

Financial Administration

to create money debt-free based upon the production of the country, then much of this taxation would not have been necessary. The government would have been able to obtain the funds with which to finance the consumption that was desirable. The secret of scientific, modern financing of consumption is the creation and use of debt-free money based upon the surplus goods which we are able to produce by the machines, technological skills and the use of solar energy which God has enabled us to enter into on such a large scale in our day.

I am sure that in the changes which the minister proposes here now there is not at the basis the fundamental thorough-going across-the-board recognition of these three great functions of the Department of Finance. I suggest that within the next year, if possible, the whole financial structure of the nation be reviewed, studied and planned with these three great principles in mind. I promise the minister that the happiness which will result from the drafting of a new system based on the recognition of these three basic functions will be such as to gladden him beyond what he could conceive he could ever experience. It has to come.

To show the soundness of what I am proposing I should like to read four quotations from the report of the royal commission on banking and currency in Canada, published in 1933, to indicate that when I suggest debt-free money I am not suggesting anything new, revolutionary and unsound, but something which men recognized fifty years ago, but of which because of unhappy contriving we have lost the use and the recognition of the soundness in our day. Now on page 23 of this report of the banking and currency commission I read section 54:

It is of interest to note that during the crisis of 1907 the then minister of finance made arrangements to lend the banks some \$10 million of dominion notes under similar conditions to those laid down in the Finance Act.

Those dominion notes were created debt-free by the dominion treasury in 1907, and \$10 million of them were lent to the banks to save the banks from bankruptcy. The underlying principle was exactly the same as Britain applied in world war I when she created the Bradbury to save the banking structure of that country in the early days of the war.

The second passage I should like to read to the minister from this report is found on page 22, paragraph 48, which reads as follows:

On August 3 an order in council was passed providing, among other things, for advances to be made to the chartered banks and to the savings banks to which the Quebec Savings Banks Act applies in the form of dominion notes against

deposits made by the banks with the Minister of Finance of such securities as might be approved by the minister.

It is as obvious as can be when one reads that passage that all the banks had to do was turn into the federal treasury securities, bonds and instruments of that kind which were in their possession, received by them as security for their loans. The dominion treasury would take these securities and use them as backing for the new money the treasury created debt-free, then let the banks have that money. That is exactly the principle which underlay the Bradbury in Britain to which I have referred, and which is so well explained in the book "Currency, Credit and the Exchanges", by Sir William A. Shaw, published in 1926.

The third passage I should like to read from the report is on the same page, and in the same section. It reads:

At the session of parliament held in the month of August, 1914, the first Finance Act was passed; it confirmed the issue of notes made under the provisions of this order in council and provided for authorization by proclamation of similar advances in case of war, invasion, riot or insurrection, real or apprehended, and in case of any real or apprehended financial crisis.

We are not far from a real or apprehended financial crisis today, even if we have such a large surplus.

May I read as the fourth example of the use of this power, a quotation from the same page of the report, section 51?

But extensive use continued to be made of the power to issue dominion notes to the banks against approved securities with the result that it was decided in 1923 to make this part of the Finance Act mechanism a feature of the normal Canadian financial system.

May I break in to suggest to the minister that this act he is proposing will not be complete until that provision is included. I continue the quotation:

In introducing the new legislation, Mr. Fielding, the Minister of Finance, made the following brief explanation of its purpose:

"The act (Finance Act) was adopted as a war measure, and no doubt was exceedingly useful in the financial operations during the war. It may be said the war being over we no longer have any need for the act, but experience has shown that the act is still required; indeed, I am inclined to think that something of the kind will have to become almost a permanent part of our financial system."

May I add to that, without undue presumption, that I suggest "something of the kind" must be a permanent part of our financial system today, notwithstanding the fact that we foolishly passed the Bank of Canada Act removing the power from the finance minister and locking it up in the Bank of Canada where he cannot use it. Notwithstanding that, this parliament must insist that the