

businessman in Canada would do if he ran his business on that line. While an internal debt is not, of course, as serious a problem as an external debt because payment does not require sending wealth abroad, on the other hand, unless there is an equitable distribution of the debt claims it may be the major contributing factor to depression. That unfortunately is the situation regarding the national debt of Canada today. The greater part of it is owed to a comparatively few individuals and corporations. If anybody doubts that for one minute, in view of the great publicity and wide distribution our loans got during the war, just make an analysis of any one of the war loans made during the war. What will you find? You will find in each one of these that less than one-third of one per cent of the subscribers purchased sixty per cent of the total subscriptions. In addition to that, we sold over \$3 billion worth of bonds to the chartered banks. So, while the national debt is a liability of all the Canadian people, the major part of the debt is an asset of only a minority. Therefore, directly or indirectly all the people will be taxed in order to pay the greater part of this interest to a minority in the country. This situation will become progressively worse in the future as the small bond holder is forced to sell his bonds in order to get the money to meet his cost of living.

During the war we repeatedly criticized this inequitable method of financing. We emphasized the need for more equitable distribution of debt. We repeatedly suggested to the Minister of Finance that all money taxed from people with incomes less than \$2,000 in the married brackets and \$1,200 in the single bracket be in the form of compulsory savings; that is to say, that all money that was taken from the people in the lower income brackets should be credited to their accounts in the chartered banks and frozen there for the duration of the war. Then, as production expanded in relation to demand, the government could release so much of these savings year by year in order to help maintain that demand against our production. This would have been a form of insurance against lack of effective demand. But, more important, it would have given the people in the lower income brackets a share of the national debt that Mr. Towers says is a national asset. But until such time that there is a more equitable distribution of the claims upon that debt, we are not in a position to call it a real asset of the Canadian people. It is a national liability, an asset of the minority of the population.

Furthermore, during that time we urged that, to the extent that the taxation and the

[Mr. Quelch.]

borrowings of the people's real savings failed to meet government expenditures, national money could be used instead of money created by the chartered banks and lent to the government. During the war the government found it impossible to finance by taxing the people's savings alone. They found it necessary to get large sums of new money created, well over \$4 billion. But instead of using our own bank, the Bank of Canada, they depended largely upon the chartered banks, with the result that we increased our debt to the chartered banks by over \$3 billion. As a consequence of our war financing policy, we are now paying interest on \$17,500 million of debt, the greater part of which goes to the financial corporations in the country. In other words, the government has insisted on maintaining a financial policy under which Canada has been forced into debt to provide a safe investment for financial institutions and corporations throughout the dominion.

The taxing of people to pay interest on this debt is bound to reduce effective demand and have a deflationary effect upon the country. Therefore we urge upon the government the need progressively to reduce this debt by refunding through the Bank of Canada. This has been our suggestion consistently throughout the time that we have been here, and I am glad to see that a progressive lead was given to the Liberal party the other day by the hon. member for Restigouche-Madawaska (Mr. Michaud). At one time there used to be others in the Liberal party who took a similar view. I refer to the former member for Vancouver-Burrard, Mr. McGeer, who is now in the senate, and the former member for Parry Sound, Mr. Slaght. But there are two members in the house now who used to take quite a strong stand on this question. I refer to the hon. member for Rosthern (Mr. Tucker) and the Minister of Veterans Affairs (Mr. Mackenzie). The Minister of Veterans Affairs was a monetary reformer before I was a member of the house. These hon. gentlemen are now, respectively, a parliamentary assistant, and a minister of the crown. I believe they will find it difficult to convince the government that their financial policy was sound, and thereby make it possible to find the money that will be needed to deal with the veterans' problems adequately, because I have in mind a statement made by a previous minister of veterans affairs. I remember that back in 1936 when we were dealing with the question of making pensions retroactive the then minister of veterans affairs said that he quite agreed veterans should have their pensions made retroactive, but it was not a ques-