

no other provision by which a building loan may be advanced. If a poor man wants even to buy a little furniture and has not the ready cash, he has now to resort to one of the small loan companies which charge him an exorbitant rate of interest. I did not speak at length on the bill that was before us the other day in regard to a small loan company which was trying to secure a charter, but may I say now that when we are asked to give a charter to such a company, it is an indication how inadequate present arrangements are for helping out the small people who so much need assistance at the present time.

If the policies for which the banks are so very largely responsible had actually resulted in prosperity in this country, I suppose the great majority of the people would be comparatively content. But the present depression in Canada, as, of course, in other countries, is to no small extent the result of the wrong, the fatal policies of the banks, and so an increasing number of people are coming to believe that the only possible way of getting out of this depression and keeping out of another is through the people themselves in some form or another taking over the control of currency and credit.

This brings us to the whole question of money, and here again I think most of us are confused, because years ago we were accustomed to thinking in terms of metallic money. Nearly all of us have come to think in terms of either metallic money or bank notes; few of us have realized the importance of the new types of money which have been used so extensively in more recent years. There is a great deal of talk about the gold standard, and many of us still think currency is based on gold. Surely some of the statements that have been made by the Prime Minister (Mr. Bennett) and the Minister of Finance (Mr. Rhodes) in recent months have convinced most Canadians that currency is not directly related to gold. Still the old ideas keep reasserting themselves and give rise to a dangerous fallacy. Our present currency is not directly related to gold. For years the total issue of currency has not been related to gold because we have the Finance Act under which currency has been issued quite independently of gold reserves. Further, we think in terms of bank notes and we seem to believe credit can be given only as there is a big supply either of gold or of bank notes. Again that is a misrepresentation of the real position. The Prime Minister himself is very fond of talking about the banks as being "custodians of the deposits of the people";

that is one of his pet phrases, and he has left the impression that the banks lend out only the depositors' money. Although that matter has been touched upon once or twice this afternoon, it is worth while emphasizing that that is not the case. Hon members opposite have ridiculed us because very often we quote such authorities as the Right Hon. Reginald McKenna. I shall not quote him again, although I have under my hand a volume of his writings. But I should like to quote a paper from my own city, the Winnipeg Free Press, which sometimes has criticized me and my colleagues very severely for having woolly ideas about money. This is what the Free Press itself said on March 7, 1933:

The little preachment of the bankers, with which the world is so familiar, that they can only lend the money that is given them to take care of, and therefore they must be very, very careful, no longer fits the facts in any country. . . . The outstanding development of modern banking has been the enlargement of the functions of the banks from being curators of money to creators of it, through the granting of credits which take the form in the banking books of deposits indistinguishable from deposits made in real money, but which are in fact merely the documentary record of a speculation upon which the bank has embarked.

This is such an important matter that I should like to read once more from that very interesting statement made a few weeks ago by the Secretary of State (Mr. Cahan) in his address before the Canadian Club of Toronto. I shall not say that there is anything new in what he said, but it is rather extraordinary that this should come from a gentleman on the government benches. I am going to take the liberty of reading again a few paragraphs from his excellent address and to comment upon them as I go along. He said:

The prevalent conception that bank deposits may only be created by actual deposits of specie, or its equivalent in dominion notes or foreign exchange, is quite erroneous.

But that has been precisely the impression left by many a speech of the Prime Minister. The Secretary of State points out that that is an entirely erroneous impression and he goes on to give his reasons for so saying:

The bank returns for September 30 last disclose that the banks held only \$49,000,000 in specie and \$127,200,000 in dominion notes, or a total of approximately \$176,000,000 in specie and notes, while their current loans and discounts were \$1,428,000,000—

If that is all they held, how could they give out so much more? I recall that one of the witnesses before the banking and commerce committee ten years ago, dealing with this point, said: "It is a very good thing