extent that a country over-extends itself in the matter of credit, to that extent it is inflation, if you choose to call it so. If a country borrows more than it can pay it is getting itself into the same position as a country which does unduly inflate, there is no doubt about that.

Mr. EULER: I do not desire to embarrass the minister, but the point I am getting at is, why call the one inflation and not the other, when they are both obligations to pay? In the one case you issue currency, promises to pay by the government of Canada; in the other case you might issue short term treasury notes, which are also promises to pay. They are both obligations of the people of Canada; why is one inflation and the other not? Having issued bonds to the extent of $2,000,000,000 and more, if we issued another $1,000,000,000, and were able to sell the bonds, would that be inflation? If not, when would it become inflation?

Mr. RHODES: Mr. Chairman, I do not know that any good purpose can be served by following this discussion—

Mr. EULER: A lot of people would like to know.

Mr. RHODES: —even if I felt competent to pursue it with any degree of authority. For the purpose of this measure I am prepared to admit at once that my hon. friend may be quite right, but with all deference I submit it has no bearing.

Mr. MALCOLM: I quite agree with the minister that it has no direct bearing on the question whether or not the government is to be given authority to refuse to redeem our currency in gold. At the same time may I point out that there are in this house a great many members who are trying to remove the stage setting surrounding the whole monetary system and get at the naked truth of what it all means. Our currency is simply a promise to pay by the government, without interest, and it is not backed by gold to the extent of one hundred per cent but only to the extent of forty per cent, or one-fiftieth of an ounce per dollar in circulation. If a show-down were called for, we would get one-fiftieth of an ounce of gold for every Canadian dollar. And I quite agree that that is the orthodox ratio. As my hon. friend from North Waterloo puts it, the government could issue another $500,000,000 or $1,000,000,000 of securities if they could be marketed and New York would not consider that Canada had inflated, although the securities would cost the Canadian taxpayers millions of dollars a month in interest, and eventually would have to be redeemed as to principal in gold; whereas, if Canada wished to do some constructive work in the dominion, and the minister, under the Finance Act, issued currency on which he did not have to collect interest from the taxpayers, and which by statutory enactment he could redeem over a period of years, why that action should be considered inflation and our dollar should be discounted further in New York is a question which is worrying many hon. members here.

Now this bill provides that we give the government power to suspend the redemption of notes in gold. If the government does that, then our currency has nothing behind it except the promise to pay—the promise to pay in what? In another bill which likewise has no metal behind it. As my hon. friend from North Waterloo has said, a dollar bill is a promise to pay without interest while a bond is a promise to pay with interest; and so far as these bonds are redeemable in New York we must pay them in gold.

The minister is faced with the problem of taking out of business the taxes he needs; he has no other way of getting it. He has no resources which he can sell, because the resources of the dominion belong to the provinces. Every promise to pay which he has issued in New York or in Canada is predicated upon the ability of the business men of the country to pay taxes to him in the future. He can assess by business profits tax, by excise, by customs, by income tax and by sales tax, and these five cover practically the whole field of his taxation. Federal revenues depend on the success of business and must come from business in some form or other.

Suppose the minister wishes to construct a federal building to-morrow. It is perfectly legitimate and will not interfere with the standing of our credit in New York if he issues bonds and sells them. Supposing he puts up a $6,000,000 building this year and issues $6,000,000 worth of bonds at five per cent. He will need $600,000 a year of the taxpayers' money for twenty years to pay for the building.

An hon. MEMBER: $300,000.

Mr. MALCOLM: No, $600,000. He will spend $300,000 for principal and $300,000 for interest for twenty years. In other words, he must load Canadian business with $12,000,000 worth of taxes in the next twenty years to pay for the building. If he issued $6,000,000 worth of treasury notes redeemable through taxation by statutory enactment—I am not advocating inflation, far from it; nor am I advocating fiat money—if he issued $6,000,000 worth of treasury notes, and by statutory