

6. The Government should reserve power to facilitate its own refunding operations at lower interest rates after the war, by retaining the right to call at par any or all outstanding bonds at any convenient time after termination of the war.

7. Government finance should be carried out with economy, and without fear of market conditions, external or internal.

8. Market and other conditions must be made to defer to Government finance and mould themselves to meet the Government requirements.

If this had been done, there can be no question that all our war bonds could have been sold to our people at a rate to yield not exceeding $5\frac{1}{4}\%$. Tax-exemption was not demanded; on the contrary, no income-tax measure had been enacted until after our first three loans, and even during the fourth many did not realize that the interest was tax exempt when they subscribed to the bonds.

Those who will be asked to lend to the Government are just as willing to pay income tax on their interest return of $5\frac{1}{4}\%$ as they are to pay income tax on the 3% allowed them by our chartered banks.

Tax-exemption is wrong. Two wrongs have never made a right. There is only one remedy for wrong, and that is to correct it. The cost of correction is small; the consequences of procrastination will be very great.

All that is needed is courage and confidence on the part of the Government—courage to face the realities of the situation and confidence in the patriotism of the people.

I am not insensible to the claim which the Government has to the whole-hearted co-operation of all classes of our people in the carrying on of the war, and it is in this spirit that I have ventured to bring to your notice conclusions which, I am convinced, reflect the mature judgment of an overwhelming majority of our bankers and business men, who have given careful consideration to the question at issue.

In the hope of stimulating that free and full discussion which is the essence of Democratic Government, I am mailing copies of this letter to the Right Honourable the Prime Minister, the Members of the Senate, the House of Commons, and to the press.

I have the honour to be, Sir,

Your obedient servant.

I. W. KILLAM.