

War Appropriation—Mr. MacInnis

relationship between the amount of money and the amount of employment or production in the country.

The hon. member for Rosetown-Biggar (Mr. Caldwell), the leader of this group, did not say that the Bank of Canada maintained a correct relationship between money and production; he said nothing of the kind. He said that the Bank of Canada was useful as an instrument for maintaining that relationship; and for the benefit of the hon. member for Acadia may I say that we in the Cooperative Commonwealth Federation are no more convinced that the present government has used the Bank of Canada to the extent that it should have been used for the benefit of all the people than he and his group are. Several times during the course of his speech the hon. member for Acadia repeated that all the money necessary, beyond that raised by taxation, should be obtained from the Bank of Canada. I am not sure that I know what he means. Does he mean the creation of new currency, while leaving credit alone? Let me read to this house a brief extract from a statement by Mr. Walter Nash, Minister of Finance of New Zealand. We have often pointed out in this house that the Cooperative Commonwealth Federation's programme is similar to that of the New Zealand labour party, which for a number of years has formed the government of that country. Speaking in the New Zealand parliament on July 17 last, Mr. Nash said:

We are proposing to borrow a fairly large sum, £38,000,000. We will borrow in three ways—first by floating a war loan, secondly by floating an ordinary loan, and thirdly through the national savings scheme. To the extent that we are in that way able to obtain proper savings for the carrying on of the war and the maintenance of our ordinary civil life, that will reduce the purchasing power and it will not have the impact on the residue of the goods that would tend to drive them up in price. So that the maximum we can borrow free of interest—

I understand the war loan is to be free of interest.

—or on low interest terms, the better it will be for everybody, but to the extent, and only to the extent that we are not able to borrow, then we will use the credit that is available from the reserve bank.

I think that puts our case fairly well.

Mr. QUELCH: Might I ask the hon. member to explain exactly what would be the difference between credit issued by the Bank of Canada and currency? A deposit in the Bank of Canada is legal tender.

Mr. MacINNIS: I may have something to say on that point a little later.

*Mr. MacInnis.]

I should like to quote a little more of Mr. Nash's statement. He said:

I want to dispel if I possibly can the illusion which still exists in the minds of some people that we can create unlimited amounts of credit from the reserve bank without any effect on the economy of this country. . . . If, then, we do take the savings from those who have too much, or those with normal incomes who try to save, as some do, then to the extent that those savings are used by the government for the war effort or for civil activities they cannot have any ill effect on the ordinary economy of the dominion. But if we take from the reserve bank large sums of money and just throw the money into the purchasing pool without getting commodities in return then we will damage the economy of this country to a greater extent than it has ever been damaged before, and in addition we will cause untold hardship and suffering to a very large section of the community including wage and salary earners and those on small fixed incomes whose welfare and protection is the government's first and foremost responsibility. Unless new money creates new goods the people are penalized and not benefited by its creation. If the new money results in the production of new goods it is all to the good.

Perhaps I can answer the question asked by the hon. member for Acadia by pointing out that war-time economy is different from normal economy. As the Minister of Finance (Mr. Ilsley) said the other day, probably half our total production this year will be non-consumable goods. They are not capital goods, either. In war production we are distributing purchasing power for twice the amount of goods that are ordinarily produced and used for consumption. In other words, a proportion of the people are put to the production of war materials. A lesser number than normally are put to the production of consumers' goods. We have purchasing power put in circulation by these two groups of people to buy the smaller amount of consumers' goods, and consequently prices will rise.

Therefore I am convinced that the more new money is issued, under these circumstances at least, the more we would have drastically to tax that money back, unless we were going to have inflation on a terrific scale. That is all I wish to say on that point. I believe there are people in my own group who are more competent to discuss this subject, although the approach I have made to it appears to me reasonable.

Mr. QUELCH: The hon. member has asked a question. I wonder whether he would permit me to reply to him?

Mr. SPEAKER: Order. Permission must be obtained from the hon. member who is speaking.

Mr. QUELCH: I should like to know whether he wishes me to answer.