

great changes in our ideas as to what constitutes sound methods and procedure. In this programme the greatest need is for a large increase in credit issued on a sound basis which will carry with it confidence. On this subject I hope to have the privilege of offering some suggestions when the Central Bank Bill comes before this honourable House for discussion.

Among the outstanding problems which still confront us are: unemployment; cost of government; railway deficits; unsalable wheat. This last problem involves the marketing of by far the most important natural product of at least three of our provinces, a product which in the past contributed in so large a measure to the prosperity of the Dominion. Though the problem is of comparatively recent origin, I regard it to-day as of major significance in the restoration of prosperity to Canada. This, too, we shall have an opportunity to discuss when the regulations for acreage reduction come before us.

Two problems which I want to refer to at the moment are railway deficits and the cost of government.

I am not taking issue with those who say that Canada's credit stands high in Great Britain, but I do say without fear of successful contradiction that the credit of Australia in Great Britain is much more favourably received than that of Canada. Inquiry as to why this should be brings forth the answer from the financial men in London that we have not yet put our house in order, and that until we do we shall not receive in England the full credit which we should otherwise deserve. They invariably refer to our railway deficits as of first importance.

When our railway problem was before us last year I took the ground that a unified management, with an equitable distribution of net revenues to each company, was essential if we hoped to escape from future deficits in the operation of our national railway. At that time we were not justified in legislation which would compel the C.P.R., a private corporation, to accept such direction. Since that time, the Government has found it necessary to guarantee to the banks a loan of sixty million dollars to the C.P.R. I think it may safely be assumed that, a precedent having been established, the bankers of the world will insist on a similar guarantee for future C.P.R. maturities. Such being the case, this Parliament would certainly be justified in insisting on single management for our railways. I was hopeful that the Government, recognizing the changed situation, would have withheld the appointment of the Railway Board of Trustees and brought

in effective legislation for single management, which alone promises solvency for our railways, and is essential to the credit and the solvency of Canada itself.

The cost of government, perhaps more than any other subject, is engaging the attention of thoughtful Canadians. Statements are frequently made as to our inability to pay our bonded indebtedness, and the necessity for a reduction in our debt. It has been suggested that the interest rate on our outstanding bonds be reduced, but this proposal the Government thinks impracticable before 1937, when our tax-free bonds mature. Just what is going to happen to us in the interval, the good Lord only knows. I have grave doubts about the success of any campaign for voluntary acceptance of a reduction in the present interest rates to $2\frac{1}{2}$ per cent. I believe that arbitrary legislation with some feature of compulsion may be necessary to bring about such a reduction. Certainly our credit will have to be much higher than it is to-day if such a campaign is to succeed. If arbitrary legislation is enacted, is it not repudiation? Is there any difference between the confiscation of principal and the confiscation of interest? That some readjustment in the bonded indebtedness of this country is essential is apparent to all. How to bring it about is the question. That there must be a readjustment with the debtor class in this country if we are to have a return of prosperity is as clear as day. There can be no prosperity when our farmers are "broke." How is the readjustment to be made? At the expense of the creditor class, of course.

A reduction of the yardstick by which business is measured is not new. There is no other method of deflation without the destruction of the business fabric. Reducing the business measuring stick means a reduction all along the line.

President Roosevelt had similar problems to meet. The solution was essential to enable the opening up of the 5,000 United States banks that had closed their doors. It was also necessary in the interest of the insurance and the trust companies, which held most of the twenty billion dollars' worth of inflated railway bonds and fifteen billion dollars' worth of inflated building bonds, all now far below par. Something had to be done. Hence we find that yesterday Mr. Roosevelt established the dollar on a fifty-nine-cent basis. A few days before he said that his Government, through its stabilization fund, would prevent the dollar from rising above sixty cents.

Now, or at least as soon as our Central Bank is decided upon, our Government should declare its intention to keep our dollar from