and other states tax all the personalty no matter where situated so long as the party is a resident of that particular state. Corporations are subjected to similar conditions. If the corporation is a foreign company a corporate property tax is levied.

(2) Interstate Taxation of Corporate Securities

Several States have laws taxing on the capital stock employed in the state and not on the whole capital of the corporation. This would be applicable to Railways running through many states. A tax is placed on the mileage within the state. It is a very difficult problem to arrive at a just proportion to tax. The State of Massachusetts places a tax on the whole capital of the company regardless of the portion of capital within the State.

(3) Interstate taxation of non-resident Bond-holders or stock holders

There arises the situation where a bondholder is a non-resident. In such a case should the corporation be taxed for that portion even if the whole capital of the corporation is employed within the States? The State of New York held that such a tax was unconstitutional on the ground that debts are those of the bondholders and not the corporation. Capital stock whether owned by non-residents or not the state can tax for the entire capital stock of the company because they consider the corporation as a whole and not as one of the shareholders.

(4) Interstate taxation of Receipts or Income

The term "The gross earnings within the State" has been applied to taxation on gross receipts from business transacted with the State or when applied to transportation companies. In the case of railway companies some states have defined the law as, "gross receipts within the state shall be deemed to be all the receipts on business beginning and ending within the State, and the proportion based upon the proportion of the mileage within this state to the entire mileage over which such business is done, of receipts on all business/through <sup>passing</sup>, into or out of the state". This quotation was taken from the Report of the California Commission on Revenue and Taxation 1906, page 171-174. Germany in 1870 passed a law forbidding double taxation

arising from interstate complications. The law taxed an individual on the basis of his state of domicile and that of the situation of real property.

(5) Taxation of the Corporation and of the Security holder

There is a lack of uniformity in laws regulating this form of tax. Some of the States in the Union hold that tangible property of a corporation and shares of stock are separate and distinct classes of property and taxation on both forms would be a duplication of the taxation. Decisions handed down by the Supreme Court of the United States are conflicting on this point. The resident who holds shares in a foreign corporation he is taxed regardless of the fact that the corporation itself is taxed. In Europe there appears no settled law. There is a tendency to tax the corporation and to exempt the shareholder on his income from corporate investments.

(E) Incidence of the Tax

Taxing a corporation's income and not placing a corresponding tax on other corporations or on other securities the value of the stock will fall and the new purchases will buy at the lower market price free from the imposed tax. When the stock rises the tax paid on effects the holder of the stock before the tax was put on. In the case of a bondholder the same would apply.



The distinction between old and new owners of such stock is difficult. The tax on property illustrates the same principle at work. If a corporation is taxed and the tax does not apply to corporations in general an attempt will be made to shift the tax on to the consumer. Should this not succeed we would obtain a lower market value in proportion to the net profits to be derived. A tax placed on the corporations and the security holder is a double tax.

(1) Local Taxation

Professor Seligman in Essays in Taxation shows five different methods of taxing a corporation by local means.

(2) Local General Property Tax

The State of New York taxes domestic corporations on the actual value of the capital stock, together with surplus profits exceeding ten percent of the capital after deductions are made for the assessed value of the real estate of the corporation and other forms of taxes paid. Foreign corporations are only taxed on the actual capital they have invested in the State.

(3) A Corporate Franchise Tax in addition to the local Property Tax is placed on the corporation by

some States in the form of a license.

A number of public service companies are exempted from a local tax but in the case of corporations like Banks we find there is a local tax on their real estate.

(4) A Distribution of the State Tax on Corporations to Local Districts.

An additional local tax is placed on real estate and machinery of the corporation by some States. A corporation enjoying the local franchise should pay in this way. The real estate in the locality is rightly taxable for such a purpose. This method avoids all the complications that attend any attempt to tax personalty.

A survey of this field of corporation taxation in the United States reveals certain outstanding principles as defined by Legislation and the decisions of the courts of that country.

