

to-morrow, with interest. Therefore when we talk about looking forward to the post-war years and the savings we shall have accumulated by virtue of this legislation we must bear in mind that our taxation following the war must be paralleled with our debt. In effect we are going to pay ourselves back when the war is over.

I think the same principle that applies to corporations or to any business applies also to the personal income tax on individuals. Therefore let us regard this thing in its true light and regard it as being one further condemnation of the financial system. The *Western Producer*, in commenting upon the extract I have read from *The Accountant*—and I think it is only fair to say that the *Western Producer* views matters with a good deal of thought and consideration before printing anything—has this to say in an editorial of July 9:

The devices to which orthodox finance is being driven—

Mark these words:

—to save itself in these critical times serve only to expose its true nature to every intelligent observer. It is every day becoming clearer that the effort to maintain and fortify the financial system is proving an incalculable handicap in the whole war effort and not less harmful in undermining the confidence of the people in the sincerity and singleness of purpose of those responsible for the conduct of the war. Mr. Ilesley's innovation which some master of irony has called "compulsory saving" is only one step in many which lead to the inescapable conclusion—if the war is to be won our whole financial system must be recast.

I think there is a good deal of meat in that paragraph, and I trust that in the remarks which I have made the Minister of Finance will find it possible to agree with me. The facts are rather difficult if one should undertake to refute them.

Mr. JOHNSTON (Bow River): The minister proposes to increase the revenues through the principle of compulsory savings. I do not agree with that, and for this reason. The people in the lower income brackets, from whom the minister has told us on several occasions he expects to get a tremendous volume of revenue, are going to be forced to lend their savings to the government at 2 per cent. This compulsory savings feature means that all the people within the low income brackets will be able to buy no more victory loan bonds or war savings certificates, because they are being compelled to turn over to the government a certain portion of their earnings by way of compulsory savings. When the minister comes out with another victory loan, as I presume he will some time this year, he will have only one class of people from whom he can raise

the money, namely, those with a sufficiently large income that they have money to spare to invest in victory bonds, and they will be able to invest their money in victory bonds at 3 or 3½ per cent.

Mr. ILSLEY: Three per cent.

Mr. JOHNSTON (Bow River): But the man with a small income who is forced to loan his savings to the government will get only 2 per cent on his loan.

Mr. ILSLEY: Because it is for a shorter term.

Mr. JOHNSTON (Bow River): Why force the man with a small income to take 2 per cent, while the man with the high income can buy victory bonds and get 3 per cent?

Mr. ILSLEY: Because we think 2 per cent is a fair rate for a short term.

Mr. JOHNSTON (Bow River): But you are forcing something on him that he does not wish to do. You are compelling him to take 2 per cent whether he likes it or not, and you are giving the other fellow the opportunity of getting 3 per cent. The wealthy man gets 3 per cent when he buys victory bonds, but the man with the small income is forced to turn his savings over to the government and take only 2 per cent. Why does the minister not take the opposite stand and say: "On the compulsory savings we will give you 3 per cent, and on the voluntary loans, we will give you 2 per cent." There would be more sense in that.

Mr. ILSLEY: No, there would not be.

Mr. JOHNSTON (Bow River): You do not give the little fellow any option. He is compelled to turn in his savings and take 2 per cent.

Mr. ILSLEY: The only reason why we do not take it from the big income man at 2 per cent is because we take it and keep it from him.

Mr. JOHNSTON (Bow River): You do not do that on the victory loan. You give him 3 per cent.

Mr. ILSLEY: To the small income man we pay back after the war as much as half of what we take from him, but to the big man we pay back only a very small percentage of what we take from him, and the limit we return to him is \$1,000. My hon. friend, if he argues it out, cannot make this out to be a favour to the rich. I assure him of that.

Mr. JOHNSTON (Bow River): I think it definitely is a favour to the rich.

Mr. ILSLEY: I know he will try to.