

pay much attention to my advice, although I have been most disinterested in giving it to them. I told them when they established the Board of Commerce that they were stirring up a nest of hornets for themselves, but then that board had been called for by my hon. friend the member for Cape Breton North and Victoria (Mr. McKenzie). He takes peculiar pleasure in the fact that he was the joint parent or the grandfather of that particular board. He said, "We have been calling for this board in this House;" and the Government listened to the hon. member instead of to me, and so brought all that trouble upon themselves. I do not mention this for the sake of raking up ancient history, but I do want to warn them most seriously against listening to my hon. friend from Cape Breton (Mr. McKenzie) on this question of exchange. His remedy for the exchange situation would be to rub out about a billion dollars of our foreign trade. Well, that would remedy the trouble with a vengeance, no doubt, but it would be making a desert and calling it peace. I do not think there is another hon. member who would have the temerity to tender such advice. I hope not. However, I want to warn the Government not to take any immediate steps to rub out the whole of our commerce with the United States of America. And I issue that warning the more emphatically because I am very doubtful indeed if the exchange situation is at all connected with the so-called adverse balance of trade. During the whole of my natural life before the war Britain had a so-called adverse balance of trade. Year after year her imports exceeded her exports, while we used to say that the British sovereign spoke all languages—English credit was the highest in the world, as it will be again before we are very much older, in spite of that "so-called" adverse balance of trade. I borrow the phrase from Adam Smith, who did not believe in its being adverse at all.

With very great modesty I venture to assert my opinion that the exchange situation is the result of lowered credit in Canada as compared with the United States at the moment, and I have to go a little further and say that that lowering of credit has been the direct and immediate result of faulty action on the part of our Finance Department. Mr. Speaker, how does a man lower his credit? In the first place, he lowers it if he does not make enough income; in the second place, he lowers it still further if, in spite of not making enough income, he goes on spending; and the result of the two

[Mr. M. Clark.]

processes will be that he falls into the hands of the money lenders—and when a man takes those three courses his credit will become very bad and his exchange will be bad also. That is precisely the history of the Finance Department of this country since the beginning of the war. I have strong personal grounds for pressing these matters upon my hon. friend who now holds that portfolio (Sir Henry Drayton). It is not yesterday that I began to express these views. I told his predecessor in office that if I were in his shoes in the war session of August, 1914, I would then and there put on an income tax and graduate it up to a very large degree on the large incomes. The Government did that, but they waited until 1917 to do it, and during the years in which they did not do it they spent with a lavish hand,—as, of course, they were compelled to do in the war although there was a great deal of expense that they might have saved—they spent with a lavish hand, and they borrowed what they spent. When my hon. friend who held lately the portfolio of Finance (Sir Thomas White) introduced his loan of \$70,000,000 from the United States, I took occasion to express my views to this House—and my hon. friend confirmed my teaching; he agreed with me. I said that I did not oppose the loan; we could not. If the Government had not the courage to put on direct taxation to get the money with which to prosecute the war, we had to get it from somewhere; the war had to be won. I took the opportunity of pointing out to the House and to the country what we were doing in borrowing that money. I pointed out that we were building up American industry, as the whole of that borrowed money would come from the United States in the shape of goods; and my hon. friend the then Minister of Finance agreed that that was so. So that the Government, by pursuing this course, have been largely instrumental in producing the exchange situation which we have to deal with to-day.

Inflated currency, borrowing, squandering, are not new things in this world, and they were never practiced by Governments without bringing financial ruin upon the country, or some approach to it. Mr. Lloyd

George recently called attention
3.55 p.m. to the fact that the French revolution was perhaps brought about more by the financial condition of France than by any other single circumstance. Of course the causes were complex, but when Mr. Lloyd George expresses an opinion of that sort, he is well, I think, within the historic facts. One remembers