committee should answer and must answer if it would fulfil the obligations which we are placing on it.

Honourable senators who have long memories will recollect the reliability of the pound sterling and of the Canadian dollar in the years which preceded the First Great War. I think I will strike a response when I remind you that we used to consider the pound and talk about the pound as being "as sound as the rock of Gibraltar." The Canadian dollar during that period also varied very little. The reason was obvious. It was that the dollar was a governmental promise to pay on demand a dollar's worth of gold, which had a commercial value. So, except that gold might fluctuate slightly, the dollar did not and could not fluctuate very greatly. But during that First World War we were financing our military operations very largely with governmental promises, and so our obligations very soon outran our gold resources and consequently we went off the gold standard.

What is important is this, that ever since that time the Canadian dollar has depended entirely on supply and demand, influenced perhaps slightly by public sentiment as to the value of the dollar. The principle which was behind the level of the purchasing power of the dollar, ever since early in the First Great War, is supply and demand, the good old principle.

Honourable senators may remember that, during that war we appointed committees for the sale of victory bonds, which were governmental promises to pay and which were used much like folding money, notwithstanding that they carried an interest payment. Very shortly, as a result of our effort to sell bonds, the supply became greater than the demand. So drastically did the supply of money become greater than demand, and so fast did money sink in purchasing power that prices went up drastically. Generally speaking, it took a dollar to buy a bushel of wheat at the head of the lakes prior to that time, but a little later, due to changing money values, it took four dollars to buy a bushel of wheat. That was inflation, real inflation. The well-established principle of supply and demand lowered the purchasing power of the Canadian dollar at that time and raised commodity prices to fantastic levels.

That was the situation very nearly half a century ago. What is the situation today? The price of commodities is going up and up, notwithstanding that the supply of commodities is not decreasing but on the contrary has increased very rapidly, even on a per capita basis. What, then, of the supplies of money with which commodities are purchased, thus governing prices and therefore affecting the cost of living?

The most effective of government promises in regard to supply and demand is the currency in circulation. I pause to point out that if there were any doubts with regard to the Canadian dollar, about the soundness of our money, financiers would at once sell Canadian and the supply of Canadian dollars would so exceed the demand for Canadian dollars that Canadian dollars would go down. The exchange rate on the New York world money market would respond immediately and the exchange as against the Canadian dollar would increase. But no one, not even on the lunatic fringe, has any doubt as to soundness of the Canadian dollar. Then, why is the Canadian rate on the world market in New York and elsewhere 10 per cent or thereabouts less than American?

I wonder whether honourable senators ever thought to inquire as to the supply of Canadian dollars in circulation. Will it surprise you to learn that Canadian money in circulation has doubled in the last 20 years. It has increased half as much again in the last 10 years. Will you be surprised if I tell you that the Canadian money—that is, bills, notes, folding money and coin—in circulation as of July 27, 1966, within the last two months, was \$2,390,000,000, very nearly \$2,400,000,000. That is sufficient to put \$120 in the pocket of every man, woman and child of the almost 20,000,000 population in Canada today.

Realizing that tremendous sum, even per capita, will you pause to consider the amount in circulation, say, 20 years ago. I am going D.B.S. figures when I quote that on May 31, 1946, just 20 years ago, the amount was \$1,059,000,000, less than half the amount now in circulation—or, on a per capita basis of the then population, about \$86 for every man, woman and child in Canada.

I am not relying entirely on theory. Honourable senators have a vivid recollection of what took place in Germany, where an increase in the amount of money in circulation brought about a terrible disaster. By simply keeping the printing presses running, the German authorities depreciated the value of the German mark to zero. We have not done anything so drastic, but I mention the German experience because I want you to