

Canada's Most Urgent Need
NATIONAL POLICY FOR DEBT REDUCTION.

By J. T. SHAW, M.P. (Cargary)

Of Canada's many problems the national debt is one of surpassing importance, but unfortunately it receives only scant and casual attention from the public. On the 31st of March 1914 the gross debt of the country stood at \$544,391,360. The debt was largely incurred in constructing public works, such as railways, canals, government buildings and the like. Such construction necessarily assisted in the expansion of settlement and in the development of our national wealth. Allowing for a proper deduction of assets, the net debt on that date amounted to \$335,986,850.

In common with all belligerent countries the war expenditure has been the chief cause of our debt increase since 1914. Our war and war commitments caused staggering additions to our national indebtedness. By the 31st of March, 1923, the interest-bearing debt has increased \$2,493,569,212.

In addition to the increase in the principal debt, it should be noted that the average interest rate has considerably increased. In the year 1914 the interest charge on the public debt was \$14,686,787, which gives an average interest rate of 3.52 per cent. The interest paid in 1923 was \$136,407,667. The average interest rate has therefore increased to 5.185 per cent. The annual interest charge has increased to a figure almost ten times the 1914 amount, and is a greater sum than the highest amount expended in any pre-war year by the Federal Government for all its purposes. One writer has pointed out that if it had been possible to keep the average interest rate down to the pre-war level of 3.52 per cent the annual interest charge would be forty-four millions less than the present figure.

In addition to the great increase in the principal debt and in the amount of interest payments, there has been, as pointed out by the compiler of the present Year Book, several significant changes, so far as the debt is concerned. Prior to the war the debt was incurred almost entirely for productive purposes, and generally speaking assets offset the debt of that period. On the other hand, the increase occasioned by the war has obviously little corresponding assets. In fact, whereas during the war period the debt was held mainly outside of Canada, at the present moment almost two billions of the total is held by people within Canada. This change was occasioned by the generous response of our citizenship to the appeal for subscriptions to the various war and victory loans. It must not be forgotten, however, that a large portion of the increase represented by war and victory bonds, is largely exempted from income taxation.

With this great increase of indebtedness internally there has taken place in Canada, as in other belligerent countries, a redistribution of private wealth. One war effect has been a more unequal distribution of wealth. Many of the pre-war millionaires have not only retained what they had, but have increased their wealth. In addition the war produced a class, small in number, who have acquired a substantial portion of the national wealth. Much of the accumulated war wealth is held in the form of Victory Bonds and the income thereof is exempted from taxation.

Speaking of England's war debt Lord Milner uses these words: "As regards that portion of the National Debt which we owe to ourselves, I do contend that it does not represent the diminution of our total national wealth, but a redistribution of it between individuals. It has been an almost intolerable embarrassment to the Government, which has perpetually exacted money from a great number of people, in order to put into the pockets of a much smaller number." It is at least, such a redistribution must seriously interfere with production, until such time as a equitable balance is secured. The exemption from income tax allowed to adds to our difficulty.

The payment of interest alone on the national indebtedness is obviously a crushing burden. We have been so busy engaged in paying interest charges that we have made no significant progress in reducing the principal debt. From December 1918 to the 31st of March 1924 the British Government applied the sum of \$400,000,000, (\$3,800,000,000) towards the reduction of its debt, while during the same period Canada's national indebtedness increased by approximately \$2,493,569,212. To add to our present difficulties, substantial portions of the present debt will mature annually during the next fifteen years. What is to be the national policy in this matter?

The wise debtor with yearly interest payments to meet, and with annual principal payments recurring over a period of years, makes a thorough study of his financial situation, and arranges his affairs in advance so that he can ensure payment of principal interest on the due date. This

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June 16, 1924

poller, however, does not usually prevail in national affairs. Governments live, as it were, from hand to mouth. Even our system of national book-keeping is so involved that experts would be presently confused as to whether there really was a \$30,000,000 surplus at the end of the last fiscal year available to apply in reduction of the public debt. The Prime Minister's recent assertion of that large surplus was questioned with considerable reason by the Hon. Mr. Meighen.

From the foregoing short survey, even a casual observer will note that the problem of our Canadian national indebtedness invites several serious considerations. It will be accepted without argument that there is the gravest necessity of disciplining current government expenditure, so that only the most necessary work will be undertaken, and so in every case results will be secured simply justifying the outlay.

Again it should be unnecessary to point out that the whole field of federal taxation should at once be thoroughly canvassed and studied in order to disclose that method or methods of taxation that it may be most efficiently applied to secure debt reduction. It cannot be denied that wages and legitimate profits cannot bear any heavier taxation designed to liquidate the public debt will of necessity invite other methods of dealing with this indebtedness. Already many people urge that a considerable reduction of the debt should be made by way of inflating the currency, such inflation to take place to the point where the purchasing power of the dollar becomes on a par with its purchasing power at the time the great increase in the national debt was contracted. While this plan has some points in its favor, yet it has danglers, as experience has shown in the case of Russia, Germany and France.

