

propose to quote his whole statement tonight, but I wish to submit to the minister that he must not overlook this opinion. I refer to a statement by Right Hon. Reginald McKenna, chairman of the Midland Bank of England, when he was submitting his report to the shareholders of his bank on January 30, 1936. He said:

Additional currency, however, can now be furnished by the authorities, if they choose to exercise their powers without reference to the Central Bank's holding of gold.

In the interests of brevity I do not propose to read the remainder of the passage, but I urge on the minister once more that regardless of the orthodox teaching he has had, and that the people of his department have had, they must not disregard the pronouncement of this great authority on banking. If they do, they do so at the risk of the well-being of the nation, and by "well-being" I mean a great number of things. For example, we feel now that we should pay our old age pensioners an additional pension. That is entirely right; but to suppose that we have to raise the money to pay those pensions entirely by taxation is utterly wrong. The result is that we have fastened the screws a little tighter on all the people who are struggling to make a go of things, and who after all are producing the goods and services which constitute our wealth. We have screwed down the pressure a little heavier on them in order to redistribute the money to the old age pensioners, and by so doing we have done considerable harm to the motivation to produce in our country. I believe the minister recognizes that completely. That is all I wish to say about finding money for the present.

I wish to turn to the function of financing the producing of goods. Up to the present time we have allowed the production of goods, as I have said, to depend on the more or less hit or miss efforts of the people who wish to go into production as a business. We have allowed the financing of production to be taken care of primarily by the banks. The bankers were not in the business for the purpose of seeing that the country had adequate production. They were in the business, and still are, for the purpose of making money. The result is that regardless of how much Canada may need to have producers of wool or sheep, for example, the banker is not likely to lend money to prospective producers of sheep or wool unless he sees in the process a chance to make some money. Quite obviously the banker's interests and the nation's interests are not identical in such a case.

The nation wants to have sheep and wool produced to the extent that it is economically

desirable to have them produced in the country. The banker wants to make money. This fact is the potential cause of serious difficulty. We saw the result of it in the depression when the bankers wanted to lend but did not dare for fear they could not get their money back and could not make money. Regardless of how much production we may or may not have wanted at any given place, it was impossible to get loans from the banks to provide that production. Furthermore, the banks had to have what they call security. There were plenty of farmers, entrepreneurs and businessmen who because of the depression lost everything they had in the way of security. They were still just as capable as businessmen and producers, but they could not get the loans with which to produce. Obviously there was another bad result because of our policy of financing production mainly through private enterprise bankers working to make a profit rather than to produce the goods the nation desires to produce.

Up to the present time the government has made several moves altogether to its credit which have indicated a recognition on the part of the government that there is in our production mechanism a deficiency. For example there is an agency to finance industry in Canada under certain circumstances. It is called the industrial development bank. There are also four or five acts which are designed to enable the bankers, or if not the bankers then independent agencies organized by the state to finance production under certain circumstances. That kind of measure must be carried a good deal further if we are going to be able to finance production adequately in our nation and time.

I think that is about as much as I need to say in a general way on the question of production as a responsibility of the Department of Finance. I have merely pointed out that there are those two major deficiencies in our present producing system and that there is the more or less involuntary recognition on the part of the government that there is a deficiency, and it is the business of the Department of Finance to fill the gap and make up for the deficiency. In the United States the great measure which was adopted to fill this deficiency was that which set up the reconstruction finance corporation. That great corporation was the direct recognition on the part of the government of the United States that the bankers, the ordinary lenders, just simply were incapable of coping with the vicissitudes which resulted from depression and the uncertainties which have developed in our modern machine age times, resulting in depressions and serious dislocations. There has to be a measure or a set of measures that