

## Long-Term Borrowing

"Last year the Government announced that at the proper time it would be in the market for long-term money, as soon as the time appeared favorable to float an issue of bonds. Because of the Government's "Pay-As-You-Go" policy, we were able to meet maturing debentures in May last year of approximately \$12,000,000, which bore interest at 6 per cent.; in June, of \$2,000,000, bearing interest at 4 per cent.; and in August, over \$7,000,000, bearing interest at 2½ per cent., and still keep a substantial cash balance on hand.

"On Dec. 15, immediately following the Dominion-Provincial Conference at Ottawa, and following upon the settlement of a great constitutional crisis in Great Britain, the time being most opportune, the Treasury secured the approval of the Lieutenant-Governor-in-Council for the making of an issue of debentures due Dec. 1, 1951, and bearing interest at the rate of 3 per cent. per annum. These debentures were to be payable only in lawful money of Canada; and right here let me say that this Government has never borrowed a dollar repayable in any other than lawful money of Canada; and, although we have had very flattering opportunities to borrow both in New York and London, we have set our faces against putting the neck of the Ontario taxpayer under the heel of the London or of the New York money-lender, and have stuck by our policy to borrow in Canada only. The issue was purchased by a syndicate which paid 98.51 for the bonds, so that the money cost the Province 3¼ per cent. This price for fifteen year money, may I say, is the most favorable obtained by any Province of Canada during the last quarter of a century; and I am further informed that this is the first time in a quarter of a century that long-term bonds of the Province of Ontario have sold at a better price than have those issued by the Province of Quebec.

## Maturing Debentures.

"Early in January we made an issue consisting partly of 2½ per cent. debentures, repayable in annual amounts of \$1,000,000, from 1943 to 1947. These were sold at 98.65 for the bonds with a par value of \$5,000,000, the average cost of the money being less than 2.7 per cent. We also sold slightly over \$10,000,000 of 3 per cent. bonds, repayable annually from 1948 to 1962. These bonds were sold at 98.52, or an average cost of 3½ per cent. The average maturity of the bonds was sixteen and one-half years.

"I think this House will agree with me that to borrow money for an average term of sixteen and one-half years at a cost of about 3½ per cent. per annum is a worthwhile accomplishment and one that reflects most favorably upon the credit standing of this Province. The result of the sale of these two issues was to put the Province in a very satisfactory financial position, and it is not expected that the Province will require to go into the money markets again until October or November of the present year. Indeed, if the financial showing of the Province continues to improve this year as it did last year, it may not even be necessary to go to the public with an offer of debentures at any time during the present calendar year.

"I think this is an appropriate time to inform the House that during the present calendar year the total debentures maturing amount to \$24,000,000; in 1938 they will amount to \$20,000,000; in 1939 to \$25,000,000; in 1940 to \$17,000,000; and in 1941, to \$13,000,000.

"In order to properly appreciate the fortunate financial position in which the Province finds itself today, let me say a few words concerning the recent trend of bond prices. Since the beginning of the present calendar year, or to be more accurate, since the eleventh day of January, Governmental bond prices have shown continued unsettlement. This has been due in part to the congestion in the Canadian new issue market, but to a greater degree to money market developments in New York and London. The decline is not considered to be directly attributable to the budgetary prob-

lems of Government, although that factor cannot wholly, of course, be disregarded. What is of greater importance is the unsettled condition of foreign money markets.

## Period of Cheap Money.

"This disturbed condition is due to a number of causes among which may be mentioned the recently announced rearmament policy of the British Government involving, as it will, an expenditure of 7 1-2 billion dollars, a comparatively small portion of which will be met by taxation; the raising of the reserve requirements for United States banks, and the monetary measures under consideration for regulating the flow of foreign investments in the United States markets. While there has been a growing feeling that general conditions may be approaching the period of expansion, wherein a hardening of money rates may be expected, I am inclined to the opinion that we shall continue to enjoy a period of comparatively cheap money. Notwithstanding the present unsettled condition of the bond market and the prospects of the British Government spending over a short period of years the sum of 7 1-2 billion dollars, I am inclined to think that in the long run the abundant supplies of gold, the production of which is constantly on the increase, are bound to exert a decided influence in keeping rates of interest approximately within the present levels.

