

Herbert Ames), if my memory serves me correctly, that future loans should not be exempt from taxation. Hitherto,—I speak subject to correction,—all our domestic loans have been exempt from federal taxation. Last year, when the present hon. Minister of Public Works (Mr. Carvell) brought up this point to the Minister of Finance, he was told that to issue a loan subject to taxation and to make it a success, the yield rate must be made more attractive and that therefore the matter was as broad as it was long. With very great deference to a man for whose opinion I have the highest respect, and whose experience and judgment in these matters is in quite a different class from my own, I venture to differ from him on that point. I think that if you will take a concrete statement—an absurd statement if you like, but simply for the purpose of illustration,—it will show wherein the difference lies. Let us suppose an investor with an income of \$200,000 free to change his investments. If he holds no war loan, under the new scale, he will be liable to the payment of a tax of nearly \$50,000; that is, that about one-quarter of his entire income will go in taxation. If, however, he be free to invest in the war loan, he escapes any taxation. I do not say that this is a possible case, because no man has his investments in such shape that he could realize on them without loss and invest in war loans, but for the purpose of an illustration it will answer. Take a hundred married men with incomes of \$2,000 and let these incomes be derived purely from the war loan. They would pay no tax because their incomes are not over \$2,000. If, then, we issue a taxable loan at a higher rate, the man of small means will receive the higher rate, and either pay no tax, because his income is under the limit, or pay a very light tax; whereas, the wealthy man, while he also does receive the higher rate, is subject to a tax that far more than offsets the additional amount the country must pay by way of increased interest. I would therefore strongly support the suggestion of the former speaker that the Minister of Finance and those advising him should carefully consider this phase of the question.

I quite understand that last year, when we had to issue not one but two loans, and when our financial position both with Great Britain and the United States of America was not clearly defined, it might have been a risk to attempt to take such a step. But I am inclined to think that with the work done on the Victory Loan, and with

[Mr. Cronyn.]

the stimulus throughout the country caused by that work, a loan, subject to taxation could be successfully floated.

I would add to that suggestion a second one, and it is that the convertible feature of these loans should be now dropped. We all hope, just as we hope for peace, that this may be the last of these loans, but if there are others to follow, and others at a still higher rate of interest, it greatly increases the burden of the country if the holders of the former issues can convert them into those paying a higher rate. The effect of that action will perhaps not be great this year. It would only affect, if at all, the wealthy investor, but its full effect would come into operation so soon as a further loan was floated.

I now enter upon what we may fairly term debatable ground and that is the question as to the method by which our taxes are raised. As one of the former speakers has remarked, the criticism directed against the Budget was somewhat in line with the old-time debates which have for so long been heard in this House. In examining the revenue which the country secures from one source or another, we see that indirect taxes still contribute the major portion of our income. I want to say to the hon. member for Brome (Mr. McMaster), who invited us on this side of the House to partake of his simple and magic process of healing, that I was born, and have lived beside the true Jordan all my life and neither the Abana or Pharphar nor any of the rivers of Damascus hold superior attractions for me. The ideals which one carries, more or less dormant, perhaps, throughout life, have pictured a people deep-rooted in the soil, and a yeomanry, satisfied, hardy and intelligent, who would carry on the great career of our race. Whether from prejudice or other insufficient reason, my imagination has never been greatly stirred by the appeal of huge industries and the ceaseless whirr of the wheels of commerce.

Perhaps, too, closely associated with these are the slums of the big cities, the penury and hardship of the poor, and the sharp contrasts which there exist between wealth and poverty. I make this explanation so that I may feel myself free to say, starting from such a standpoint, I would not urge during the present war any great change in tariff conditions. We have seen growing up of late years in the United States those huge combinations of capital and industry very often termed trusts. We have read much of their ruthless powers,