Professor Seligman at page 314 gives us a masterly summary of the subject as follows:

1. Corporations should be taxed separately and on different principles from individuals.
2. Corporations should be taxed locally on their real estate only.
3. Corporations should be taxed for State

- purposes on their earnings  
or on their capital and loans.
4. Only so much of total earnings  
or capital should be taxed as is  
actually received or employed with-  
in the State. In the case of  
transportation companies, a con-  
venient and fairly accurate test  
is mileage.
  5. Where capital and loans are taxed  
the residence of the shareholder  
or bondholder should be immaterial
  6. There should be no distinction be-  
tween domestic and foreign corpor-  
ations. Each should be taxed for  
its business done or capital employed  
within the state.
  7. If corporations are taxed on their pro-  
perty, the property beyond the state  
should be exempt.
  8. If corporations are taxed on their capital  
stock they should not be taxed again on  
their property.
  9. Where the corporate stock or property is

taxed the shareholder should be exempt. If corporate loans are taxed, the bondholder should be exempt.

- 10 Where the corporation and the shareholder or bondholder are residents of different States, the tax should be divided between the States by interstate agreements.
- 11 An additional tax should be levied on corporations which have through natural legal or economic forces become monopolistic enterprises.

P A R T    **LV**

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C A N A D A ' S        C O M B I N E S

I N V E S T I G A T I O N        A C T

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IV. CANADA'S COMBINES INVESTIGATION ACT

(a) Interpretation

The Dominion Government passed an Act to provide for the Investigation of Combines, Monopolies, Trusts, and Mergers.

The Combines Investigation Act of 1923, as it is termed, has been given the following interpretation as quoted from the Act itself:

(1) Combines which have operated or are likely to operate to the detriment or against the interest of the public, whether consumers, producers, or others; and which;

(a) Are mergers, trusts or monopolies, so called, or:

(b) result from the purchase, lease, or other acquisition by any person of any control over or interest in the whole or part of the business of any other person, or:

(c) result from any actual or tacit contract, agreement, arrangement, or combination which has or is designed to have the effect of;

1. Limiting facilities for transporting, producing, manufacturing, supplying, storing, or dealing, or

2. Preventing, limiting, or lessening manufacture or production, or

3. Fixing a common price or a resale price or a common rental, or a common cost of storage or transportation, or
4. Enhancing the price, rental or cost of an article, rental, storage, or transportation, or
5. Preventing or lessening competition in, or substantially controlling within an particular area or district or generally production, manufacture, purchase, barter, sale, storage, transportation, insurance, or supply, or
6. otherwise restraining or injuring trade or commerce

are described by the word combine.

It may be observed by the above definitions of a combine in the many forms suggested why this Act was passed and its purpose.

The Administration of the Act is by the Governor in Council who by order in council may exercise his power in calling on the crown to enforce the general provisions of the Act. The Act provides for a registrar who shall receive all communications and provides for his remuneration and expenses of office.

The machine of the Act commences to function



into an alleged violation when a complaint is made to the Registrar by any six British subjects resident in Canada. The statement so made must be in the form of a declaration setting forth the names and addresses of the applicants. The nature of the combine and parties concerned and the extent of their operations should appear on this declaration form, properly sworn to. When this declaration is received by the Registrar he has full power to investigate the books, examine the witnesses and appoint the commissioners to hold the investigations. If the investigation is a very intricate one experts may be employed to advise the commission on technical or other material points.

(b) Remedies

An investigation may reveal the fact that some commercial product is controlled by a combine to the detriment of the public. The governor in Council under such circumstances may order that the product referred to be admitted duty free into Canada if the customs duties have been found to be aiding the combine or the Governor in Council may order the duty to be reduced to a point that would give the public the benefit of reasonable competition.

Under the Patent Act of Canada the exclusive

rights of the particular patent held may be used for such purpose that will:

- (a) unduly to limit the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article which may be a subject of trade or commerce; or
- (b) to restrain or injure trade or commerce in relation to any such article; or
- (c) unduly to prevent, limit or lessen the manufacture or production of any article; or
- (d) unreasonably to enhance the price of any article; or
- (e) unduly to prevent or lessen competition in the production, manufacture, purchase, barter, sale, transportation, storage, or supply of any article.

such patent shall be liable to be revoked." Section 30, Combines Investigation Act. 1923.

The Minister after reviewing the report on any violation of the Combines Investigation Act may refer the matter to the Attorney General of the Province within which such alleged offence was committed. The Attorney

General's department shall then have full power to deal with the matter.

