because the principal only returns at the time of maturity of the bond.

There is a differential of $1\frac{1}{2}$ per cent or more between the mortgage interest rate and the long term bond interest rate. Investment companies are not interested so much in long term bonds if the differential is any less. If the differential becomes less, bids on bonds become thin, and this helps to keep the long term bond market depressed. If the interest goes up on housing the yield goes up on government bonds and the prices of the bonds are depressed. The reverse is true if the interest on housing goes down.

I maintain that our bond market should be a free market, and in effect it is not. When the minister sets a high interest rate on mortgages he is in effect setting a high interest rate on our long term bonds. At the present time high cost mortgage money is depressing our long term bond market. When a man buys a house and pays $6\frac{3}{4}$ per cent interest, whether he knows it or not he is contributing toward higher priced money required to meet the needs of the federal government and the provinces. He is also contributing toward higher cost money to meet the needs of municipalities which issue debentures to build roads, schools and other improvements. In a sense, therefore, he helps to increase his own taxes.

Because the minister has been unable to sell his long term bonds in volume, he has had to go to the short end of the market. This has had the effect of making more and more of our debt short term. As long term debt becomes due it is refinanced in the form of short term debt, the very opposite of what the minister said was desired at the time of the conversion loan. In fact, he gave as one of the reasons for the conversion loan the desirability of converting some of the short term debt to debt of a longer term.

In addition, all borrowing to meet present requirements goes into short term debt. It costs a lot of money to keep going into and out of the market. Our debt is being turned all the time and we know it costs a lot of money to go into and out of the market, because when he did so at the time of the conversion loan it cost over $50 million. It is little wonder then that in four years time the minister has handed the people of Canada an extra interest and servicing bill with respect to our public debt amounting to $800 million. He is getting set to load us up with more interest at a faster pace in the immediate future.

All of this is not a very good performance and is certainly bringing about much extra taxation for the taxpayer. Big money continues to get a high interest rate on mortgages. I know a number of people who own long term bonds. These bonds are depressed on the market at the present time. These people are just waiting for the bonds to come near par so that they can sell them. However, I do not think they will be able to sell them near par in the very near future because under the fiscal policy of this government the minister is actually pegging these bonds at a depreciated value.

Today I received a memorandum from one of the bond houses concerning the conversion of Canada savings bonds that is going on at the present time. In calling attention to the new savings bonds the memorandum has this to say:

> With the exception of three of the prior years' series currently outstanding and in the hands of the public, this year's bonds carry a higher interest rate and corresponding yield if held to maturity than any of the other prior series.

The memorandum goes on to state that for current borrowing the government is putting out 10-year bonds that are cashable at the bank at any time.

In the first year they will bear interest at $4\frac{1}{4}$ per cent; in the next six years at $4\frac{1}{2}$ per cent and in the final five years up to November 1, 1971, at 5 per cent. This is what the government is paying now for money in the short-term bond market. According to this memorandum this new 1960 series of Canadian savings bonds can be purchased for cash, on the instalment plan, or outstanding savings bonds can be traded bond for bond. This memorandum recommends that Canadians should do this in order to get a bigger income. It is recommended that Canadians should turn in series 6, 9, 10, 11 and 13. It is recommended also that series 12, 14 and 15 should not be turned in because they are more favourable to the holder.

With the single exception of a limit of $10,000 in bonds per person, all Canadian savings bonds outstanding, valued at close to $3.6 billion, can now be turned in on these new bonds and the holders obtain this interest. The other outstanding bonds, of course will get a little higher rate of interest. I say, therefore, that there is another conversion loan in operation. It has not been advertised and people do not generally know it, but this is a new conversion loan. It is in very large proportions.

Mr. McIlraith: And just as costly as the last ones.

Mr. McMillan: I say that this government is paying a high rate for short-term borrowing. It is a high rate when you consider that a small municipality near Boston, as I reported the other day from the New York *Times*, put out 25 year debentures for bids and the bids ranged to yield from 3.71 per cent to 3.73 per cent, and this was for a municipality. Our