

Mr. JOHNSTON (Bow River): Resolution 6 provides that the returnable portion shall not exceed 10 per cent, or \$1,000, whichever is the lesser. But in the one case the man with the low income is forced to invest his savings at 2 per cent, while the other fellow can put his surplus savings into victory bonds and get 3 per cent. Furthermore, by this taxation, you are putting the little fellow into a position where he has no money to invest in victory bonds and he is forced to take 2 per cent on his compulsory savings.

Mr. GRAYDON: Are you in favour of interest-free loans?

Mr. JOHNSTON (Bow River): No, I am not, in that instance, because I say that in one case you are barring the little fellow from investing at 3 per cent any money he might have left over, and I do not think that is a fair deal.

Mr. ILSLEY: I do not want any more of this than is necessary, to get abroad. I expect a certain amount of it; it is part of my lot in life. But just consider what we are doing here in the budget. Forget about the victory bonds for a moment; I will come to that in the second stage. In this budget we are agreeing to return as much as one-half, in the lower incomes, to the little man. As for the big man, from whom we are taking a large percentage of his income, we are keeping nearly all; we are not paying him 2 per cent; we are not paying him any per cent. We are returning very little to him in proportion to what we take.

Mr. HANSON (York-Sunbury): That is, the excess profits?

Mr. ILSLEY: No, that is the returnable proportion. The proportion of the total taken from the small man which we return is 50 per cent, and the proportion of the total taken which we return to the rich man is about 10 per cent, or rather it runs away down, far below that. There is a limit of \$1,000. If we were favouring the rich or treating the rich as well as we treat the poor, proportionately, we would be agreeing to return half of what we take from the rich man and pay him 2 per cent; but instead of that we are keeping all but a small proportion.

My hon. friend says, "Oh, yes, but the rich man is going to be able to save more money and buy victory bonds; the poor man is not." To begin with, I do not agree with that. But let us assume that it is so.

Mr. JOHNSTON (Bow River): Where will you sell your victory loan, then, if you put another one out?

[Mr. Ilsley.]

Mr. ILSLEY: We will sell war savings certificates and small victory bonds to the small wage-earners. My hon. friends may say that we won't, but we will.

Mr. JOHNSTON (Bow River): But a lot less than you did before, because your field is so much narrower.

Mr. ILSLEY: You can cry "defeat" all you like, but we are going to do it, and we know how. However, before eleven o'clock I want to deal with this victory bond argument. Let us say that the small fellow is not going to buy any war savings certificates and victory bonds, but the higher-income man is. I do not admit that that is so, but for the sake of argument we will agree that it is so. Is it unfair to pay the man who does buy victory bonds 3 per cent? That is, is it unfair to pay 3 per cent for ten- or twelve-year money, and 2 per cent for two-year money? Is that unfair? I know it is going to be argued that it is. But we have borrowed money from the banks at 1½ per cent; we have borrowed money from the banks also at two-thirds of one per cent. That is what we pay the hated banking institutions. Why? Not because the banks are generous or anything like that, but because it is short-term money and because it is not worth as much as long-term money is. Two per cent is a fair rate for money for that term. We have to take some little chance there; we cannot get the thing so scientifically correct.

Mr. JOHNSTON (Bow River): But you are forcing him to take that small rate.

Mr. ILSLEY: But we are forcing the big fellow to let us keep the money and not return it at all.

Mr. JOHNSTON (Bow River): But there is this distinction—

Mr. ILSLEY: Oh, well, forget it.

Mr. JOHNSTON (Bow River): You cannot dismiss it so easily, though.

Mr. ILSLEY: I have not dismissed it easily. I have worked it out.

I think I should correct a statement I made to the hon. member for Peterborough West. I do not know that I understood him correctly. I think he asked whether the 10 per cent would apply to both the income of the husband and the income of the wife.

Mr. FRASER (Peterborough West): If they both had income, would they both be allowed to deduct the 10 per cent?

Mr. ILSLEY: I think not. It is not clear. I think the one would be 10 per cent and the other would be 8 per cent.