

The largest single item in the present budget is that one covering the interest and servicing of the public debt—\$481,207,000 in round figures. This huge sum is nearly equal to the total of all ordinary governmental expenditures for the year 1938—\$525 million including debt servicing—and is the main reason for the heavy tax load. Until we enter upon a policy of continuous debt and interest reduction, taxes will never find a permanently lower level. The government should make an immediate start on such a programme by asking the chartered banks to hand over to the Bank of Canada all government securities purchased by the banks with created credit or by credit expansion. This should be followed as soon as possible by the removal of the flaws in our money system. Tax reduction could follow immediately thereafter, because the interest loan would largely and progressively disappear.

At six o'clock the house took recess.

### After Recess

The house resumed at eight o'clock.

Mr. LOW: When the house rose at six o'clock I was dealing with the question of taxation, and I suggested with emphasis that the government should introduce a policy of tax reduction, but before they could do so they would have to tackle the debt problem realistically, because the largest single item in the budget was for debt interest. I should like to say that I am quite aware of Mr. Towers' argument that interest should be regarded as a transfer between various groups within the country rather than as a burden on the people as a whole. Whether there is anything sound in that argument or not will depend on just where the \$16,800 million of bonds and securities representing Canada's funded debt really are. Who holds these securities? I venture the opinion that people generally would be very much surprised to find out just who does own the vast bulk of these securities.

The Minister of Finance (Mr. Ilesley), in commenting on the third of four powerful influences offsetting the decline in government war spending at the present time, said in his budget address, as reported at page 2903 of *Hansard*:

At present a great many consumers have on hand large reserves of savings which they accumulated during the war, and some of which they wish to spend when the goods they want become available.

I know that a good many Canadian business men are anticipating a fairly long period of prosperous turnover once consumer goods

[Mr. Low.]

again become plentiful. It appears that the government is quite optimistic over the anticipated fairly long-term increase of consumer spending which is expected to offset government spending in keeping up the volume of production and in giving work to people in Canada. The big question is, is this optimism justified? The answer here again also depends largely upon the distribution of ownership of the large reserves of savings deposits in the Canadian chartered banks.

I noted with a great deal of interest the results of a recent experimental study prepared for the federal reserve board in the United States by the national interview survey division of the department of agriculture, and published in the June issue of the federal reserve bulletin. The survey revealed the following facts:

1. At the end of 1945, personal holdings of liquid assets in the United States, composed of currency, bank deposits, and government securities amounted to \$130 billion. This was an increase of \$90 billion since 1939.

2. The top ten per cent of the American people held sixty per cent of the \$130 billion.

3. The bottom fifty per cent of the American people hold only three per cent of the liquid assets, or less than \$4 billion.

These facts appear to be of great concern to United States businessmen who must measure immediate future prospects for selling consumer goods. The survey indicates that while there is a vast potential reservoir of spending power in our neighbouring country, the actual spending power is tremendously concentrated; and further, that the ability to continue to buy goods at current inflated prices is a luxury which hundreds of thousands of United States families just do not possess, even after five years of war boom.

It is coming to be widely accepted that depressions occur largely as a result of the failure of masses of workers and others throughout the country to get incomes to enable them to consume the goods which they produce. I would point out, too, that if mass production methods are to serve the people in this age they must be matched by mass consumption. We must have a nation of consumers, of good customers. Have we them in Canada? I believe that the government should at once, if they have not already done so, undertake a similar survey in Canada to determine accurately just how the liquid assets of this country are distributed, and this survey should be made available to the people. Industry needs to know just how far it can count upon pent-up war savings to supply it with markets for its goods; and the