

dollar as an indicator. Under the new scheme suggested the plan is to have a dollar's worth of gold behind every dollar's worth of currency, consequently instead of five times all you really have is twice the amount of currency available, you are really doubling the currency of the six nations involved.

Mr. KENNEDY (Peace River): Would not that be a measure of inflation?

Mr. NICHOLSON: No, just the reverse. Inflation is to issue currency in excess of the gold basis—that is our present position. The whole world's currency is in the shape of an inverted pyramid. This proposal is to provide an international basis, and then all currency issued would be on that basis. It would be understood by all nations.

The next point I wish to touch upon is the means by which the world's war debts and reparations and long and short term obligations can be met by this plan. I will just give a very brief summary of the final situation, for my time is short. The war debts and reparations have been arrived at on the basis of compound interest. After gold has been revalued and redistributed and the new basis for world currency provided, what may happen is, either the debtor nations may say to the creditor nations: Will you accept cash for these debts on the basis of compound discount? or perhaps more probably the creditor nations would go to the debtor nations and say: We will clean up these obligations now outstanding on the basis of compound discount. Then what would the situation be? First perhaps I can take time to illustrate what the position would be before the payment of war debts. The United States would have in gold \$19,000,000,000, France \$8,000,000,000, Great Britain, \$5,000,000,000, Germany nearly \$4,000,000,000, Italy \$2,000,000,000, Belgium \$1,500,000,000. I omit odd millions; the figures are all available for any one who wishes to see them. Assuming the proposal were accepted that the creditor nations would receive the debts in cash on a basis of 2½ per cent compound discount, what would the situation be? The United States would have \$19,379,000,000 in gold, less a loan that they might well make to the debtor countries of \$9,000,000,000. But they would have also receipts from war debts and reparations and the long and short term loans due them from Germany. I will take Germany's position to illustrate the final outcome. To-day Germany stands with world obligations of \$31,000,000,000, a sum absolutely impossible to pay, and all she has behind her currency is \$300,000,000 in gold. If this plan were put into effect, if the nations can be

got together to work this thing out—and I believe it can be worked out; I do not think it is in the slightest degree fantastic; it is absolutely sound on the basis of the commodity that the world has recognized as its basis for currency—then assuming that the nations accept these proposals, she would have \$2,-263,000,000 in gold behind her currency, and she would have one single long term commercial loan, or preferably a loan divided between the three countries with the largest amount of currency, namely the United States, France and Great Britain, of \$9,000,000,000, something that, when she has been placed in that financial position, would be perfectly easy for her to carry and liquidate. This would relieve the whole world of this pressing nightmare of national and international debts and would lead the way to a new start in trying to find some plan by which we can get back trade and raise price levels, for we will never raise price levels until we put the people of the world in a position to buy. So long as we remain in this cramped, restricted position we will continue to go down the slide. In one quotation I have here from the editor of *The Annalist* that is put very well. We are acting as a man might act in the summer towards a small boy who complains of stomach trouble; the man simply says, "Eat another half dozen green apples and see how you feel."

I have tried to outline, Mr. Speaker, as well as I could the plan that has been suggested and the formula for working it out. I have studied this plan for twelve months; I see nothing in it that is not perfectly sound, and I submit it to the house now in the hope that the government may appoint a committee of the house to join with experts in considering the matter or that the government itself, before going to the economic conference or submitting any proposals there, may arrange for some group to study this problem and present a finding, in the hope that out of it something may come which will bring the whole world back to a sound basis and save humanity what it is very likely to suffer if we continue going down the decline.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

CRIMINAL CODE AMENDMENT

The house resumed from Tuesday, March 21, consideration of the motion of Mr. Casgrain for the second reading of Bill No. 46, to amend the Criminal Code (lotteries).

Motion negatived, on division.