Others advocate a capital of wealth levy, while others still suggest a moratorium cancelling interest payments for a period of five or ten years, after which time it is expected that we will know far better how to deal intelligently with our national debt. But there are considerations involved in this matter outside of the problems of taxation and of economy in government expenditure. For example we may well question as to the prospect during the coming years of reducing the current interest rate on the debt by the process of conversion or otherwise. Some slight progress has been made, as the two conversion loans already effected have resulted in an annual saving in interest to the country of about forty million dollars. Again it is desirable to inquire as to whether money is liable to appreciate or depreciate in the future. It is obvious that to extinguish a debt created when a price level is at its maximum by payment at a time when the price level is 50 per cent. below the maximum point reached, works a grave injustice upon taxpayers generally. Consequently in considerations involving debt payment over a term of years, question in future changes in the purchasing power of money should not be overlooked. Further in such a matter it is proper to inquire as to whether or not the ratio of wealth as compared with the debt is liable to increase, so that the debt will thereby become of less significance.

For example following the Napoleonic wars, England was if anything, in a worse position comparatively than at present. The successful application of steam and modern inventions gave an impetus to wealth production so that the debt rapidly became of less relative importance. As a result, the staggering indebtedness of 1816 became a comparatively light burden.

These various problems invite consideration by economists and financial experts. Surely the time is about ripe to give this matter our serious consideration. If we fall now, events may force upon us a hasty and ill-considered policy perhaps when we are facing calamity. The statesmen in Great Britain are not indifferent to the possibilities of the situation. The Prime Minister of Great Britain has appointed a Debt Committee, composed of financial experts and representatives of labour, commerce and industry to investigate the whole field; not alone the debt itself but also to inquire into the methods of debt taxation, and its effect upon unemployment, upon industry and upon the national life generally.

If we wish to deal intelligently with this matter our judgment must be predicted upon facts with a view to disclosing all the facts there should be undertaken now, under the direction of the Federal Government, a most thorough and comprehensive survey and study of the whole question in all its phases and ramifications. The whole political history of Canada is unfortunately a tragic failure to anticipate events. It is to be hoped that in this vital and important matter we will not continue our past record.—Listening Post.

NOTICE—The gentlemen of St. Patrick's Institute are requested to meet in the Old Convent School immediately after Last Mass, next Sunday, to arrange a programme for the Garden Party of July 16th.—J. J. MURPHY, Secretary.—June 17, 24

The Will

There comes a time in the life of every man when he must leave his worldly possessions to the care of another. In anticipation of this, therefore, the first obligation resting on an individual who is possessed of property is the making of a will, and this should be done before the capacities become impaired by time or the ravages of disease.

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Just Folks.

By EDGAR A GUEST

FOR THE BRIDE AND GROOM

"Man and wife I now pronounce you!"
"Did you hear him as he spoke?"
"Had I been officiating, I am sure my voice had broke!"
"Had I worn God's holy vestments as that marriage knot I tied,
I am sure my voice had faltered,
happy Groom and radiant Bride."

By the service which is ended, he pronounced you man and wife. Those were solemn vows you uttered, vows to hold you fast through life.

Vows not lightly to be taken, vows to last the longest hours. You must face the world together, until God shall bid you part.

Pay by day your faith must keep
You glad the hurts of life to bear:

By the love which you have spoken
You must conquer every care.
Yet be true to one another, happy
Groom and radiant Bride,
And you'll find by sharing sorrow
every grief is sanctified.

Meet whatever comes undaunted;
pleasures rise and pass away,
Youth grows old and fortune changes,
but through all things love can stay.

From this service which is ended,
now you turn and walk through life.
May the love which now unites you
keep you always man and wife.

Mother, 112, "Boys" Over 68 Keep House

NEBRASKA MEN RECONSTRUCT HER HOME JUST LIKE IT WAS IN IRELAND.

ALBION, Neb., May 31.—Mrs. Rose Garvey, of Albion, has just celebrated her 112th birthday at her home near here. She is the oldest person living in Nebraska.

The family is just as it was when it left Ireland sixty years ago, except that one child has married and Mr. Garvey, of Albion, has died. When the family left Ireland there were Mr. and Mrs. Garvey and four sons, Patrick, Anthony, Michael and John. The Garveys are rather unique. In the home there are four people. The "baby" is Anthony. He is sixty-eight years old. Patrick is eighty, Michael is seventy-two.

The "boys" do all the housework. Patrick is cook. Mike is housemaid. Tony superintends the farm.

Years and years ago, after the death of their father, the "boys" vowed never to marry but to remain at home and care for their mother. John was already married, so he was absolved from care of his mother.

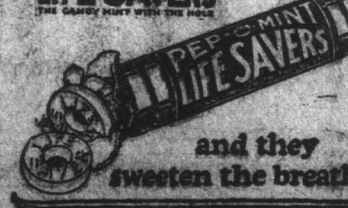
When the Garveys moved to Nebraska, there were 8,000,000 to 10,000,000 acres of public land in this State ready for the settler.



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