

*Financial Administration*

will stabilize this matter of financing production, and regularize it to the benefit of the whole state.

I now turn to the third function. This function of financing consumption has not been recognized as yet by the orthodox economists, generally speaking. It has been assumed that consumption will be financed out of production. In other words, when the banker lent money to the sheep producer somehow or other it was assumed that he lent enough money to the sheep producer not only to produce the sheep but to consume them as well, the idea being that if you took all the loans that were advanced to all producers all over the nation these loans would be sufficient to finance not only the production but to enable the consumers through wages and salaries and so on to get enough money to be able to consume it. That assumption is a major fallacy. It may come to the minister as a shock, and it may not appeal to him as being sound from the standpoint of orthodox finance. It is not sound from the standpoint of orthodox finance, but this is one respect in which orthodox finance is itself unsound, just as we have already indicated certain deficiencies in our orthodox method of financing production.

Now, why is there need for financing consumption? This is the main reason: Years ago, people had to produce most things by hand, as for example in farming; you had to plow with a hand plow and drag the soil down with a rough harrow, which was a very hard thing to handle and very slow; and cut the sods with a disk and all that kind of thing. There was so much work involved in the production and so many people involved in the producing that somehow or other they got enough money to consume fairly successfully the relatively meagre results of the tremendous effort that people were making in the process of production all over the nation. It took a colossal amount of work to produce an acre of wheat when I was a boy fifty years ago. Today, as the minister knows, the production of an acre of wheat is just the simplest kind of thing, and requires very little manpower. One man with a tractor and power equipment can handle today a half section or three-quarters of a section of land with considerable ease, bringing into being the tremendous production which results from such a farm. But the wages that he will allow himself would not have the slightest chance in the world of consuming the wheat, or putting into circulation, into other people's hands, the money with which to consume the wheat. Therefore I say the rapid growth in our civilization during the last half century in the use of machines and solar energy—for example: producing goods with the energy

[Mr. Blackmore.]

out of gasoline, the use of solar energy, and the use of technological skills—has enabled us to produce things with few man hours that used to take a tremendous amount of work, and to produce them probably out of paper or wood, as we do for example in plastics. The use of these three means, machines, technological skills and solar energy, have enabled mankind to produce goods that people have not been able to buy because at the same time they produced the goods they did not put the money into circulation to enable the people to buy them. Therefore there has developed a definite shortage of purchasing power under normal conditions. It was that lack of purchasing power which played a considerable part in the depression.

People say: Why, my old dad did not have all these helps, this, that and the other thing. He did not have any old age pension. He went into the woods and he carved out his home, and I do not know what he did not do. Yes, he lived in a different age. When "my old dad" got old he started milking another cow and peddling the butter and cream around. Let them try to do that in the ordinary town today. "My mother" used to take in socks and darn them. Let them try to do that today in an ordinary community. They used to keep hogs, and raise their meat. Let them try to do that in an ordinary community today.

Conditions have completely changed, largely because of these three great developments that I have indicated; machines, technological skills and solar energy. This has brought about demands for social services of all kinds, and many other demands which we think are indications of decay in our people. They are not indications of decay in our people but indications of change in our economic system. The result of it all is that the need for financing consumption has developed very rapidly without governments recognizing it.

What I suggest to the minister earnestly is this: I suggest that he do not reject this suggestion, but that he give it the most careful consideration and cause the Department of Finance to give it careful consideration. Do not disregard these suggestions which come from those who have given this problem special study.

May I go on with that aspect of the question just a little further. The minister's department will ask: How can you finance consumption? Well, today the government is trying to finance consumption as far as it does try by taking the money with which to finance it away from the people who had it. This has resulted in the tremendous burden of taxation which we now suffer from. Had the government recognized the validity of the proposal