

he would not have brought down the kind of budget he did. If he does agree with the Prime Minister he should withdraw this budget and bring down a realistic one. I do not blame the Minister of Finance for one moment if he disagrees with the statement of the Prime Minister, because I do not believe that it will be easier to bring into being and finance a new order than it was to finance the war effort so long as we carry on under a debt-creating system. The Prime Minister was careful to say that it "should be" easier, which is typical of so many of his statements. It might mean something, or it might be mere wishful thinking. We all agree that it would be easier to finance peacetime production than wartime production if our system of financing were sound and equitable, but unfortunately the government's war finance policy was neither the one nor the other, and consequently our peacetime programme is handicapped by a burden of debt extending to seventeen and a half billion dollars today. During the war a large percentage of our production was financed by going into debt and, while a large percentage of that production has been destroyed, the major portion of the debt still remains with us.

I do not consider it is an honest, perhaps I should say a businesslike statement to say that you have a surplus on current account when this surplus has been obtained by the sale of capital that has not even been paid for. That statement of the Minister of Finance reminds me of an incident in the early home-stead days. I had a young neighbour from Australia who had no intention of following farming as an occupation. He was out to try to make money quickly. He went to a number of machine agencies in the nearby towns and bought up a number of new wagons. You could go to a machine agency in those days and buy machinery without paying any money down, but simply signing a note. After he had bought a number of new wagons he bought a number of teams on the same terms. Then he took a subcontract for railroad construction and stayed on the railway all summer. When he came back in the fall I rode to his place to see how he had got along. He seemed quite cheerful and said, "Not too badly at all." I asked him "Where is your outfit?" I could not see any horses or wagons around the place. He replied, "I had some pretty heavy expenses. They reduced my grade level by one foot and put me on force account work, and in order to meet my expenses I had to sell my outfit but I still have a nice little surplus." That is the position of the Minister of Finance today. That outfit had

not even been paid for, but after he had sold it, he met his other expenses and had a nice little surplus. So in the future it will not be merely a question of finding money to maintain full production; there will be an interest charge of \$437,000,000 a year to meet on our national debt. The financial advisers of the government would have us believe that a national debt owed internally is not a great handicap. Members who were on the banking committee in 1939 will recall how Mr. Towers, governor of the Bank of Canada, in reply to a question whether we should be able to pay off the national debt, said that he did not think there was any sense in the question. He said, "Why should we pay off the national debt? The national debt is a national asset. Therefore why pay it off?" He went on to say that it was generally found that a country where the debt was reduced became less prosperous. Perhaps I had better quote his actual words, because some people may say I am taking an unfair meaning from them. These are the words he used in 1939 before the banking committee. They are found on page 80 of the minutes of proceedings and evidence. This question was asked:

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

Mr. Towers replied:

As the debts of the government are an asset of the Canadian people, I do not see much point in the thing; except that, to the extent that the government thinks that the distribution of those assets of the Canadian people—which are its debt—is unsatisfactory, it may take steps to remedy that distribution in any way that lies within the legislative power; in fact, in any way, I suppose—by income tax or succession duties or any other action it cares to take.

Then, when we came back to the question of the national debt later on he had this to say, as reported at page 235. I think this statement is perhaps one of the reasons why the government has not shown any concern regarding the national debt. Mark well what the governor of the Bank of Canada said at the time when the national debt of this country was in the neighbourhood of \$3 billion. He said:

So that all I can say would be this, that in a country where the sum total of public and private debt was decreasing you have a country which is going backward, and which is becoming more poverty stricken. Generally speaking, in a country where you find there is no public and private debt you have a country resembling darkest Africa; there is nothing else.

Therefore, according to that, the bigger the debt, the bigger the asset; the bigger the asset, the more prosperity there is in the country. Why pay off your national debt? All you have to do is to create a bigger debt and we become more and more prosperous. I wonder how any