

may say to my hon. friend that the object of the government will be to continue to effect economies wherever they may be possible without impairing unnecessarily the public service. The suggestion he made is practicable and sensible and is one which will be and should be followed by the government.

Even if I felt competent to do so, I would not propose to follow my hon. friend in his broad discussion of inflation. I do want to say to him that when he speaks of equal contribution, having in mind the fact that those who hold the bonds and securities of this country are because of living conditions to-day receiving a far higher yield than they did when they purchased them, he must not overlook the fact that Canada is a debtor country. Canada is a borrowing country and if we are to have lower rates of interest, a thing highly desirable, we must maintain the integrity of the credit of Canada. If we attempted to violate or repudiate our obligations to those who have purchased the securities of Canada, I believe that the amount saved at the moment would be lost manyfold through the increased sums we would have to pay by way of interest on future borrowings. We would narrow the field within which we could borrow to such an extent that we would have to pay very high terms for our money. There is no way, short of repudiation, in which you can effect a sacrifice with respect to securities which are out as a matter of contract and in the hands of the public.

Mr. MALCOLM: The minister knows perfectly well that England refinanced her largest loan at three and a half per cent. The British people took it up and there was no repudiation.

Mr. RHODES: Quite so, but my hon. friend must admit that England is a creditor country. She had a plethora of stored capital—

Mr. HEAPS: What about Australia?

Mr. RHODES: —available for conversion. That conversion was a voluntary one.

Mr. MALCOLM: Quite so, and so it would be in Canada.

Mr. RHODES: Nearly two years ago we made a very substantial conversion in Canada as a result of which we improved the financial position of this country to a marked degree.

Mr. MALCOLM: And the bonds were sold—

Mr. RHODES: And the bonds were sold.

Mr. MALCOLM: —in Canada.

Mr. RHODES: In Canada, quite so. My hon. friend will realize that in respect of this conversion tax exemptions with respect to cer-

tain bonds had to be continued until the due date. The net result after November 1 of this year will be a very substantial saving in interest charges through the tax exempt feature being obliterated from the 1933 issue.

I have taken more time than I intended to take. I hope the example of the hon. member for North Bruce will be followed by other hon. gentlemen opposite should they care to discuss the subject of sugar. We welcome constructive suggestions and I hope that after certain economies along a certain line have been effected my hon. friend will have occasion to say "I told you so."

Mr. RYCKMAN: I am very sorry to take up any of the time of the committee at this stage, but in view of the fact that the hon. member for North Bruce has made a reference to me I think it necessary that I should at least reply. I heard no two references from my hon. friend as to why silk could be bought in New York at an advantage as compared with purchasing it in Japan and bringing it overland through Canada to Toronto and Montreal. I did hear a reference to it once and I made no reply because I certainly thought that the hon. member knew enough about the trade to know exactly how it did happen, but seeing that I was mistaken as to his knowledge I will tell him in a word or two. It is caused by the difference in exchange and by our special excise tax, and we are not going to forego our special excise tax—we need it, and the hon. member ought to know it—simply because we can let in a carload of silk at a cheaper price. Let me tell the hon. gentleman that that is over now, and to-day you can buy silk that has its origin in Japan as cheap in Canada as you can buy it from New York.

Mr. MALCOLM: Good.

Mr. RYCKMAN: In the next place my hon. friend referred to the nuisance regulations of the National Revenue department. All I can say is that the government of which he was a member put them there. I do not know to what else he refers. I am sure that the action that has been taken by the National Revenue department, perhaps not under the heading of regulations, has resulted in benefit to the country. There was something that was done when my hon. friend's government was in power, and while I would not for one moment detract from the encomiums heaped upon his head this afternoon and evening, I must say that when I took charge of this department I found that the first time what is known as section 43 was used by the Liberal government as applied to other than