

*By Mr. Copp:*

Q. You made the statement that you had to use \$60,000,000 of the Victory Loan to stabilize the market; what did you mean by that?—A. You know that once bonds are listed on the market and are put out, people sell them. For instance, they will come on in blocks of \$25,000, \$50,000, \$100,000, and be thrown on the exchange, and there may not be any buyers, and the result would be that if you did not sustain them they would sell down ten or twenty-five points, and then you are face to face with a market situation in which you might have to pay 6 per cent or  $6\frac{1}{2}$  per cent.

*By Mr. McLean:*

Q. The effect of your using that method was that it did not cost the Government one cent of money?—A. No.

Q. The bonds carry themselves, and they are now selling at 105?—A. Yes; that was successful because we nursed the market. We had to take \$60,000,000 of that to sustain the market. The point I am making is that if you put on hundreds of millions of dollars in addition to our financing with the Victory Loan we have that much more on the market.

Q. It was a very clever financing scheme?—A. Well, while I do not wish to speak about my own work, I might say that I considered that I was in the financial trenches during the war. I certainly had a problem.

*By the Chairman:*

Q. As regards the question of inflation, the further suggestion was made that if bonds could not be issued and distributed in that way, if the Government found they could not or should not do it, then we should create currency for the purpose?—A. Well, in my opinion that would probably be the worst thing that could be done to Canada at this stage. One of the gravest troubles in Europe to-day is the inflation of their currency. It accounts to a large extent for the adverse state of exchange in Europe, for the depreciation of the mark and the franc—the pouring out of the paper money. The United States had it during the Civil War, and it took them until 1879 to get back on a gold basis. All the nations that have been in this war should strive by every means in their power from this time forward to get back to the gold basis. There is only one country to-day that is on a gold basis, and that is the United States. We are not. Now, inflation of the currency at this time would, in my judgment, be the most ill-advised policy of which the Government could be culpable. Any financial man with sound views will, I think, sustain that. We got through the war with a considerable inflation of currency, but on nothing like the scale of European nations. The result of our policy has been practically a slight discount in the United States where they are on a gold basis. There is only one country in the world that is in as good a situation, or a better situation, than Canada, and that is the United States. We are the next, and largely because we did not inflate our currency. We faced the interest rates, we funded our debt, as far as we could, although it is a heavy one. It is true that we put out, especially to assist the British Government, a considerable amount of currency; but our currency situation at the end of the war is not a bad one, with \$300,000,000 odd, forty per cent of which is secured by gold and a considerable percentage by securities. But the effect of putting out a heavy volume of paper money in addition to that could only greatly damage our credit in the eyes of the world, would lead to the exchanges falling very sharply against us, and would discredit us among many financial men in the United States and in this country. It would have an immediate effect upon the cost of living, because your dollar goes down, and the further your dollar goes down, the more the price of your commodities goes up. The high cost of living in the world to-day is due, as I pointed out in the House, very largely to under production, and greatly increased consumption. But intimately connected with that is the question of inflation, not only of currency but of credit, and