

*The Address—Mr. M. Côté*

money with its current value by accepting it as a means of payment. Even though in the course of mankind's constant evolution metal currency seems to have lasted the longest, barter or the exchange of goods will never completely disappear since after wars and revolutions, what prevailed has always been a primitive form of trade, as in fact only goods are genuine wealth. Currency will assume new forms when people come to realize that in itself currency is only a coupon for buying goods, that it can only serve as a purchasing agent and that ultimately it is neither a durable and indestructible merchandise endowed with stable value, nor an object representing the gains of previous generations.

Currency is, in the wider sense of the word, a means of payment. It is the sign of genuine wealth. Currency permits the exchange or the distribution of material goods or of services. Currency replaced barter or straight handing-over because it was found more convenient. It would be wrong to say, as some have suggested, that currency is essentially a supply of assets.

On the contrary, the power and wealth of a nation are derived from its large population along with its varied agriculture, its diversified industries and its large quantities of products. Currency or money comes in only to facilitate the exchange of commodities. The minting of money is, in principle, a right assigned to the sovereign or what is called nowadays a regalian prerogative, and this is the reason why those who have been or will be vested with such a power have at their command the labour potential of the community.

Political action has given rise to action in the monetary field—wars, revolutions, maladministration—and sealed the fate of currencies. Monetary action, in turn, gives rise to political action: for instance, inflation on a large scale begets dictatorship.

One has but to bring together social and political facts and monetary facts to sift out their motives and results. History's political aspect is meaningless if you are not aware of the monetary aspect. Economic problems are the underlying causes of every war and above the economic question lies a monetary or financial motive.

Mr. Speaker, after this review, I now wish to tell how, after the Renaissance, that is, after the discovery of printing, we entered the area of fiduciary currency.

It is in 1587 that the first regular issue of money was made by the Bank of Venice; then came others, in Sweden, in 1656; in England, in 1694, with the establishment of the Bank of England, then in France, in

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1716, with the foundation of a Royal Bank, at the suggestion and under the direction of the famous John Law.

The first experience of this paper money or fiduciary currency or bank notes, particularly in France, after creating a tremendous prosperity, resulted in a considerable bankruptcy, precisely because John Law thought it was possible to indefinitely increase fiduciary circulation or issue bank notes, and also because such notes were payable in gold, on demand.

When suspicion entered the French mind and everyone wanted to be reimbursed in gold, nothing could happen but a general bankruptcy, for the Royal Bank of France had not enough gold to guarantee that fiduciary currency. However, the fact became subsequently a blessing, for it is in the light of the experiences of John Law that it was found later on that a minimum gold reserve of 25 per cent was enough to guarantee fiduciary currency, which brought about the decline of gold.

Here, in Canada, as early as 1691, we see the birth of fiduciary currency, or what is called card money or paper money, which system was initiated in Canada at a time when there was no printing industry. That card money was initiated by Intendant Champigny, when he had the clever idea of requisitioning all decks of cards belonging to the army.

An amount having been written on each one, they were signed by the governor and by the intendant and issued. The people were told to accept this card money with the promise that it would be redeemed when funds arrived from France.

That card money became very popular because this expedient was used quite frequently.

Later on, about 1703, Governor Vaudreuil and Intendant Beauharnois, in order to avoid bankruptcy of the colony, issued card money, for about 27,000 pounds. That card money was therefore the first Canadian fiduciary currency. In 1730 or so, when it was revealed that card money was not the adequate answer to the colony's needs as regards means of exchange, a distinctive currency was issued, which was called fiat money.

Mr. Speaker, this fiat money was nothing but a government note payable on demand. Such notes were issued for large sums, so that they were little used in everyday transactions. In 1760, it is estimated that there were about 80 million pounds worth of fiat money in circulation, and over 30 million worth of ordinary card money.

This monetary development dissolved the money myth and people began to see the