In your statement to the Canadian press on August 5th, you informed the Canadian people that they have "been able as a nation, not only to earn the entire cost of the war to date, but to make a very large national increase in wealth as well." How much of these earnings and this increased national wealth has been appropriated by the Government and used to defray the cost of the war? The Director of Public Information in a recent statement points out that, during the two fiscal years to March 31st, 1918, there has been applied to war expenditures, by way of surplus of revenue over ordinary and capital outlays, the sum of $113,000,000.

This amount is probably less than our country will have to face each single year, beginning with 1920, for interest and pensions alone.

It is quite evident, therefore, that the provision for war expenditure from the incomes of our people has to date been far too small and must be increased, not only in justice to our army, but as a necessary measure for the protection of the future economic welfare of our whole people.

Let us consider the position of a future Finance Minister submitting a budget to Parliament at a time when the safe deposit vaults of Canada are filled with 5½% long-term tax-exempt bonds. Will that Minister be able to approach the House with confidence, with a proposal materially to raise the income tax, to impose other taxes on invested capital, knowing that such action would immediately dislocate and change the ratio which may then exist between the value of the large holdings of Government securities and all other forms of invested wealth representing the nerve-system of the industrial structure of the Dominion? Who knows how long the war may last? Who knows how many bond issues our Government may yet have to offer? Who knows what taxes our Government may yet be forced to impose upon our people?

If we issue another billion or even half-billion 15-year 5½% non-callable tax-exempt bonds, the position will be incomparably more difficult of remedy. If further tax-exempt bonds be issued, the unknown factor "*x*" will add to the difficulties of after-war refunding. If tax-exemption be firmly dealt with now, the situation in respect to our forthcoming and all future loans will be clarified instead of remaining clouded and obscure.

Further to demoralize the business of Canada or to nullify the graduated income tax by the creation of a billion dollars or more of long-term non-callable bonds, bearing the rate of 5½% plus "*x*," would be an outrage and an attempt to play upon the financial ignorance of the great majority of the people who are to be asked to subscribe for the bonds.

Our Government policy in war finance should have been to issue our domestic loans to our own people, fully taxable at a rate of interest fixed after careful deliberation. The following matters should have been carefully considered:

1. The rate of interest paid by our chartered banks for deposits—the Government's only real and tangible competitor—having regard to the large sums of money involved.

2. The compensation which should reasonably be paid by way of extra interest for the use of money by the Government for a period of years as against the interest paid on demand or short-time deposits.

3. The standard so fixed as the "yield" or "basis" of Government bonds vitally affects the values of all real estate, securities, and other property throughout the country, and whatever rate be so fixed must have an important and fundamental influence upon the industrial productive activities of the country for many years to come.

4. It is not necessary to make interest rates unduly high in order to restrict non-essential production, other measures having been generally adopted, and with success, by belligerent countries.

5. An unduly high standard or scale of interest rates will cause hardship to insurance companies, financial institutions and individuals with large holdings of long-term securities accumulated prior to the war.