"When it is considered that since the eleventh day of January, 1937, day after day witnessed a drop in prices in the high-grade bond market in London, England, honorable members will appreciate and find reason for pride in the fact that a cablegram received from the fiscal agents of this Government in London, on Feb. 24, 1937, reads as follows:

"I quote: 'Referring to telegram 23rd, Province of Ontario, 4 per cent. stock, 104 to 105; Province of Ontario 4 1-2 per cent. stock, 108 to 109. Quotations are nominal with no stock offering.'

## "Convincing Evidence."

"You will recall that last year I discussed the price of Ontario registered stock in London and gave you some figures to indicate the prices that ruled during the time that the Henry Government was in the saddle were much lower than at this time, and in fact, most of the sales reported during the latter part of the Henry regime were under par.

"Coming back to the cablegram, I should like to ask if there could be any more conclusive evidence of the fact that, notwithstanding the continued decline of high-grade securities in the London market, the credit of this Province is so highly regarded that Province of Ontario inscribed stock stood eight to nine points above par with no holders of the stock willing to sell. I often wonder how some ill-wishers of our Government, in the face of such convincing evidence, can have the audacity to continue their unwarranted statements to the effect that this Government has destroyed Ontario's credit in London.

## Ordinary Expenditures

"In dealing with the problems of public finance, all authorities agree that no activity with which a Government is concerned, requires the scientific attention that is demanded in the control of the expenditures made by public authority. It is deemed a great accomplishment, and one that is most highly esteemed by every one charged with the responsibility of looking after the finances of public authorities, to keep expenditures well within the bounds of revenues. It is much more to the advantage of taxpayers to achieve the results of a balanced budget by economical spending rather than by raising unreasonable and oppressive taxes. This Government has endeavored to practice a wise economy, and by a wise economy I mean, not a parsimonious reluctance to spend the public money regardless of whether it is needed or not, but rather the exercise of prudence and good judgment, whereby the taxpayer's dollar is exchanged for services and

for necessary materials and capital goods in such a manner as to secure a dollar's worth for every dollar spent.

"This Government has been blamed for practicing economy, but it is my belief that the citizens will commend us for our policy of retrenchment and our policy of 'Pay-As-You-Go. If we have been accused of being an economical Government, I accept the charge, and I say that we have followed throughout the fiscal year sound financial policy. Mr. Speaker, let me state for the benefit of this House, and commend to the citizens of this Province, an axiom which I believe hold true in any country in the world. It is this, that sound financial policy and sound government are inseparable. A sound financial policy is never found except in the case of a sound government; and no government is worthy of the name of being a sound government that does not follow a sound financial policy.

## "Kept Our Pledge."

"Moreover, it is with great satisfaction that I am able to stand before you today and declare to you that the pledge I gave to you on behalf of this Government a year ago in these words: 'We promise without reservation of any kind that we will live within the supply which we shall ask this House to vote to his Majesty,' has been kept to the letter. We have kept our pledge and today I am able to report that, whereas we were given authority to spend on ordinary account this year the sum of \$85,817,633.64, we will spend only the sum of \$84,874,079.78, a saving, resulting from a fine system of budgetary control, of \$940,000.

"For this accomplishment I desire to thank the members of the Cabinet, the Deputy Minister, and the whole of that great body, the Civil Service of Ontario. They have co-operated loyally and ceaselessly in bringing about this most desirable result.

"Just at this point I want to announce officially to the House that the cuts in Civil Service salaries, which were found necessary and which were introduced by the former Administration, have been entirely wiped out; and the only deduction from the salaries of permanent civil servants of Ontario is that representing their contribution to the Civil Service Superannuation Fund.

"With the permission of the House, I shall place upon the records an interim statement of gross ordinary expenditures for the fiscal year April 1, 1936, to March 31, 1937, being ten months' actual expenditure and two months forecasts.

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