

*Financial Administration*

historical basis; that it was extremely important that the government's accountability to parliament and parliament's authority over the government should be fully recognized. As I have said already, that is a matter not only of statutory provision, it is a matter of good faith and practice on the part of the government. I would feel much happier if along with this bill the government would indicate that they intend to go ahead and straighten out a number of these other matters, such as the ones to which I have drawn attention. In fact I would hope that the public accounts committee would consider not only the bill that will be referred to it but the memorandum which the Auditor General presented first to the Senate and then to our committee at the last session. I should like the committee to take that memorandum suggestion by suggestion and endeavour to get from the government an assurance that those suggestions which have not been implemented as yet will be implemented at the earliest possible date.

**Mr. J. H. Blackmore (Leithbridge):** Mr. Speaker, I should like to make several comments on the resolution now before us. This measure gives us the impression that it is the intention of the government more or less to consolidate and streamline all the financial activities of the government. This proposal I notice concerns the "functions" of the Department of Finance and the treasury board, and the bringing into order of the whole set of measures under which we are operating financially. If I correctly interpret it, that is the purpose of the resolution.

Since this altogether laudable attempt on the part of the Department of Finance is now being made I think it is fitting to discuss in a broad way some of the general aspects of financing in the modern state. First of all, a word about the functions of a department of finance. What are the functions of a department of finance? What have we the right to expect from the finance department in any nation? I suggest that there are or should be three main functions of a department of finance. The developments that have taken place in the modern world demand these three functions.

The first function is to raise money and provide for the spending of money. That has been recognized for generations as the prime function of the Department of Finance.

The second function is to provide for financing adequate production in the state. For a long time production was allowed to be taken care of more or less by the haphazard methods which resulted from the inclinations of various entrepreneurs who wanted to go into production in order to make a living. The

demands of our modern society are making it abundantly clear to all thinkers in respect to this matter that we can no longer permit production to be taken care of merely by haphazard forces. There will have to be some sort of organization to make sure that we have adequate production.

We have recognized in a general way the responsibility of the Department of Finance for production by passing the Bank Act and the Bank of Canada Act, and have done various other things which indicate we recognize that responsibility of our finance department in an informal way.

The third function of the Department of Finance is that of financing consumption adequately. This in my judgment has not been recognized up to the present time, but it must be recognized as a function more and more in the years to come if disaster is to be avoided.

May I restate these three functions of the Department of Finance. Whether or not we recognize it, without any question the Department of Finance has the responsibility for three main functions; first, the raising and spending of money; second, the financing of production; and third, the financing of consumption. I submit to the minister and the house that these three functions must be recognized and adequate provision must be made to see that each of them is adequately discharged constantly in our country and ultimately in the world. If we fail to do that we are going to have unmeasured and incalculable trouble.

Let me say a word or two about these three functions, first as to the function of finding money and spending it. Up to the present time it has been assumed that we would find enough money by various kinds of taxation, and when we have found ourselves in a difficulty where we could not readily raise the money we needed we have resorted to borrowing, all of which of course is familiar to everybody. I have said several times on the floor of this house that in raising money we have neglected one of the major potential sources of money, namely the creation of money debt-free by the state to represent our surplus production. If the Department of Finance is going to adequately discharge the function of raising money, I submit that it simply must take cognizance of the fact that there is a considerable potential source of money in the creation of money debt-free by the state to represent surplus production in the developing state. If this truth is not recognized then we will head straight into trouble faster and faster as time goes on.

I have quoted an eminent authority several times on the floor of the house. I do not