

tion of what the veterans should have but rather of what the government could afford, because, he said, the government was practically bankrupt. That was in 1936 when the national debt was less than \$3 billion. I hope the hon. member for Rosthern and the present Minister of Veterans Affairs will be able to use all their powers to try to convince the government to adopt a realistic financial policy under which justice may be done to the veterans of today, and I hope we shall not have the same statement made as the former minister of veterans affairs made in 1936 that the veterans should receive a better deal but that the government was bankrupt. If there is any bankruptcy I would say it is bankruptcy of ideas rather than of money.

Mr. LOW: Economic illiteracy.

Mr. QUELCH: I should also like to join with the hon. member for Restigouche-Madawaska in his reference to the various letters which have been sent out by Mr. Wilfrid E. Krug. I think he has been doing a great service to Canada.

I believe there has developed in the country widespread opposition to the high rate of taxation levied in part in order to provide the money to pay interest on bonds held by financial institutions. The question is often raised, would financing through the Bank of Canada cause inflation? My reply would be, not necessarily, if carried out wisely. People today have money in bonds for investment purposes, in order to get the interest. If the people who hold these bonds today wish to spend that money they can take the bonds to the chartered banks and cash them. The chartered banks create new money for that purpose. That is being done. It was done in the later stages of the war and it is being done today. If the people holding bonds want money for their bonds they get that money today. Therefore, if we finance the purchase of these bonds through the Bank of Canada it will not make any difference in that regard. The people who get the money for their bonds will immediately seek investment in other fields. We insist that the refunding of the debts as they mature should be done through the Bank of Canada. Then the holders of those bonds, upon receipt of the money, will immediately seek investment in the proper field of investment, namely, in private industry and commercial enterprise.

The former Minister of Finance defended using capital from United States residents on the ground that we lack venture capital in this country; that is to say, he defended borrow-

ing from the United States of America on the ground that we had to get a certain amount of capital from that country because we lacked venture capital. I would say that so long as investment in government bonds is encouraged, investment in industry will be discouraged. Refunding dominion bonds through the Bank of Canada would tend to force investment in industry and provide all the venture capital that we need. If the government still argues that the expansion of the chartered banks' cash reserves resulting from refunding would cause inflation, then it could very well amend the Bank Act to compel the chartered banks to maintain 100 per cent cash reserves behind their demand deposits; that would adequately prevent the danger of inflation.

I quite realize that the minister may say, "That would be too hard upon the profits of the chartered banks." But I do not consider it to be the responsibility or the duty of the government to provide investments for the financial institutions of this country and then tax the people to pay the interest on those investments. Let the financial institutions and corporations invest their money in industry instead of expecting the government to provide them with an investment backed by the resources of the country, and then use the Minister of National Revenue as a collector for it. That is really what the government is doing. It is making the Minister of National Revenue a collector for a most undesirable kind of racket.

Mr. LOW: Social security for the few.

Mr. QUELCH: If the government insists on financing in the future as in the past, then I would say that depressions are inevitable, with expanding debt. From confederation up to this year we have had only fifteen balanced budgets, with a continuously rising public debt. Even in the years when we had a balanced budget in this country our public debt still expanded, because the provinces and municipalities were forced into debt. Of course the minister may say that it is different this year, that we have a surplus, that there is no increase in the debt, and that we are actually reducing the debt. But as I pointed out, that surplus is due to sale of capital which cannot be considered, or should not be considered, as current revenue. If, during the past eighty years, it has not been possible to halt the growth of public debt, what likelihood is there that in the future we shall be able to halt its growth? Are we going to suggest that the reason we could not prevent the growth of debt in the past was that our ministers of finance were incompetent or dishonest? If we are not prepared to admit that,