

Financial Administration

the royal commission on banking and currency for Canada, published in 1933, I proved that in the years 1907 to 1934, at which date the Bank of Canada Act was passed, the Department of Finance employed the device of debt-free money.

I then turned to the international scene and in effect said that our present dangerous world situation is largely the result of a failure to distribute goods adequately among nations. I maintain that, Mr. Speaker, and stand ready to maintain it before all comers. It therefore becomes quite evident that the matter of financing consumption, not only within each nation but among nations, is an exceedingly serious matter. When the nations with little goods produce more goods, then they find that they are unable generally to sell those goods to the nations that are better off because, generally speaking, those wealthier nations are nearly self-sufficient and do not desire many goods from abroad. This has brought about conditions such as we recognize today in the shortage of United States dollars. I said that I desired to point out that the problem has to be taken care of by debt-free money, or at least government-created interest-free money.

Since before world war I, I believe nearly everybody has felt there ought to be an international bank. What they have had in mind is that there should be some international authority that could create money. They have felt that if we had an international finance department that could create money through its finance minister to represent the unconsumed goods that are being produced in the world, then it would be possible to distribute the goods by granting money to the "have not" nations so they could buy goods from the "have" nations.

It is unorthodox and it is new, but it offers a possible suggestion. I submit, Mr. Speaker, there is no possible solution that has yet been offered by man other than through government-created interest-free money.

The idea of having a world minister of finance, with authority to issue debt-free world money, sounds attractive. This was the idea in the minds of men that the schemers took advantage of when they set out to popularize the international monetary fund and the international bank. The international monetary fund and the international bank were not founded upon principles which I believe the people, fundamentally and instinctively, thought they were founded upon. The result has been that those two institutions are mischievous white elephants on our hands.

The proposal to have an international finance minister would not work today, because there are insuperable difficulties in the way of using that particular kind of agency. Such an agency could not work successfully until all nations would accept the validity of debt-free money, and could understand clearly the kind of circumstances that would warrant its use, and the factors that would limit its use. Moreover it would be far too easy for such an agency to come under the control of some international organization disposed to abuse the power and the functions. Furthermore there would be too little effective means by which the various nations represented by such an agency could maintain adequate control of it. Then again there would be too great a likelihood of having such an agency gain power to infringe the sovereignty of the participating nations. For all these reasons, we cannot rely upon any international department of finance to effect international distribution.

What then are we to do? There are two devices, to either or both of which we could have recourse. The first of these devices is this: Canada, as an example, could, through her own Minister of Finance, create and issue Canadian bills as she did in the case of the \$50 million to provide Britain with wheat in world war I, as is set forth in the report of the royal commission on banking and currency, paragraph 47, page 22. With such debt-free dollars, Canada could purchase in Canada, from her own producers, the goods which Canada considered she was able to spare for marketing abroad. These goods Canada could then sell to any nation she chose, such as India, and accept in return that nation's I.O.U. to be redeemed in goods at some future acceptable time. In this manner Canada could build up credits abroad in every direction. This is very much the same principle as Britain used throughout the generations to build up credits abroad, some of which she invested abroad. She thereby put herself in the strong financial position in which she was before world war I.

Each nation could manage in a way similar to that which I have suggested for Canada. To facilitate such an arrangement, the participating nations could agree upon a sort of goods-exchange-clearing-agency to give each of them expert assistance, information and advice. Each nation could then expand its production to the optimum degree, certain of markets for all its production at stable prices. Each nation could then be assured that it could obtain from the world's production whatsoever of its needs were available.