

many countries, and it is my own conclusion, for what it may be worth, that so far as a country's own domestic currency is concerned, it is true that if we were on an isolated island and had no one to think of, except our own people, so far as currency is concerned we could use iron ringers. But as the loud applause by hon. members opposite in this house indicated the other day, we realize no man liveth unto himself, and no people can live entirely unto themselves. Therefore, the iron ringers have sometimes to go into other countries. And when they go into other countries, while they may not be in the form of iron ringers, but in the form of an oblong piece of paper containing the words "Dominion of Canada will pay to the bearer on demand" so much money, what does it mean? How will they pay it? If the answer is "I will give you another piece of paper," the reply is: "My confidence is not sufficiently strong for that, and although I like that country well, and like its people, I have got to have something more than that, because there are times in which nations have been known to repudiate their obligations." That is the reason that even those in this committee who are not capitalists—and I take it there are very few—if they desire to lend money they very often require an endorser on the back of the note. And if they go to borrow from a friend very frequently it is suggested that an endorser would not be out of place, and that guarantors might be of assistance. Sometimes they have been known to ask for the deposit of securities for the purpose of securing obligations. That is what is meant by the "plus" to confidence. The plus enables us to expect our paper money to be worth something more than its mere weight of paper in the markets of the world.

Mr. COOTE: In regard to obligations payable in Canada from one private person to another, if they are stated to be payable in gold, would dominion notes be legal tender for settlement of that obligation?

Mr. BENNETT: I am bound to say to the hon. member for Macleod that it is difficult for one to become an adviser on a doubtful question of law. I prefer not to express an opinion until the courts determine exactly what it does mean. This is a matter which has to be litigated by the courts? I am only a lawyer, not a judge, and therefore I am unable to speak with authority upon the point.

The hon. member for Stanstead (Mr. Hackett) has handed me a statute showing the change from 1886 to 1933:

The amount of dominion notes issued and outstanding at any time may, by order in council, founded on a report of the treasury board, be increased to, but shall not exceed twenty million dollars, by amounts not exceeding one million dollars at one time, and not exceeding four million dollars in any one year: Provided that the Minister of Finance and Receiver General shall always hold, for securing the redemption of such notes issued and outstanding, an amount in gold, or in gold and Canada securities guaranteed by the government of the United Kingdom, equal to not less than twenty-five per cent of the amount of such notes,—at least fifteen per cent of the total amount of such notes being so held in gold; and provided also, that the said minister shall always hold for the redemption of such notes an amount equal to the remaining seventy-five per cent of the total amount thereof, in dominion debentures issued by authority of parliament.

That was passed in 1880. So that between 1880 and 1933—or as a matter of fact the last amendment I think was made in 1927—you have a statement of the gradual change that has taken place in what I might call the necessity for adding to confidence something other than confidence.

Mr. MALCOLM: But the Prime Minister does not answer the question. I may have expressed myself badly, if so I am sorry. An interest bearing security which has no metal coverage, namely a bond, having nothing but the confidence of the holder of the bond in New York that we will fulfil our obligation, seems to be more valuable than that which has the metal coverage.

Mr. BENNETT: But the one is a promise to pay in gold at 100 cents on the dollar, the other has a metal coverage which amounts to about 40 cents on the dollar. That is exactly the reason. The reason our bonds sold in New York had to be expressed in terms of gold was just what the hon. gentleman has now drawn attention to. A dollar bill, which is a demand bond we will say, has behind it forty per cent of gold, but the promise of the bond is to pay the whole amount at maturity in gold coin of the current weight and fineness.

Mr. EULER: But the dollar bill is a promise to pay the whole dollar as well.

Mr. BENNETT: Yes, but the confidence in the one is in the good faith of the promisor to pay in terms of his promise.

Mr. EULER: In terms of New York funds.

Mr. BENNETT: And in the case of bonds you have the history and practice of centuries, which have given to them a value dependent upon what people regard as the general con-