

But Germany at the present time is not relying on this method of financing. Germany has a tremendous heavy taxation load on its people and is borrowing from them to relieve the upward pressure on its price ceiling.

Some time ago I quoted a statement by Dr. Schacht, president of the Reichsbank, that Germany had had a very happy creation of state money for the purpose of developing the resources of the country. That was up to 1939, and I have often wondered exactly what the situation in Germany is to-day, because, no matter how we may dislike the type of government in that country, we must admit that as a fighting nation they are hard to beat. It is interesting to note what type of financial policy has been evolved in order to develop that fighting machine. Let me quote from the *London Times*. No one will say that is radical. The *London Times* is an orthodox paper. In the April 2, 1942, issue of the *Western Producer* there is a quotation from the *London Times* with reference to Germany, as follows:

"The achievement has been so surprising that for a long time outside critics were inclined to regard it as an optical illusion." So far, it says, Germany "seems to have had no serious difficulty in financing the war. Nothing is ever heard of the necessity for increasing taxation, compulsory saving, or the issue of enormous war loans. Quite the contrary. Recently one important tax was abolished.

"Public savings banks deposits touched new monthly records again and again. Money is so plentiful that the interest on state loans could recently be reduced. . . . Hitler seems to have discovered the secret of making something out of nothing and to have evolved a system based on perpetual motion." These changes, says the *Times*, "may well call for drastic readjustments in our established conventions."

"In military matters," the *Times* goes on, "the French general staff enjoyed a prestige similar to that of our own authorities in finance and business. A hidebound persistence—

I should like the Minister of Finance (Mr. Ilesley) to take particular notice of that expression.

"A hidebound persistence," continues the voice of doom, "in methods and doctrines which were sound fifty years ago may easily prove as costly in the financial and economic field as in the field of actual war. It might not lose the war; it would almost certainly lose the peace."

"We should study the nazis' achievement," concludes the *Times*, "prepared to adopt whatever may be useful in it and to take warning from its mistakes."

The leader of the opposition stated that to adopt such proposals as were mentioned by the member for Parry Sound would blow the lid off. I should like to remind the leader of the opposition that, according to the *London Times*, Germany is using that type of financing and is blowing us off the map foot by foot,

step by step, and that unless we change our ways and change them quickly the Germans are likely to blow the top off us.

The budget faces a deficit of \$1,850,000,000. I am especially interested in knowing how that deficit is going to be met. There is no doubt in my mind that a very large proportion of it will be met by the creation of money, and I am hoping that when that money is created it will be created by the Bank of Canada instead of by the chartered banks. Let me refer to a rumour that is going around. I know that perhaps the minister will say, "You should not take notice of rumours". Nevertheless, I saw this one in one of the Ottawa papers, and I hope the minister will immediately take steps to refute it. The rumour is that the next issue of bonds will be on the basis of 2 per cent, tax free. Is there any justification for that rumour at all?

Mr. ILSLEY: I never heard the rumour. It is entirely unauthorized.

Mr. QUELCH: I am glad to hear the minister deny that there is any such intention because, if that were done, it would mean that wealthy individuals, in order to evade a very high rate of taxation, could invest their money in 2 per cent, tax-free bonds and escape taxation altogether. It would be a most unjust proposal.

Mr. ILSLEY: The hon. gentleman need not tell me that.

Mr. QUELCH: I am glad to hear the minister deny it because very often these rumours we hear have a strange way of materializing. At any rate it was in one of the Ottawa papers three nights ago, the *Ottawa Citizen*, I believe. The statement was that it came on good authority, but it was not an editorial. It was a letter written to the *Citizen* by a certain individual in Toronto who claimed it was based on good authority.

The Minister of Finance does not seem greatly perturbed over the tremendous increase in debt that is taking place at the present time. It is easy to understand why the minister should adopt this attitude, because the governor of the Bank of Canada, Mr. Graham Towers, has taken the stand that national debt is a national asset. I want to be fair, and therefore I will quote his exact statement. This question was asked Mr. Towers by the hon. member for Vancouver-Burrard (Mr. McGeer):

Q. Is it possible for you to imagine any way by which we are ever going to pay the debt we have got?