chartered banks, the central bank, or savings bonds campaigns to any great extent. They were helped by Canada and Quebec Pension Plan acquisitions but, as a result of the scramble for capital, had to bear the brunt of interest rate increases and exchange risks from borrowing abroad. We are pleased that the policies of credit restraint initiated last year by the Bank of Canada and by the federal Government are showing the first glimmerings of success. However, as Governor Rasminsky has pointed out it is still too soon for relaxation of restraint. In the 1969 Annual Report he said:

"The purpose of restraint is not, however, to slow down the economy for its own sake but as a means of slowing down the price and cost increase in order to provide a solid base for sustainable economic expansion. Policy will not achieve its objective if it is abandoned at the first sign of success, namely, as soon as the growth of the economy shows signs of deceleration. This is particularly the case if there are widely held inflationary expectations."

The tax proposals give bondholders relatively poor treatment compared to equity holders and thus the attractiveness of fixed income securities will tend to lessen unless structural yield changes take place. For example, under the terms of the proposals a taxpayer in the 40% tax bracket would pay $10 income tax in respect of a dividend of $100 from a "widely-held" Canadian tax-paying corporation whereas his tax liability in respect of $100 of bond interest would be $40. Similarly, a $100 gain on the sale of shares of a widely held corporation would attract a $20 tax, but on bonds the tax would be $40.

3.12 We would have hoped that tax reform might have included some proposals which would have facilitated borrowing for both the public and private sectors which traditionally have raised most of their requirements through the issuance of long term debt. Unfortunately, we find little that appears