

Special War Revenue Act

with the idea of evading income taxes. When this nation was appealed to by Sir Thomas White, the then Minister of Finance, for money to carry on the war, it responded patriotically. These bonds were purchased and held widely by the people of Canada. They are not held widely to-day, as the Minister of Finance knows. They are held within very narrow limits, by banks, insurance companies, bond companies, trust companies, and by a few very wealthy individuals.

Mr. POULIOT: Lord Bacon!

Mr. MALCOLM: The treasury is losing by the tax free provision on these bonds a great deal more money per year in income tax than will be taken from the people by the tax on sugar. The Prime Minister has spoken of the sacredness of contracts. I do not know how sacred a contract is that exempts a man from paying his fair share of taxation in a time of national crisis—

Mr. POULIOT: It is immoral.

Mr. MALCOLM: Personally it is not sacred to me at all.

I notice a big change in the attitude of the government, if the Ottawa Citizen is to be believed. A few days ago in this house I suggested to the Minister of Finance that so far as our internal currency is concerned, if properly controlled it would have no bearing whatever upon our exchange; that if by statutory enactment the government wished to issue on a redeemable plan a given quantity of currency for the construction of public buildings, it could do so, and in ten years' time pay for the building at just half the cost that would have to be paid if bonds were issued at five per cent. My friend from North Waterloo supported the idea. Then we listened to a long lecture from the Prime Minister to prove that it would destroy the stability of our money. I want to be helpful to the Minister of Finance, and if I may be pardoned for taking the time of the committee I would like to say this: there should be two kinds of currency. The rate of exchange on Canadian money is affected by every demand for Canadian dollars that comes from the outside and every demand for American dollars which comes from within. Our exchange is not affected one particle if we have an adverse balance of \$200,000,000 a year with the United States provided we have against that a favourable balance with some other country which pays its debts through New York. In considering foreign exchange one has to take into consideration every item that is cleared through New York banks. We are debited with the interest we owe on our bonds

[Mr. Malcolm.]

and with everything we owe there. We are credited with the money we borrow, with the returns from our trade, whether it be from Japan, Peru, Bolivia or Spain; the sum total of our favourable trade balance clears through New York because New York is our banking centre and our exchange is governed, as a commodity would be, by the demand for Canadian dollars and the demand for American dollars. We have at the moment a favourable trade balance, but we are not borrowing money in New York. If we were our exchange would improve. Apart from that, however, I submit to the Minister of Finance that although bankers will tell him that any issue of currency within this dominion will adversely affect exchange, there is no logical reason why it should. When the Prime Minister inflated last year to the extent of \$35,000,000 it did temporarily affect the rate of exchange. But when it becomes understood that this currency is issued on a solid basis of statutory enactment, with provision for the redemption and cancellation of that currency, just the same as if a sinking fund were created to retire bonds, there should be no influence whatever upon our exchange in the New York market. By such an issue of currency the Minister of Finance will take from the people of the country in taxes just half the amount of money that he would take if he issued bonds and paid five per cent on them for a period of twenty years. The thing that amazes me is that in the Citizen to-night I see a headline indicating that the suggestion which we made a few days ago and which the Prime Minister characterized as so impossible has actually been adopted. If that drastic step is being taken I say to the Minister of Finance and to the government that I admire them for taking it. I admire them for accepting a broader policy, probably a little more liberal policy, in order to try to correct the situation from which the taxpayers suffer.

I appeal to the Finance minister to take a strong stand with regard to the enormous interest charges which we are paying on the tax free bonds; to take the strongest position possible in regard to reducing internal expenditure. The ministers should have authority to do with their departments what private business is doing with its overhead. Then it will not be called upon to bear the criticism to which it is now subject from the common people of the country of taxing the sugar of the children. I look on the taxation of sugar as a very inequitable tax. It falls heavily on those with large families to feed; it falls heavily on the people least able to bear it. It means nothing to the average man who