Social Crediters would lay down the fundamental principle that if the government can create a dollar bill to put into a person's hands as a loan for production, it can just as easily create a dollar bill with which to pay a pension to consume goods. If it is possible to create dollars to produce Canadian production, it is possible to create dollars to consume Canadian production.

A Social Credit administration would bring down living costs by what Social Crediters call a compensated discount. In effect such a device amounts to a consumers' subsidy scientifically computed from period to period by the employment of a formula based upon the demand and supply situation currently prevailing within the nation. The money would not be taken out of taxation.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at eight o'clock.

Mr. Blackmore: Before six o'clock, Mr. Speaker, I was discussing the solution of our trade and marketing problems. I had suggested that the right hon. Minister of Trade and Commerce (Mr. Howe), in seeking their solution, had satisfied himself that the only possible method lay in the adoption of social credit principles. I was supposing that he was telling his Prime Minister what a social credit administration would do and how it would do it. I had him saying that a social credit administration would accept as a definite principle of national policy that the Canadian finance department would create enough debt-free Canadian dollars to enable consumers to absorb Canadian production. Second, a social credit administration would bring down living costs by what Social Crediters call a compensated discount. Such a device in effect means a consumers' subsidy scientifically computed from period to period by the employment of a formula based upon the demand and supply situation currently prevailing within the nation.

I now have him proceeding with the third thing a social credit administration would do. That is, by various means resembling dividends, allowances, pensions and so on it would distribute to consumers additional purchasing power sufficient to balance consumption or effective demand with supply.

Then I would think the minister would say something like this: "Now, my dear Prime Minister, bearing in mind that the No. 1 problem of Canadians is to find markets for their products, any informed and thoughtful man must concede that the general idea and approach of the Social Crediters appear to be realistic."

"Many are averse to critically examining our money system; but why should we assume that our financial system is perfect? Everything else is changing. What reason can be advanced to suggest that our use of money needs no streamlining?" In the Bank of Canada report of February 10, 1944, Mr. Towers wrote:

> A working force of this size, at present rates of efficiency, will be able to produce a vastly greater volume of civilian goods and services than Canada has ever known before. By the same token, a vastly increased volume of consumption and capital development will be necessary if this output is going to be fully absorbed and high employment maintained. The adjustments required will clearly be of unprecedented magnitude, and bold planning on the part of labour, farm and business organizations, as well as governments, is urgently needed.

Why should we not expect to have to make in our financial system at least a few of those adjustments of unprecedented magnitude? Nothing in the report by Mr. Towers indicates that he would rule out adjustments in the Canadian financial system.

Careful consideration has been given to possible appropriate adjustments to be made in the Canadian financial system. In this connection an impressive pronouncement was made by Right Hon. Reginald McKenna, for years chairman of the Midland Bank in England. The statement appears in the London *Times* of January 30, 1936, in the course of a report to the shareholders of that bank. It reads:

> 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. Thus the nineteenth century, which brought into general use a means of payment hitherto scarcely known outside London, brought also the machinery whereby it could be subjected to intelligent control.
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> We learned that a shortage of money may be just as vicious in its effects as an excess, though deflation has still a touch of virtue about it in the minds of many people. Nevertheless it is becoming more and more widely recognized that greater productivity calls for an increased supply of money, for otherwise prices will fall, business will stagnate, and the growing productive capacity will be unused.
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> For money to be truly "sound" there must be enough of it to finance an ordinarily growing volume of trade, yet not so much as to give rise to an inflationary movement of prices.

Those words raise this question: What have we Canadians a right to expect of our financial system? Most orthodox financiers would reply, "Well, we expect our financial system to give Canada a sound money system". Quite true. Very well; what is a sound financial system? What should it provide for a country? And is ours a sound financial system when judged in accordance with those requirements? I wonder if anyone