

standing which is not represented by gold. There is a provision in the law that the minister may issue an amount of currency against certain securities. There is a statement in the Canada Gazette that a certain amount of currency is outstanding issued against securities deposited under the Finance Act. I am inclined to think that does not quite accurately describe the situation. If I remember correctly, the Finance Act only authorizes the issue of notes against securities to banks, and we are aware, from previous discussions, that the Government have made advances to others than to the banks; that they have made advances to the British Government and to certain railroads. Therefore, I do not think it is quite correct to describe these as issued under the authority of the Finance Act. That, however, is not important from the point of view of my argument. As regards the amount of note issue secured by gold, we are far away from the old sound standard. All I am suggesting is that the volume of that currency, which is now so large, and which I think is rather embarrassing to the banks, is beyond what the trade of the country is capable of absorbing at the present time. I think, therefore, the Minister of Finance will agree with me that it would be a wise policy at an early date to arrange for the redemption of a large portion of that note issue. There is, of course, the temptation to have a large amount of note issue because it costs no interest, it costs the Government nothing. But it is a dangerous form of economy, and I hope the Minister of Finance will soon provide the means of redeeming it, if necessary, by issuing a loan, changing one form of debt for another. I am not saying that in a spirit of hostility, but rather to direct the minister's attention in a manner in which I am sure his own mind will lead him.

Another matter is that, referred to so often, with regard to tax exemption on bonds. It has been repeatedly stated that the cost of our loans in consequence of this exemption is very high. That is probably correct. While the loan is nominally at 5½ per cent, when you have regard to the tax exemption and the commissions and various other charges, the loan is very expensive. That phase of the matter has been dwelt upon by many speakers, but, to my mind, that is the least serious aspect of the situation. The most serious aspect, in my judgment, is that this system of exempting bonds from taxation is going to be a breeder of trouble for us in the future. The smaller buyer of these bonds may for a time try to

hold them; many are selling them now, taking advantage of the profit which attends that transaction. As the days pass it will be found that the smaller holders of these bonds will not be able to carry them, and they will pass gradually into the hands of the wealthy classes. What condition will that lead us to? We shall see, after a time, that while the ordinary man of moderate income, who has a hard job to earn that income, finds that through the operations of the Finance Department, he is called upon to pay a tax, across the street is living a man known to be wealthy, who is not paying a single penny. That is a condition which is bound to breed unrest and discontent. We are in the midst of days when there is some lack of the reverence which was once paid to old-time contracts. There is less disposition to-day than in olden times to respect what are called vested rights, and I would not be surprised if some of us are still young enough to see the time when there will be a grave agitation whether or not that contract to exempt the bonds shall be maintained. I am not for a moment suggesting that the contract shall not be kept; I say it should be, but that system is liable to breed trouble. I can, to some extent, make allowance for the Minister of Finance. The first thought that he must have when he is about to issue a loan, is how to get the money. He cannot afford to fail; if he is issuing his loan in the English market he must be careful to fix a price at which the public will take it, because failure would affect the credit of this country. When he came to seek loans in the market unknown until the last three or four years, that is, in the market of Canada, I am not surprised that he had some doubt whether he would succeed. He no doubt endeavoured to make the loan as attractive as he could and to get all the help he could. In that way he brought into his service the banks and the brokers and others whom he has to pay and he baited his hook with tax exemptions. All these are very natural things for the minister to do; but as he looks back, perhaps he feels he could have got along without some of those things. But we can all be wise after the event. Having regard to all the circumstances, I think the step taken by the minister was not a wise one, but I am not sure that another Minister of Finance would not if he were in the same position do the same. He wanted the money, and, therefore, he made the loan as attractive as possible. I would respectfully suggest that whenever he seeks a further loan, it would be better