

Supply—Finance

Mr. Blackmore: Mr. Chairman, I feel that the general situation which obtains in the world at the present time requires that we should make some study of the financial affairs of our nation. I should therefore like to make a few remarks. I do not expect the minister to take the time to make any comment upon what I have to say unless he so desires this afternoon.

I realize that we have not as much time at our disposal as we should like to have. It is a most regrettable thing that the estimates of the Department of Finance, the most important estimates in the nation, should have to come in at the time these are coming in. I am not implying that there is any fault on the part of the minister, but that fact does not in any way detract from the importance of these estimates. The balance wheel of the whole economy of the nation is its finance department.

I do not have nearly so much feeling of concern about the minister's department since the passing of the bill recently by which the Bank of Canada Act was amended so as to make it practically certain that no gold entered into the consideration of Canada's money. I have contended for 17 years in the House of Commons that the only real backing of money is, and ought to be, goods and services, quite regardless of the amount of gold we may or may not have.

On June 26 I laid down four principles which, in my judgment, are essential in a realistic financial system. On that occasion I defined a realistic financial system as one which could make what is physically possible, financially possible. As soon as one realizes that the justification for finance is physical reality in respect of goods, then one understands my principle that whatever is physically possible, it ought to be possible to make financially possible. I therefore once more lay down the four principles essential for a realistic financial system, namely, a system that could make what is physically possible financially possible.

The first principle is that the value of money depends upon goods and services, a statement which was tacitly agreed to, by the passage of the bill, by the Department of Finance. The second is that debt-free money, under certain circumstances, can be created by a state soundly, and used safely in the conduct of the financial and economic affairs of the nation. The third one is that granted adequate production, the use of debt-free money in establishing and maintaining stabilized prices throughout the nation is entirely feasible. The fourth principle is that the use of debt-free money to supply purchasing

power to consumers in order to enable them to buy the production of a nation is completely sound and should be so recognized.

In connection with this fourth principle, may I lay down a certain modification. On June 26 I was contemplating only the financing of the consumption of goods and services within the nation. It also is true, in connection with a realistic financial system, that debt-free money can be created by a state for the financing of consumption outside that state, under suitable circumstances. I have illustrated that fact several times already this year by referring to what occurred in world war I when the finance department printed \$50 million worth of bills, and purchased \$50 million worth of wheat and lent it to Great Britain for a number of years. In that case the debt-free money mechanism was used to finance consumption outside the nation.

To sum up, not only can this debt-free money be used to produce markets within the nation but it can be used to produce markets to finance consumption outside the nation. This modification is of the utmost importance in the particular age in which we live. I hope to elaborate on that matter to a certain extent in the remarks which I shall make, and I hope they will not be unduly long.

There are two kinds of export markets that we need to finance. First of all, there is the market in which we are going to deliver goods—sell them if you wish to call it that—to nations which do not have the wherewithal to pay us, as for example the hundreds of millions of people who today dwell in Asia who have no means whatsoever whereby to repay us in goods, services or in any other form whatsoever. These people constitute an excellent market if we can only determine the means whereby to furnish them with purchasing power.

Then we have the class of market found in a nation which is able to return to us goods which we, for some reason or other, are unable to accept. We would find an example of that sort of market in Great Britain. Great Britain can consume almost unlimited quantities of our surplus production, but when she comes to send us textiles or other British production in order to repay us, then for reasons which we consider good, we do not feel that it is advisable to accept those goods and to allow them to come into competition with our own production in our own country and thus to distort our own economy. We therefore find that we have two kinds of export markets in which to finance the consumption of our surplus production.