(c) Offences and Penalties

A person found guilty of violating the Combines Investigation Act would be liable to two years imprisonment or a fine not exceeding ten thousand dollars. The penalty in the case of a corporation is limited to twenty-five thousand dollars for each party who operates or assists in operating a combine as interpreted by this Act.

The minister at the conclusion of an investigation lays the report before Parliament.

The Combines Investigation Act was passed by Parliament in 1910, the Combines and Fair Price Act was passed in 1919 and the Customs Tariff Acts. These three Acts have a very important bearing on the influence of prices of products sold in Canada.

(d) Results

Legislation on this subject has had far reaching results as reports will testify. In turning to Hansard there is recorded the reports of some very important investigations. The reports reveal the thorough manner in which the investigation was made and also the variety and scope of the government's activities.

A brief synopsis of the field covered with reference to some of the larger investigations held will best illustrate the success of this department.

The Government made a report on comparative prices of Canada and the United States in 1911. The sugar industry, the operations of a large packing house and the cold storage industry were reported on in 1917. The Government issued a report on The Iron & Steel Industry, the Lake Grain Rates, and the Pulp and Paper Industry in 1923. One of the most notorious shipping combines of Canada was brought to light by the Government in their report of 1924 on the North Atlantic Steamship Combine. The report of an alleged Combine of Coal Dealers in Winnipeg proved unfounded as set out in the report of 1925.

The Canadian people, preferably the Western, in 1925, will recall the existence of a fruit Combine. A Fruit Combine controlled by the Nash Organization of United States operated under the Mutual Brokers Limited. The report showed how this octopus crushed the competitor and made the public pay to the hilt when competition was eliminated. This particular investigation revealed the value of the Act and the great danger in allowing such unlawful industrial monsters to operate. A report was made in 1926 on an alleged combine that existed in Ontario in the distribution of vegetables and fruits. The whole-

sale and retail Druggists were investigated in 1927. In Ontario in 1929 there was the investigation into the Plumbers combine. The report shows that very similar methods of operation were used as we find accompanying the operation of the Addyson Pipe Combine in the United States of which previous mention has been made.

This great "Magna Carta" of the Canadian People is a powerful instrument and the putting into operation of this dreaded weapon against the unlawful combines requires but a very simple act, namely a sworn declaration of six subjects. The people of Canada have such investigations impressed forcefully on them through discussions in Parliament and the invaluable services as rendered by the public press. The unlawful combine is quickly and surely dealt with which acts as a restraining force on other combines that might wish to operate along lines in violation of the act.

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## 5. OTHER CONTROLLING AGENCIES

### (a) Tariff Laws

Tariff laws are very important factors in shaping a countries industrial progress or retardment.

Protective Tariffs, their purposes is very simple and easily defined to assist industries within the country against outside competition. Corporations operating or contemplating to operate in Canada make a very careful study of the Tariff as it would apply to their product. A large implement house of world fame is coming to Canada to build. The implement house at the present time has its head office and factory in Australia. This large firm known as McKay's Limited has made this decision after considering our law tariff. A few years ago we observed the formation of a cement trust. On the organization of this trust prices were immediately raised and the price prevailing was just sufficiently low to prevent outside competition coming in. In other words the trust took advantage of the tariff and made an extra profit at the expense of the consumer of this product. The Automobile Industry will again illustrate the place the tariff laws play in the setting of prices. The danger our statesmen must observe is to make the necessary revisions of our tariffs. Large corporations are often encouraged to build by giving them added protection during a stage



in their development or to allow them to get sufficiently established to meet outside competition. The stage of being what is termed a "baby industry" with many of these companies is indefinite. The "Big Interests" are continually approaching the Government to increase the tariff rather than lower it and, as we have shewn, an increase in the tariff means added profit for the trust. So we see the importance of the tariff laws. The President of the Sugar Trust in United States said "The tariff is the mother of trusts."

(b) The Press

The power of the press is a very important medium for good. Through the press the public is informed. The editors help to mould definite ideas, and to arouse passions. An unlawful combine is soon brought to light, and publicity is often ruinous for them. The knowledge that the public can be so easily informed and public sentiment aroused often acts as a preventative to the would be unlawful trusts.

