

*Alleged Decentralization of Policies*

money for the disposal of that production, the higher are the interests to be paid and the total debt.

Is it not possible to completely repay those debts? It might be possible in some isolated cases, but on the whole, it is impossible; it is merely a pure mathematical reasoning.

It is impossible to pay off public debts completely under the present financial system, even with all money now available, for the simple reason that the debtor must always pay back more than he borrowed, and this, because of the interest charged on the loan.

It may happen that the total debts decrease over a certain period if, for instance, bankruptcies cancel debts. But then, factories close down, farms are abandoned, debtors are disowned, there is unemployment and poverty. Debts are only written off at that cost.

But what does happen in the case of governments? Some of them manage sometimes to decrease the public debt. They do this first by taking in taxes more money than they distribute in services or benefits. They may do so still by alienating their resources, by selling them to foreigners, or to industries in this country.

In the first case, it is a question of reimbursing the public debt, by ensuring a favourable trade balance through a larger volume of exports than what we now have. There again, that is a local solution that cannot be applied globally, because all countries cannot at one and the same time have a favourable balance of trade.

As for the sale of natural resources to local industries, so that they may be disposed of on the local or domestic markets, it may enable to pay off a national debt, but the purchase of national resources, or the payment of royalties by industrialists, would compel the latter to include such payments in the price of the finished products sold to the consumers. The latter are the ones who must pay the higher prices. Their taxes are not as high, but they have to pay higher prices.

But then, will it be alleged, how would a Creditiste government curb the increase of the national debt and even reimburse the existing one?

Let us suppose that the government wants to build a bridge across the St. Lawrence between Sorel and Berthierville. The engineers estimate the construction costs at \$10 million. The contractor does or does not have the money to build that bridge. So, he borrows the money from the bank and pays interests. He feels that the \$10 million contract will bring in enough profits to pay that interest easily.

Once construction is completed, the government takes over the bridge built by the contractor and gives the latter

a cheque. But where will the government get the money to pay for the bridge? He will get it from the country's actual credit, which was increased through a \$10 million asset. Therefore, if the country has grown richer physically through the acquisition of a \$10 million bridge, there is an increase of \$10 million in the country's actual credit. And, on the other hand, financial credit should reflect actual credit. Therefore there is no debt in the sense we usually understand the word.

Finance should be a reflection of reality. Physical reality was increased by a bridge worth \$10 million; the financial credit should increase by \$10 million to reflect such an asset. Therefore there is no debt as far as the people are concerned.

One of the members who spoke earlier explained how the repayment of the credit advance would be made in accordance with the depreciation of the bridge, without the interest being repaid. The bridge wears away every year and is being depreciated. If the depreciation is based on a 20-year period, the citizens will have to repay under one form or another the amount of \$500,000 a year because we are talking about consumption. If the bridge depreciates 5 per cent a year, actual credit is reduced by 5 per cent. Since finance should reflect the physical reality, financial credit should be reduced by 5 per cent each year. This is the financial balance advocated by the Social Credit party.

But how would we go about paying back the present public debt? First of all, the Cr ditistes do not want to repudiate debts honestly contracted by earlier governments. However, they make a distinction between the debt the government owes those who saved and lent their money to the government through bonds, and the debt the government has vis- -vis the banks who have simply created money by a stroke of the pen in order to pay for their bonds.

So, a Cr ditiste government would ask the bearers of bonds to assert their rights. If a holder has in fact paid for his bond he would continue to receive interest right up to its due date; if a holder has acquired a bond by a stroke of the pen, another stroke of the pen would immediately cancel that debt. Since the banks hold at least 20 per cent of public debts these would be immediately reduced in that proportion, as would the interest to be paid.

As to bonds held by true savers they would be redeemed upon maturity. A person holding a bond of \$1,000—

**Mr. Deputy Speaker:** Order. It being five o'clock, it is my duty to inform the House that, pursuant to Standing Order 58(11), debate on the motion is over.

At 5 p.m. the House adjourned, without question put, pursuant to Standing Order.