

value of money in the way of interest on savings bank deposits; and we came to the conclusion, after careful consideration of the matter, that it was desirable, in the interest of the business of the country, in the interest of successful manufacturing, in the interest of every man who had to carry on his business to some extent with borrowed capital, that we should not have an artificial value of money in Canada, but that a man should be able to borrow according to the reasonable laws of demand and supply. We believed that it was a desirable thing to encourage to some extent the savings bank deposits, and we remembered that the number of those deposits was large and that the advantage to the depositors was a matter of some importance; but we came to the conclusion that the interest of the greatest number of the people demanded that we should not pay to the savings bank depositors a larger rate of interest than the reasonable value of money. Therefore, in July last we reduced the savings bank rate of interest from $3\frac{1}{2}$ to 3 per cent. Although it was not a matter of public criticism, there were some who felt at the time that it was a policy which would probably lead to large withdrawals of money from the savings banks. Such, however, did not prove to be the fact. I believe, as a result of that reduction, that there was some reduction in the cost of capital throughout the country—not universally, but to some extent. The banks of the country have their different classes of customers, of varying credit. There is the inner circle, who can get their discounts at pretty good rates; there is the next circle, who do not get them at so good a rate; and there is the outer circle who are glad to get them on any terms at all. I think that the inner circle, the class of corporations and business men who are in a very sound financial condition, already appreciate the reduction that has come to them in the rate of interest. Since that time an incident has occurred which has led us to go a step further. We did not think it was wise to make so radical a reduction as from $3\frac{1}{2}$ to $2\frac{1}{2}$ per cent at once; but we did make the reduction to 3 per cent; and since we have been able to place on the money market our own securities bearing a $2\frac{1}{2}$ per cent rate, we thought we should regard that as a standard value of money, and that we ought not to pay a rate in excess of that. We know that it costs about $\frac{1}{2}$ of 1 per cent to manage the deposits, and if you add that to the $2\frac{1}{2}$ per cent to be allowed upon them, you will be paying $2\frac{3}{4}$ per cent, which is about the same as we are paying for our money in the English market.

An hon. MEMBER. Less.

The MINISTER OF FINANCE. My hon. friend is right—a fraction less. But, as I have already stated, we expect the securities of Canada to advance in value. I

have pointed out that in making a new loan at a reduced rate of interest, we suffer some disadvantage at the moment; but we all expect—barring temporary difficulties, wars and rumours of war, which we hope may soon pass away—that the securities of Canada will increase in value at a very early date; and we may fairly regard a fraction above $2\frac{1}{2}$ per cent as the rate at which Canada can borrow all the money she requires. If therefore we pay the depositor $2\frac{1}{2}$ per cent for his money and pay $\frac{1}{2}$ of 1 per cent for the management of the savings bank, we are practically paying him $2\frac{3}{4}$ for the money, and at a very early day we shall no doubt be able to borrow money at that rate in England. We therefore propose that on the 1st of July next there shall be a further reduction of $\frac{1}{2}$ per cent in the interest payable to depositors making the rate $2\frac{1}{2}$ per cent.

Mr. SPROULE. A grand stroke of business for the poor man.

The MINISTER OF FINANCE. My hon. friend, no doubt, thinks that there are many poor men who have their money in the post office savings bank, but there are many more poorer men who are paying the interest, and who have no money in the savings banks. And the question is, whether a limited number of poor men shall be paid a higher rate at the expense of a larger number of poorer men who have no money to put in the savings banks. I quite sympathize with the desire of my hon. friend to pay a good round rate of interest, but I think he will agree with me that a very large amount of the money in the savings banks to-day belongs to a class of people who do not need any sympathy from us, but are very well able to look after themselves. And as far as the other depositors are concerned, if we give them the security of the public credit and pay them $2\frac{1}{2}$ per cent, besides the other $\frac{1}{2}$ per cent which the management costs us, I think we are dealing fairly and justly with them. But I do not put it before the House in that light only. The main ground I am arguing on is this, that it is not merely an advantage to the Treasury—though that is a point not to be lost sight of—but that the rate of interest we are now paying on savings banks deposits has a material effect on the cost of money to the business community at large in the Dominion; and if, by this step, we can bring about—not hastily, but gradually and surely—a reduction in the cost of capital to the merchant, the manufacturer, and to every man who has to go to a bank to borrow money, we believe we shall be doing something which is for the good of the whole country.

Mr. SPROULE. The discount charged by the banks since the last reduction has been just as high as ever; so that the reduction