(c) Limitation of Corporation Activities

The limitation of a corporations activities would be a beneficial movement. The United States Steel Corporation will serve as an illustration of one of the largest trusts in operation. The trusts con-

trols every process in manufacture and large systems of transportation and shipping. The inevitable danger arises of the raising of prices above the normal competitive price when competition has been extinguished.

(d) Public Ownership

Public ownership has an influencing effect on large trusts. The Canadian National Railways is a corporation which is public owned and competes for its business. The Canadian Wheat Pool is gigantic farmers' co-operative corporation which controls one fifth of world's international wheat supply. Although such a trust does not control prices it exercises a very important influence on them.

The Government has appointed other bodies that influence the prices charged by trusts and corporations. The Board of Railway Commissioners travels through out the country hearing delegations, settling rates, and eliminating any unfair discriminations in rates. This board was created by the Federal Government for the protection of the public.

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6. GENERAL OBSERVATIONS

The trend of industrial organization today is characteristic of all progressive countries. The investment of capital into the formation of trusts and large combines was met with antagonism, by the general public at first because the replacement of small individual concerns took place. The attitude of the public today has been reversed; there is a co-operation and encouragement; a tolerance is visible today which half a century ago was never dreamed of. The Government has legislated and created departments to assist and control this great phase of industrial development.

Colonel M. C. Rorty, as quoted in Trust and Corporation Problems by Seager and Gulick, page 661, "One of the most significant results arising from improvements in the science of management has been an increasing ability to secure from large units or "chains" the type of individual efficiency that a few years ago could be secured only in the small organization working under the older type of organization. There was a gain in efficiency with size, up to the point where the reductions in costs, through ability to specialize and functionalize the work of a larger group of workers, and the increases in process, purchasing and selling efficiency

under larger scale operation, began to be more than offset by a reduced general efficiency due to the inability of the employer owner to maintain close contacts with the members of the enlarged organization. Recent developments in management methods, and in accounting and statistical control have apparently broken down these former economic limitations on the size of the individual organization or "chain" with the result that practically all types of business and industry are now open to efficient large-scale corporate control. If this tendency persists, it may represent a fundamental economic change having very far-reaching consequences."

The Balfour Committee representing the British Committee on Industry and trade reported in 1924 that, the Committee declares the information available shows a strong tendency , both in this and other industrial countries, for enterprises engaged in production to increase in average size, a tendency which shows no sign of reaching its limit". We had a fine illustration of industrial control during the last Great War. The exercise of unified control of all important industries by the Government eliminated friction and wasteful price cutting. Large corporations like railways and shipping companies were several of the outstanding forms of corporations taken over by the Government. Combines today have a permanent place

for public service in their program and are content with a reasonable return on their investment in many cases. The watering of stock has had an important influence on prices and often it has meant ruin for the corporation. There has been the tendency to advance prices by the trust above the normal competitive rate when the trust has been successful in controlling <sup>the</sup> industry.

The wage earner has found his position improved under the trust and his wages increased. The efficiency of the management is essential to the success of the trust. The United States Steel Corporation and Standard Oil Companies were fortunate in having very capable leaders.

In the English speaking countries, like the British Dominions, England and the United States the importance of Government supervision is realized. Common Law and Statutes prohibit contracts and combinations in unreasonable restraint of trade. The Courts take a broad view and exercise great wisdom in their interpretation of these regulations.

Industrial combinations and trusts are becoming international in scope. This new development is leading to a better understanding in business between the nations and a more friendly relationship. The control of the economic system in Europe has been termed

"rationalization". The United Kingdom is attempting to attain co-operation in industries. A watchful eye guards public interests in restricting methods of unfair competition and supervising this "Economic balance" to adjust production to consumption would assist greatly in smoothing out the employment problem.

Canada is a young nation and is just on the eve of industrial expansion. Our country may draw from the pages of industrial development of other nations and from the success or failure that accompanied certain forms of legislation we may shape our course. The formation of trusts to carry on our industries has come to stay. The organization, if properly controlled, should be a benefit to our nation and a help to mould us into a great industrial people.

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