

We hear complaints about unemployment. People have no money now. Even farmers with real property and assets have no money. You can go to any farmer and ask him if he has five or ten or fifteen dollars in his house, and he will answer: "You know very well I have not." Why? Because he may have mortgages on his neighbour's farm or may have his money invested elsewhere, and it is not bringing in a cent of revenue. I make this very simple suggestion to the government in all earnestness, and I want them to try to understand that there is no petty political motive in the suggestion: I urge them to tax at once those tax free bonds, to convert them in order that the rich may pay as well as the poor. Those who hold such bonds are better able to pay than the man who has not a cent. Is it fair, or is there not discrimination, when the millionaire with \$20,000,000 worth of tax free bonds pays nothing, while on the other hand a poor fellow has to work five days in the year at \$2 a day to pay the \$10 tax on sugar. If he gets only a dollar a day he has to work ten days, and if he gets only fifty cents a day he has to work twenty days to pay this \$10 tax for five hundred pounds of sugar for himself and his family. I cannot understand it.

The Minister of Finance and the Minister of National Revenue have my respect. They are both able men. I would ask them to concentrate for five minutes, and at the end of that time they will admit that the suggestion made by the hon. member for North Bruce is a kindly one and should at once be considered favourably by the government.

Mr. HEAPS: The Minister of Finance referred to a conversion loan made by his own government, and also a conversion loan put through last year by the British government. He left the impression, at least on my mind, that one of the reasons why the present government could not put through a conversion loan at a considerably reduced rate of interest while Great Britain could, was that Canada was a debtor country and Great Britain was a creditor country. That may be perfectly so. May I, however, cite to him the case of Australia, a country which I believe is in a position somewhat similar to that occupied by Canada. Just about two years ago in Australia they put through an internal conversion loan at a considerably reduced rate of interest. As Australia is in much the same position as we are, and it was possible to put through an internal loan in that country reducing the rate of interest, can the minister tell the committee why it was

not possible for Canada to follow her example?

Mr. RHODES: Conditions in Australia are entirely different from those obtaining in Canada. They put through their conversion loan solely with respect to Australian holders of Australian securities. I may point out further that there were other conditions which I do not wish to discuss with any degree of frankness, but which, if they were present in Canada, might call for far different treatment from those warranted by conditions obtaining here. Short of compulsion there is only one way in which you can convert, and that is to have the holder of a security exchange it for one which he is disposed to accept. The government of Canada is, I submit, taking the logical course by lending every possible assistance it can towards the lowering of interest rates. We have not trumpeted from the housetops the circumstance that it took considerable time and effort to bring about concerted action in the lowering of interest rates upon savings banks deposits and the general interest rate on savings. That is being reflected, as of May 1, in a corresponding reduction in interest charges. It will have its effect, in turn, in improving general conditions preparatory to our approaching the people here, as we will before a great while, with a conversion loan. If our securities were held only in Canada, and the tax exemption feature was free from all our securities, we might put through a major operation with a certain amount of compulsion, accelerated by conditions which have obtained in other countries. But inasmuch as those conditions do not obtain in Canada we have to proceed in an orderly way, and the best contribution we can make towards clearing the ground for a conversion loan is to maintain our credit, maintain confidence in our securities and assist towards a general lowering of interest rates, hoping that these conditions will be reflected when the next conversion comes along.

Mr. HEAPS: I appreciate the position taken by the minister. May I say, however, that the percentage of federal bonds owned in Canada is fairly high; I believe it must be about seventy-five per cent. I do not believe the difficulties outlined by the minister would be as great in Canada as they were in Australia, because I understand that a far greater amount of the bonds of the federal government of Australia were held outside of Australia than were held within the country. Our percentage is much higher than obtained there. Our interest charges have become such a tremendous burden that I think a major operation will be necessary in the near future.