

when he enters the employ of the government and becomes a permanent civil servant, in effect begins to purchase a pension. He pays part of the cost of the pension, and the government pays part. But in effect it is a purchase of a pension by a civil servant, because the part the government pays could justifiably be regarded as part of what the government pays to or on account of the civil servant.

The normal course would be that over a fairly long period of years the civil servant would pay money toward the purchase of that pension. During that period of years the value of the dollars paid in by the civil servant would vary. Certainly it would vary if it covered the period between 1916 and 1935. The value of dollars was low in 1918 and 1919, and very low in 1920. The value would be relatively high, as compared with commodity values, in 1935. But there comes a time when the civil servant begins to draw money out of the fund. He draws over a period of years, by way of pension; and he may very well find the same situation exists during the time he draws from the fund. During one part of that period the value of the dollar he receives back may be high; during another part of the period the value of the dollar may be low. That is a factor on which he must take a chance.

For example, had we said to the civil servant in the early nineteen thirties that the value of money was high—and by that I mean that commodity prices were low—and had we said to him, "The dollar you are getting from this fund is a very valuable dollar compared with the dollar you paid into it, and we are going to deduct something from the amount you receive," the civil servant would have objected. He would have said, "You cannot do that; we made a contract with the government. It was well understood at the time we entered into the contract that prices might vary, and that therefore the value of money might vary over the period of time during which money was paid in, and that prices and the value of money might vary in the period during which a pension was paid out. But you certainly cannot repudiate a contract in this way, nor can you deduct any dollars from the amount of our pension simply because prices are low." And of course we could not do anything of the kind. If we could not justifiably have done anything of that kind, I do not know how we can defend doing the opposite, namely, paying him more because prices are higher, and the value of money lower. If we did that for the civil servant who in effect has purchased a pension from the government in the manner

I have indicated, how could we defend ourselves against claims for the same treatment on the part of government annuitants? Applicants for government annuities have purchased annuity contracts and have paid in over a period of years, in the same way. When the age limit is reached the annuity falls due and the annuitant begins to draw money from the government. Certainly persons in that position would have just as good a claim for cost-of-living bonus under their annuities as the superannuated civil servant would have.

And if we did that with respect to government annuities, why should we not do the same thing for those drawing annuities from insurance companies? They are citizens of the same country; they have entered into the same kind of contract. They pay in money for the annuities they purchase. After a time they begin to draw those moneys out. Why should they not be entitled to cost-of-living bonus on their insurance pension? If that were done for insurance company annuitants, then why should we not include persons drawing interest and dividends generally—in fact all persons in receipt of income, from one end of the country to the other?

Mr. GRAHAM: It would be ridiculous.

Mr. ILSLEY: It would include pensioners of every sort. That shows the sort of project upon which we would be embarking.

I must insist, as I have insisted repeatedly, that our cost-of-living bonus policy is a wage policy. It is therefore properly payable to civil servants who are working. It is properly payable to workmen who are working, and to salaried persons within the lower ranges who are working. But it is not properly payable to pensioners. I have taken that position in times past, and I contend it is sound to-day.

The hon. member for Gaspé (Mr. Roy) has referred to allowances for children.

Mr. HANSON (York-Sunbury): But what about the other side of the question? You tax the pensioners. The point raised in the correspondence I have received is that they are to be held to the contract. If they are to be held to the contract—and I was not asking the minister to waive it—why then should he tax them on the same pensions? Is there not the same contractual obligation to leave those pensions alone?

Mr. ILSLEY: No, it is not a breach of contract for the government to tax those employees.

Mr. HANSON (York-Sunbury): It is a case of heads you win, tails they lose.